



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

43rd PARLIAMENT, 1st SESSION

Standing Committee on International Trade

EVIDENCE

NUMBER 016

Thursday, July 9, 2020

Chair: The Honourable Judy A. Sgro



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• (1320)

[English]

The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)): I call to order meeting number 16 of the Standing Committee on International Trade.

The committee is meeting today pursuant to Standing Order 108(2) to discuss the impact of COVID-19 on Canadian international trade relationships, especially with the United States and the United Kingdom.

Today's meeting is taking place in person, and the proceedings will be made available via the House of Commons website. This meeting is being televised.

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

Occupational health and safety have requested that we limit our movement in the room and wear a mask unless seated. Floor markings indicate the path of travel for all people in the room. Individuals should respect physical distancing and remain two metres from one another, particularly when unmasked. Seats and microphones have been placed in a manner that respects physical distancing, and therefore we ask that they remain in the same location.

To minimize health risks, you will note that limited personnel has been permitted to attend today. Staff have received a phone number where they can also listen in to the proceedings in real time.

Please note that we will suspend in between panels in order to allow the first group of witnesses to disconnect and the next panel to join the meeting. You will also note that we have no paper documents to be distributed. All documents have been distributed electronically to all members. Should you require a copy of a document, please advise the clerk of the committee by emailing the committee, and that will be provided.

Our first group of witnesses today is from Global Affairs Canada. With us we have Steve Verheul, somebody who's been seen with our committee many times. He is the assistant deputy minister of trade policy and negotiations, and chief trade negotiator of the Canada-United States-Mexico Agreement. As well, we have Eric Walsh, director general, North America bureau; and Robert Fry, director general, bureau of European affairs.

Welcome to all of the committee members, and welcome especially to our witnesses. Thank you for making time to appear before the committee today.

Mr. Verheul, I'll turn it over to you.

Mr. Steve Verheul (Assistant Deputy Minister, Trade Policy and Negotiations and Chief Trade Negotiator of the Canada-United States-Mexico Agreement, Department of Foreign Affairs, Trade and Development): Thank you very much, Madam Chair and members of the committee.

We are certainly pleased to be here today to discuss the impact of COVID-19 on Canada's trade relationships, particularly with regard to the United States and United Kingdom. I will open with some brief remarks. Then we will look forward to taking your questions.

Canada is a trading nation. With the world's tenth-largest economy, trade is the backbone of our economy. In fact, about two-thirds of our GDP comes from trade. Nearly 3.5 million Canadian jobs are trade related. The COVID-19 pandemic has placed global supply chains under significant pressure. It has shown us that overreliance on a single country or supplier is a critical risk for businesses and governments. A number of countries have taken measures to restrict exports and to encourage more domestic production, in particular for essential goods.

From our perspective, Canada cannot meet its needs simply by producing more at home. Our best risk mitigation strategy involves securing and reinforcing Canada's integration into global supply chains and working to better leverage our preferential trade agreements—for example, CUSMA in North America, CETA in Europe and CPTPP in Asia-Pacific. We must continue to enhance Canada's reputation as a source for high-quality and dependable exports and also maintain an attractive investment environment, with appropriate screening mechanisms.

COVID-19 presents significant challenges but also opportunities for export promotion. Canada's trade commissioner service will continue to assist Canadian businesses in navigating these unprecedented circumstances. This includes troubleshooting with Canadian companies experiencing supply chain disruptions, supporting priority sectors for pandemic response and building out contact-free service models.

Using existing mechanisms, including international organizations, Canada has moved quickly to work with like-minded countries to take actions that seek to stabilize trade and lessen uncertainty. Throughout this pandemic, we have continued to advocate against protectionism and ensure that transit of cargo and essential goods is not unnecessarily impeded. However, in response to the pandemic, as mentioned, many countries have put in place export restrictions designed to ensure adequate domestic supply of goods. We will continue to advocate for dismantling such measures to minimize disruptions to global supply chains. In light of our new global reality, Canada will need to respond to changing dynamics while continuing to diversify our trade relationships, seek predictable markets for our exporters, and strengthen the rules-based system. We will continue to work with our international partners to support resilient supply chains and strong trade relationships now and into the future.

With respect to the World Trade Organization, as a medium-sized economy Canada benefits from an open, transparent and rules-based multilateral trading system. Stable and predictable global trade rules help open up new markets for Canadians and create new opportunities at home and abroad. At the core of the multilateral trading system is the World Trade Organization. The WTO has played an indispensable role in facilitating and safeguarding rules-based international trade and delivering economic gains for Canadians.

Canada is at the forefront of WTO reform through its leadership of the Ottawa Group, a group of 13 like-minded WTO member countries initially convened by Canada in October 2018, committed to strengthening and modernizing the WTO. The Ottawa Group is continuing to work toward meaningful reforms, with efforts that complement other reform initiatives undertaken by the broader WTO membership. Canada has also worked closely with partners in the Ottawa Group on WTO reform and COVID-19, engaging in discussion on the role the WTO can play in keeping supply chains open and ensuring sustainable and inclusive recovery. In fact, on June 15 Minister Ng chaired a virtual meeting of Ottawa Group ministers, which resulted in the endorsement of a joint statement identifying concrete action items in the areas of transparency at the WTO, agriculture, e-commerce, trade in medical supplies and business engagement in response to COVID-19.

- (1325)

With respect to the United States, Canada and the United States are each other's most important trading partners. Canada is working very closely with the U.S. on this crisis, including by putting in place co-operative border measures. The United States and Canada also share supply chains for essential medical equipment such as gloves, ventilators, testing kits and masks. Canada continues to work with U.S. partners to ensure that needed supplies are available to us, and to reassure Americans that what they need from Canada will also be available to them. The U.S.-Canada trade relationship is balanced, fair and supports growth and innovation in both of our countries.

On July 1, as you are aware, the Canada-United States-Mexico Agreement, or the new NAFTA, entered into force. The new agreement modernizes the North American economic partnership for 21st century trade, reduces red tape at the border and provides en-

hanced predictability and stability for workers and businesses. Most importantly, the new NAFTA preserves Canada's tariff-free access to the United States and to Mexico.

Reinforcing our strong economic relationships with the U.S. and Mexico is important for the continued integration of the North American production platform and for Canada's economic prosperity, particularly in the context of post-pandemic economic recovery.

The commercial relationship is large and complex, and we will continue to work with our North American partners while always advocating for Canadian interests. That includes with respect to recent reports suggesting that the United States may be considering reimposing section 232 tariffs on Canadian aluminum. Ensuring continued free and open trade between Canada and the U.S. is essential to both countries' economic prosperity and the continued integration of the North American production platform. The reimposition of section 232 tariffs would undermine the implementation of the new agreement. The government has been consistent in its commitment to protect Canadian workers and companies from such unfair and unjust tariffs.

With respect to the United Kingdom, Canada and the U.K. enjoy a unique historical relationship founded on deep people-to-people ties, common values and vibrant economic relations. This relationship is bolstered by collaboration on key global issues, including at multilateral forums. Canada and the U.K. enjoy a long-standing, strong trade and investment relationship. The U.K. is Canada's most important commercial partner in Europe and our fifth largest globally.

At this time, the Canada-European Union Comprehensive Economic and Trade Agreement, CETA, continues to apply to the U.K. while the latter remains in a post-Brexit transition period with the EU. The U.K. and EU are currently engaged in the negotiation of their future trade relationship. Any future trade arrangement between Canada and the U.K. would be influenced by the terms of the agreement between the U.K. and the EU, as well as any unilateral U.K. approaches for the period after the transition period. This includes the recently announced U.K. global tariff. Whatever the outcome of Brexit, the U.K. will remain a significant market for Canadian companies. Canada and the U.K. were staunch allies long before the U.K. joined the EU. Our strong relationship will continue long after it has left the EU.

Canadian and U.K. trade officials are in contact to prepare for our post-transition trade relationship. Beyond the transition, Canada would be interested in discussing a new agreement that is more tailored to our bilateral trade relationship and that would be of mutual benefit to stakeholders on both sides.

I would also like to note the U.K.'s recently expressed interest in joining the CPTPP. We look forward to welcoming new members that are able to meet the CPTPP's ambitious and high-standard commitments.

• (1330)

In conclusion, Madam Chair, we recognize that stable and dependable access to international markets is key for Canadian firms, and we are well aware of the pressures this pandemic has put on global supply chains. We are committed to continuing to work with our international partners to support the free flow of goods and services, and predictable and stable markets for Canadian businesses.

Thank you. We would be happy to take your questions from here.

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

On to questioning by the committee, it's Mr. Hoback for five minutes.

Mr. Randy Hoback (Prince Albert, CPC): Thank you, Chair. Five minutes just doesn't seem long enough.

Mr. Verheul, again, thank you for your service and the time you put into developing some of the agreements that Canada has in place right now. There is a little confusion around one of the concerns that I have, so maybe you can clarify it.

When we settled our dispute with the U.S. on aluminum steel tariff, in the letter of settlement, in paragraph 5 of the statement, it stated:

...aluminum or steel products surge meaningfully beyond historic volumes of trade over a period of time, with consideration of market share, the importing country may request consultations with the exporting country. After such consultations, the importing party may impose duties of 25 percent for steel and 10 percent for aluminum in respect to the individual product(s) where the surge took place.... If the importing party takes such action, the exporting country agrees to retaliate only in the affected sector (i.e., aluminum and aluminum-containing products or steel).

Does this now cross over into the CUSMA agreement or not? What options would you have to retaliate if we did see a tariff on aluminum? I don't want you to give the details, but what toolbox would you would have to retaliate with?

Mr. Steve Verheul: First of all, the understanding or statement that was issued back in May 2019 clearly indicated that the tariffs the U.S. was imposing would be removed. Also, as you mentioned, it talked about the kinds of options we would have in terms of a response.

The response clearly says that we would be able to retaliate in the case of aluminum and aluminum-containing products. "Aluminum-containing products" is a fairly broad category, but I think that at this point we really have to see what exactly the U.S. may do if it takes any action. Then we would evaluate the options and provide analysis to the political level to determine which course of action they may wish to follow.

Mr. Randy Hoback: I'm just trying to read through that. So it does carry through into CUSMA. Basically, if you wanted to put a tariff on, say, Kentucky Bourbon, or something like that, it would not be an option in your toolbox at this point in time?

Mr. Steve Verheul: Just to be clear, this is not a part of the CUSMA agreement. It's not part of the obligations contained in the for-

mal international treaty that we've agreed to with the U.S. and Mexico. This does mean there is a certain amount of flexibility with respect to the particular statement that was issued back in May of 2019.

From our perspective, I think it really depends on what kind of action the U.S. takes. If the U.S. were to take some kind of action that was viewed as being consistent with that statement, I think we would have to think about what kind of reaction we would have. We would likely want to stay within the context of that understanding, recognizing that "aluminum-containing products", for example, is a broad category.

If the U.S. acts outside of the constraints of that agreement or statement that was made back in May of 2019, I think we would certainly have more flexibility in how we might want to respond.

• (1335)

Mr. Randy Hoback: Again, the last time this happened, we took it to the WTO. We put in a claim and reported it there. How would we do that this time when the WTO is in such disarray?

Mr. Steve Verheul: I think that would remain an option for us. We have consistently objected to the notion that the U.S. was taking these kinds of actions for national security reasons, which we have very significant concerns about given that we don't consider ourselves as posing a national security threat to the U.S.

There have been many challenges at the WTO and various others already with respect to the U.S. application of these tariffs, both on aluminum and on steel. Although the WTO appellate body is facing some challenges, we have worked with other members of the WTO to develop an alternative mechanism that allows the possibility of pursuing appeals, so I don't think I would rule out any potential WTO action that may be—

Mr. Randy Hoback: Again, though, it's the same problem. If you go to the WTO and the U.S. is not part of that process, which, going forward, seems to be the way they're leaning more and more, how do you enforce it? Yes, you've won at the WTO and other countries agree with you that this is outrageous—and I think it's wrong what they're trying to do here—but what are our options? If you look back to our CUSMA agreement, if we are restricted only to sector-to-sector retaliation, boy, we're really handcuffed here. How do we move forward?

Under country-of-origin labelling in the beef sector, for example, we were able to go to grape growers in California and apple growers in Washington state and put pressure on those districts to get the political pressure in Washington and get the result we needed for our beef producers. It looks to me like we can't do that anymore. Is that fair to say?

Mr. Steve Verheul: No. I think we have options on both paths. We have options in terms of how we might respond on a bilateral basis, because, as I mentioned, the statement itself says “aluminum-containing products”. That’s a very broad category. Many products are packaged in aluminum-containing packaging material, for example. There are a number of areas we could explore on that front, and we do still have the WTO as an avenue to pursue.

We have seen decisions at the WTO that have been favourable to some countries that have challenged the U.S. national security tariffs on steel and aluminum—Turkey, most recently—so we would also have options of pursuing initiatives at the WTO and options to pursue initiatives in U.S. courts. We are looking at all of the different avenues that we might be able to pursue.

Mr. Randy Hoback: I’m out of time, right?

The Chair: Your time is up.

Mr. Randy Hoback: Thank you, Mr. Verheul.

The Chair: Ms. Bendayan, please, for five minutes.

[*Translation*]

Ms. Rachel Bendayan (Outremont, Lib.): Thank you very much, Madam Chair.

Thank you for joining us today, Mr. Verheul.

As a member from Quebec, I am very concerned about the situation. We are hearing that tariffs on aluminum and steel are a possibility. As far as the aluminum industry is concerned, in Quebec, the producers and the manufacturing industry would be affected, as well as consumers, of course. What about the United States? It seems to me that such duties would have negative effects on their economy.

[*English*]

Mr. Steve Verheul: Well, on what we’re seeing in the U.S., I think, our focus at the moment is really on advocacy in the U.S. at this point in time; in other words, to try to prevent the U.S. reimposing tariffs on aluminum. We have some fairly strong allies in the U.S. who oppose the imposition of these tariffs, so we have been working with those interests. There has been extensive work done with U.S. members of Congress, particularly out of our embassy in Washington.

I think it’s important to note when we look at the U.S. situation that there are two companies that are pressing for these tariffs to be reimposed. The Aluminum Association of the U.S., which represents by far the majority of U.S. aluminum interests, is opposed to tariffs being applied to Canada. Many users of aluminum in the U.S.—beer companies, auto manufacturers, various others—are opposed to having tariffs applied against Canada. General business organizations, including the U.S. Chamber of Commerce, are opposed to tariffs being applied against imports from Canada.

This is a question of a couple of companies that are putting pressure on the U.S. to take action, but the vast majority, I think, of the aluminum industry in the U.S. recognizes that this will likely hurt the U.S. interests more than it will hurt Canadian interests. We’re doing as much as we can on the advocacy side to try to explain this, and to try to explain that there has been no surge in aluminum ex-

ports to the U.S. That’s the approach we’ve been taking up until now.

• (1340)

Ms. Rachel Bendayan: If I could switch for a moment to the situation involving our negotiations with the United Kingdom, you mentioned that we are of course looking very carefully at the negotiations between the U.K. and the EU and also that this would have an impact on our own negotiations. I wonder if you could you expand on that and on how we can position ourselves to be in the best possible negotiating position by monitoring those negotiations.

Mr. Steve Verheul: Certainly, we are working closely now with U.K. officials to start to talk about how we can come up with a trading relationship that would govern our bilateral trade going forward. We already have the CETA in place, and it will remain in place until such time as the U.K. leaves the European Union. We’re trying to position ourselves to make sure that we have an agreement, an understanding, in place that will deal with that possible event.

Our challenge in moving forward to complete this is that we don’t know some of the parameters of what the U.K. is intending to do. We don’t know whether they will have an agreement with the EU, although the signs are not positive at the moment. That’s one issue I think will have a bearing on what we can do. We know they’re negotiating with various other partners, most prominently the U.S. We don’t know what will happen on that front. In particular, we don’t know how the U.K. will react if they do not have these agreements in place after the transition period expires. If they are to return to the kind of approach to tariffs that would be applied against the rest of the world, as they did last March, I think, then there would be little advantage to our having an agreement with the U.K. if access is going to be largely open.

We’re having to monitor various uncertainties here, but we’re keeping a very close dialogue with the U.K. We want to replicate the agreement that we have with the EU broadly, the CETA, as much as possible, but we would also like to have something more tailored to the Canada-U.K. relationship. That’s the direction we’re trying to work right now.

The Chair: Mr. Savard-Tremblay.

[*Translation*]

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

Hello to all my colleagues. I’m happy to see you in person after all these months of distancing and virtual House sittings, not to mention all the technical difficulties we’ve had as a result.

Mr. Verheul, thank you for joining us. First, I would like you to tell me whether my perception of the situation is correct. Primary aluminum producers in the United States have been waving the red flag for a long time. They have been saying loud and clear, rightly or wrongly, that there is a serious problem and that unfair practices are occurring. In this case, however, I really do not understand where it’s coming from.

We're being criticized for increasing our exports, but if you look at the situation, you see that, since this Parliament began, there have been two crises where the railways were blocked and delays piled up. I think our aluminum producers merely decided to deliver the aluminum that was late. It seems to me it's as simple as that. I don't think there is any basis for the U.S.'s claim, as proven by the fact that primary aluminum producers in the U.S. could have taken the normal route and sought a bailout, but they didn't.

Doesn't that show this is a tempest in a teapot?

Have we lost Mr. Verheul?

• (1345)

[*English*]

Mr. Steve Verheul: I'm here. Sorry, I missed part of the last portion of the question.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: U.S. primary aluminum producers could have taken the normal route if they had been truly wronged, but they didn't.

Isn't that a sign that there's nothing to this?

[*English*]

Mr. Steve Verheul: Well, yes. Over the past number of months, in particular since all of us have been dealing with the COVID-19 crisis, we have seen some developments in our trade in aluminum with the U.S. We've seen patterns that we expected to see and that we have seen during previous economic pressures, particularly the 2008-09 financial crisis.

We agreed with the U.S. to look at unwrought aluminum, which is a product category. That's what we indicated we should look at, consistent with that agreement. What the U.S. has done is looked at unwrought non-alloyed aluminum, not unwrought alloyed aluminum.

In any kind of economic downturn or crisis where demand starts to dry up, the traditional approach is that aluminum producers, not just in Canada but also in the U.S., will shift much of their production from alloyed aluminum to non-alloyed aluminum. If you look at the stats in more detail, you can see that there has been somewhat of an increase in non-alloyed aluminum and a decrease in exports of alloyed aluminum. If you consider those two and look at unwrought aluminum, which includes both of those categories overall, there is no increase and no surge. We see no justification for the U.S. to be contemplating this kind of action, because we have had no surge. In this situation, the aluminum sector has simply made some adjustments, as aluminum industries in the U.S. have done, to accommodate the market demands during this particular period.

We do anticipate that things will return to normal as markets start to reopen, but we feel that the U.S. allegation that aluminum exports from Canada have surged is fundamentally wrong. It does not reflect the stats and does not reflect the commitment we made to look at this on a product basis.

The Chair: We'll now go to Ms. Mathysen.

Ms. Lindsay Mathysen (London—Fanshawe, NDP): Thank you for attending virtually today, Mr. Verheul.

With regard to the negotiations on steel and aluminum, and now on aluminum tariffs, you said that we have allies. We have proof that Canada isn't a national security threat, and we are working to negotiate. However, we did this before and it didn't seem to matter then, given the outcome with the Trump administration. The U.S. moved ahead as they wished, much to the detriment of Canadian industries.

Despite that reaction, you seem to be saying that we'll be doing the same thing. Shouldn't we expect the same outcome? What specifically are you doing differently to ensure that doesn't happen?

• (1350)

Mr. Steve Verheul: We do have the benefit of the experience we had the last we confronted this, but I think there are some differences with respect to what we're facing now.

The bottom line in all of this is that the U.S. cannot meet its domestic demand with its own domestic production. The U.S. produces less than two million tonnes on an annual basis but consumes more than five million tonnes, so it simply does not produce enough domestically to satisfy its domestic market. That means they have to import. We have been, we would argue, the most reliable, the most long-term and the most consistent supplier of aluminum to the U.S. for dozens and dozens of years.

If the U.S. were to consider imposing this additional tariff on exports of Canadian aluminum to the U.S., that would obviously put a further penalty on our exports to the U.S. At the same time, it would mean that in the context of what they say is a national security investigation, with a national security rationale for imposing these tariffs, the impact would be that our exports to the U.S. of aluminum would face competition, primarily from Russia and China. Russia and China would gain a greater market share in the U.S. of aluminum at the expense of Canadian exports.

We have a hard time understanding how that relates to national security considerations, given the kinds of exports we have been providing on a consistent basis. Since, as I mentioned, the U.S. does need to import aluminum because of their insufficient domestic production, we feel that the kind of action they're contemplating is entirely unjustified.

Ms. Lindsay Mathysen: I think there's no doubt that we all find it difficult to believe we would follow the same path, but here we are along the same path. It brings me back to the reality that, while we were negotiating with the United States on the new NAFTA, we had particular leverage. Although trade negotiators were consistently saying these are two separate issues, at the time when these tariffs were going forward we had leverage. Now we don't have that leverage.

Perhaps you could explain why we gave up that leverage, why during those negotiations Canada agreed to allowing those two side letters in the first place. How do we move out of that? How do we continue to look for that leverage outside of an administration in the U.S. that doesn't seem to understand that what they're doing is actually harming them?

Mr. Steve Verheul: With respect to the side letters we agreed to with the U.S. on the removal of the aluminum and steel tariffs, they were actually statements; they weren't even side letters, so they are not part of the formal legal agreement we have reached with the U.S. on the new NAFTA. That means they do not have the same kind of legal standing that any measures that are inside the agreement will have.

We will have to look at what action, if any, the U.S. takes against us with respect to aluminum, and we will have to determine whether that is consistent with the statements we made on the lifting of the aluminum and steel tariffs, but we'll also have to look at whether it goes beyond that. There will be an assessment of that as we move forward.

Our conclusion is that, at the end of the day, as you mentioned, if the U.S. were to impose these tariffs on aluminum coming from Canada, the impact on users, manufacturers and business prospects generally would be felt more on the U.S. side than on the Canadian side. We don't think it's a wise policy decision to move in this direction, if they're to do that, but obviously we have a lot of concern that, particularly in the context of trying to recover our economies, in the context of COVID-19, this is entirely the wrong direction to be considering.

• (1355)

The Chair: We'll go on to Mr. Carrie for four minutes.

Mr. Colin Carrie (Oshawa, CPC): It's not a lot of time.

Thank you very much to the witnesses for being here.

It's great to see colleagues.

I wanted to talk a little bit about the economic impact. I know that with the original CUSMA we begged and pleaded to get these economic impact studies. The Prime Minister didn't make them available until after the deal was done. One of the disturbing things I saw in them was on page 61. It basically said that automotive would be taking a \$1.5-billion hit compared to the old NAFTA.

Mr. Verheul, you said in your opening statement that it's so important that Canada maintain its ability to be "an attractive investment environment". Two-thirds of our income comes from trade, and 3.5 million jobs come from trade. I'm really concerned about the uncertainty we have on the implementation of CUSMA and the effects of COVID on the supply chains.

I'm not an MP from Quebec, but I think everybody knows that the federal government sole-sourced and ordered two jets from Bombardier Aerospace recently. Immediately after CUSMA came into effect, Bombardier Recreational Products announced they'll be opening a brand new plant. But, Steve, it's not in Canada; it's in Mexico. They're investing \$185 million and creating up to 1,000 jobs, but not in Canada, not in Quebec. It's in Mexico.

I was wondering what the Liberal government has done and what kinds of resources it has given you, as we move through this implementation, to make sure that the message gets out that Canada is an attractive place to do business. What have they done to decrease the uncertainty with these supply chains? With any new investment, manufacturers are going to be looking at how they're going to get these products back and forth across the border. What has the government asked you to do immediately, as CUSMA is coming into effect, to allow that to happen?

Mr. Steve Verheul: With respect to implementation, I think we have been doing a lot of work, a lot of consultation, with industry moving forward to ensure that the change from the existing NAFTA to the new NAFTA, or CUSMA, can happen as smoothly as possible. However, I think probably even more importantly, we have been looking at a number of steps to take to ensure that companies in Canada understand how they can take advantage of the changes under the new agreement, and how we can ensure that we can strengthen our position with respect to the economic relationship between Canada and the U.S., and Mexico as well. A lot of our work through the trade commissioner service has been dedicated to trying to help those companies reach those kinds of achievements.

I want to turn briefly to my colleague Eric Walsh, who is responsible for U.S. trade relations; he might want to add a few comments.

Mr. Colin Carrie: Just before that, Mr. Walsh, I know many companies wanted CUSMA to come into force after January 1, 2021, because of COVID and other factors. What does that delay...? How is having CUSMA implemented now affecting the automotive companies? What's it doing to their certainty levels? Again, I don't want to see this bleed continue in the automotive and manufacturing sector where they think it's better to build in the United States or Mexico because they don't have these issues about supply chains, etc.

• (1400)

The Chair: Give a brief answer, please. You have about 12 seconds.

Mr. Steve Verheul: That was clearly a strong concern of ours, when the U.S. was pressing to have the agreement come into effect sooner rather than later. We know that companies across Canada are facing enough challenges dealing with COVID-19. We were, at least initially, reluctant to have them have to adapt to new rules under the new agreement, so we've been working closely with them to try to make sure this process is as smooth as possible.

In particular with respect to the auto sector, there are a number of provisions that allow for gradual implementation, with a number of flexibilities in recognition of the challenges we're facing now. We have various flexibilities that would delay the coming into force of some of these elements.

The Chair: Thank you very much.

Mr. Sarai.

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

Thank you, Mr. Verheul.

As the member of Parliament for Surrey Centre, along with my colleague, the member of Parliament for Surrey-Newton, I know that Surrey is a big trading hub, whether it's ports or borders. Logistics companies have headquarters here and have a huge impact on our local economy.

I first want to thank you for having concluded CUSMA prior to the pandemic and having it ratified. I think it would be a much more difficult task with protectionist views heightened during a pandemic, so we are fortunate to have it in place. However, due to the pandemic, we've still had over one-third drop in trade between the two countries. I think it's roughly 35% respectively either way, along with toughening the borders in terms of crossing times and limited border crossings.

How difficult do you think it will be to restart supply chains and restart that trade generator that we were before? Would CUSMA be beneficial in that, considering the problems the U.S. is having, particularly with some of its Asian partners?

Mr. Steve Verheul: I think we are certainly doing a lot of work to determine how quickly we can move back to as close to normal as we can get in terms of the trading relationships. I think the impact that you cited with respect to the trade going back and forth... Those numbers are higher than the ones I have seen. I think we have been managing to maintain supply chains, by and large, particularly with the U.S. and with Mexico going forward.

I think there will probably be further pressure on us to narrow the supply chains to some degree—in other words, putting more pressure on North America as a supply chain in itself—and the relationship with the rest of the world will depend on us making efforts to maintain those supply chains as well.

I'd like to see if Eric Walsh has something further to add on this supply chain issue. He's been working on these issues more closely than I have.

Mr. Eric Walsh (Director General, North America Bureau, Department of Foreign Affairs, Trade and Development): Yes, I'm happy to jump in. Thank you for inviting me here today.

I think we can say that both Canada and the U.S. are very close partners and part of these complex, integrated, reciprocal supply chains that go both ways across the border, and it's in both of our interests to allow these supplies and people to continue crossing the border.

We've seen this with the situation with PPE, personal protective equipment, and all the related COVID materials. We had difficulty accessing inputs and raw materials, and that's really slowed down production. Logistics has been another factor in the supply chain disruptions, so reinforcing our strong relationships with the U.S., as well as Mexico, is really important to Canada's ongoing prosperity. The integration of the North American production platform, especially in the context of the COVID-19 pandemic, is equally important.

Mr. Randeep Sarai: The first thing businesses in our neck of the woods will ask is how a Canada-U.K. trade deal would benefit them. If we are past the exit for Great Britain by the end of the year, what would a new trade deal look like for Canadian businesses?

• (1405)

Mr. Steve Verheul: When we are talking about the U.K.... Well, I will start and Robert Fry might want to weigh in as well.

The Chair: It has to be a very brief answer.

Mr. Steve Verheul: Okay. I think that with the U.K. we've had the benefit of CETA, the agreement that we've had with the European Union and the U.K. now for a number of years. We would look to translate that into a bilateral agreement, and a large proportion of that work has already been done. We would have some elements that we would want to tailor specifically to the Canada-U.K. relationship, but, by and large, in that negotiation we have a considerable head start over other countries, because we have an existing trade agreement that applies currently between Canada and the U.K.

The Chair: Thank you very much.

We'll go to Mr. Kram for four minutes.

Mr. Michael Kram (Regina—Wascana, CPC): Thank you very much to all members of the panel for joining us today. It's good to see that we're keeping well during these challenging times.

As I'm sure you're aware, pipelines are a major issue for southern Saskatchewan, for two reasons. First of all, because Saskatchewan has a lot of oil and natural gas, we want to extract and export to the rest of the world, and second, because many of the pipelines themselves are manufactured by Evraz steel just outside of Regina. As we come out of this pandemic, I would love nothing more than to see good, high-paying jobs created in both the resource sector and the steel manufacturing sector, both in Saskatchewan and across the country.

The website of Global Affairs Canada states that one of its priorities is to “deepen engagement with the U.S...on key areas such as...energy”. My question to the panel is this: How is the Government of Canada meeting this goal with regard to the Keystone XL pipeline and making sure that construction of that pipeline continues on both the Canadian and the American sides of the border?

Mr. Steve Verheul: I would like to turn to Eric Walsh to respond to that question.

Mr. Eric Walsh: Sure, I'm happy to do that.

As you know, Canada is the leading, most secure, reliable, sustainable and competitive supplier of energy to the United States, and that includes crude oil and refined petroleum products, natural gas, electricity, hydro power and uranium. In our fight against climate change, we are taking action to move to a more carbon-free economy, but every projection indicates that economies will need significant quantities of fossil fuels up to 2040.

Canada strongly supports the completion of new and expanded cross-border energy infrastructure, and that includes Keystone XL, which the member mentioned, as well as Line 3 replacement and Line 5 projects. We believe this will benefit both Canada and the U.S., and we are working closely with provinces and other Canadian stakeholders on these projects.

Mr. Michael Kram: In a similar vein, what is the Government of Canada doing to make sure that Enbridge's Line 5 pipeline continues to remain in operation?

Mr. Eric Walsh: Yes, it's one of the lines I mentioned. It's very important to us. We are engaging with partners in the U.S., both at the state and federal levels, as well as regulators to try to ensure that it continues to be the case.

Mr. Michael Kram: That's very good.

I would like to change gears and bring up the Canada-U.K. free trade agreement.

Last February, Minister Freeland wrote a letter to the NDP member of this committee, Daniel Blaikie, stating that she intends to inform the House of Canada's intent to enter into free trade negotiations 90 days before they begin. When can we expect the House to be given the 90-day notification with respect to a Canada-U.K. free trade agreement?

Mr. Steve Verheul: In this case, I think we have been discussing trade relations with the U.K. for some period of time. In fact, this probably goes back to when they initially indicated they were intending to withdraw from the European Union. We've been having ongoing discussions. We came very close to reaching an agreement with them early last year, when they put forward their plans with respect to the MFN tariff.

I can tell you that Canada will clearly abide by the commitments made under that understanding, and we'll move forward on that basis.

• (1410)

Mr. Michael Kram: And along—

The Chair: Make it very short, Mr. Kram.

Mr. Michael Kram: Okay.

That same letter also indicated that the objectives of the negotiations would be tabled 30 days in advance. Have you or your department begun to write this document outlining Canada's objectives for a Canada-U.K. free trade agreement?

Mr. Steve Verheul: Our objectives for a Canada-U.K. agreement are very clear. We have not set them out in a formal document as of yet, but that is something that could clearly be done very quickly.

The Chair: Thank you very much.

Mr. Dhaliwal.

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

Thank you to all of my friends. Welcome back to Ottawa.

Mr. Verheul, both Randeep and I come from British Columbia, so we are fully aware of the impact of the ongoing softwood lumber dispute with the United States. Right now, Canadian parties still have pending WTO and NAFTA challenges to the Department of Commerce's underlying countervailing and anti-dumping duties. Could you tell us how the ratification of CUSMA will impact these challenges? Overall, can you give us some context with regard to how the new agreement might work to de-escalate the ongoing dispute between the U.S. and Canada?

Mr. Steve Verheul: As you well know, we've had a long-standing irritant with the U.S. with respect to softwood lumber. Given the most recent actions they've taken to reimpose tariffs, both anti-dumping and countervailing duty tariffs, against our softwood lumber producers, we have been challenging those measures under NAFTA and at the WTO. We have met with a number of successes in those efforts. We had been hoping that those kinds of successes would bring the U.S. back to the negotiating table so that we could resolve this for the longer term, but we have not seen a willingness on the U.S. side to advance that.

With respect to the new CUSMA, I think it's important to remember that any kind of softwood agreement is outside of that agreement. It was not envisioned by that agreement, nor was it envisioned by NAFTA. When we have the U.S. pursuing anti-dumping and countervailing duty actions against our softwood lumber producers, they have a legitimate right to do that under the trade remedy provisions of both NAFTA and CUSMA. We have the right to challenge those. In most cases, we've successfully challenged those measures, but the decision to try to negotiate something out requires agreement on the side of both parties.

We are ready to go to the negotiating table at any point in time to resolve this issue. We think it causes damages on both sides of the border. It increases costs, particularly in housing in the U.S., and is totally illegitimate in terms of the application. We're ready to go back to the negotiating table at any point in time. However, we have not yet seen any willingness on the U.S. side to do that.

Mr. Sukh Dhaliwal: The COVID-19 pandemic has shown us how fragile the global supply chain can be and how that can impact Canada. With regard to manufacturing, can you explain how the new CUSMA might help bring in some of the manufacturing jobs that left Canada over the past few decades?

Mr. Steve Verheul: Aside from the kinds of modernization gains we made in the new NAFTA, particularly with respect to goods moving more easily back and forth across the border, the emphasis is on regulatory reform and on making all of these processes more modern and more simplistic.

Going forward, we think there will be a greater emphasis on supply chains operating within North America, and that is the direction we're looking at. When we take a sector like auto, for example, there are stronger rules of origin requirements, so that the parts, the products and the assembly of the automobiles have to be done on the basis of predominantly North American parts and North American inputs.

We have this situation with respect to other products as well, so I think we will see more of an emphasis on production within the North American region than we've seen in the past. We certainly expect that, as a result, more jobs in these areas will come back to North America and back to Canada. That was a major objective in the negotiations.

• (1415)

The Chair: Thank you to our witnesses for the very valuable information today.

We will suspend for five minutes while we set up our next set of witnesses appearing by video conference. As a reminder, if you get up from your chair, you have to put your mask on.

Stay safe and stay well, Mr. Verheul. It was nice seeing you again.

Mr. Steve Verheul: Thank you. It was nice to see you.

• (1415) _____ (Pause) _____

• (1420)

The Chair: I call the meeting back to order.

Again, we're doing hearings on the impact of COVID-19 on international trade relationships, especially with the United States and the United Kingdom.

I want to welcome our witnesses and thank them very much for coming back to appear before the committee. You're a very familiar group when it comes to international trade.

Here we have, from the Burney Investment Group, Derek Burney, chairman; from the Canadian Chamber of Commerce, Mark Agnew, senior director of international policy; from the Canadian Manufacturers & Exporters, Mathew Wilson, senior vice-president of policy and government relations; and from the United Steelworkers, Ken Neumann, national director for Canada at the national office, and Mark Rowlinson, assistant to the national director.

Thank you all for participating today.

We'll start with Mr. Burney.

• (1425)

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Madam Chair, I have a point of order.

At the beginning of the meeting, you said that, if we wanted the documents in print, we had to email a request to the clerk. My assistant did that. The process doesn't seem to work, however, because we can't get them. I'd like to know what to do in that case. Do the instructions still stand?

[*English*]

The Chair: Would you like to respond, Christine?

[*Translation*]

The Clerk of the Committee (Ms. Christine Lafrance): No hard copies of documents will be distributed at the meeting. Documents are sent to members in advance of the meeting so that they can print them and bring them to the meeting. That was included in the instructions sent to all parliamentarians.

Mr. Simon-Pierre Savard-Tremblay: We were told we could request a hard copy during the meeting.

That is what you said, Madam Chair.

[*English*]

The Chair: Yes, that's what I understood, but the clerk has corrected that. I printed mine myself. They were not supplied to me.

They were sent to us electronically, and I understand it's now up to us to print them or have our staff print them.

Hopefully I've clarified that. It's another inconvenience.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Thank you for the clarification.

[*English*]

The Chair: Thank you.

Mr. Burney, you have five minutes, please.

Mr. Derek Burney: Thank you, Madam Chair and honourable committee members.

Good afternoon and thank you for the invitation. If I may, in my remarks I will go a bit beyond the specific topics and offer a little more of a global perspective.

First of all, I believe that the most serious problem on trade for Canada in the wake of the COVID-19 pandemic is that the world is turning inwards and becoming a hotbed for protectionism. The U.S., unfortunately, is as reluctant to lead globally on trade as it has been on the pandemic. The major powers are competing for power, leaving middle powers like Canada dependent on multilateral institutions like the WTO, which have been weakened by a lack of clear leadership and any real will to work together. By refusing to name panellists to the WTO's dispute settlement mechanism, the United States has severely restricted the institution's ability to safeguard the rule of law on trade.

Due to the pandemic, self-reliance and self-interest are in the ascendancy. Global trade has already seen employment, production, prices and supply chains sharply disrupted, and there is now a new public health rationale for constraints on trade, under the guise of national security. A "might is right" trend is taking hold as countries are compelled to fend more for themselves.

What should Canada do in this environment? First of all, now that the USMCA is operational, we need to defend vigorously and, where possible, advance access to the U.S., our most vital market, invoking the dispute settlement mechanism retained from NAFTA without hesitation and using selective retaliation when necessary. For Canada, the USMCA is a respectful salvage more than a platform for economic growth, but it should help check lunges into protectionism. Because bilateral trade is roughly in balance, there is no reason for Canada to become a passive punching bag for U.S. protectionists and mercantilists.

Arbitrary tariffs once again on Canadian aluminum exports will hurt American producers and American consumers more than anybody. This is a message that should be delivered fervently to Congress and at various state levels in the United States. We should not hesitate to retaliate.

Similarly, chronic complaints from Senator Schumer, the majority Democrat leader in the Senate, about Canadian dairy policy should be rebuffed. Canada made modest concessions on dairy in the NAFTA renegotiation and should abide by them, but nothing more. Nonetheless, these attacks are a harbinger of what to expect should the administration change in November. We should stand firm. The best antidote to American protectionism, in my view, would be a robust, V-shaped economic recovery—the sooner, the better.

Second, because 75% of our trade is with the United States, diversification has always been desirable. Now it's essential. For it to become real, however, we first need complete free trade within Canada, a quest over many decades that has delivered more solemn communiqués than substantive results. Most popular in western Canada, this effort will only succeed with firm leadership from Ottawa and if economic common sense prevails over narrow provincialism, notably in Quebec and Ontario. According to the IMF, liberating Canadian internal markets would yield a 4% increase in GDP. That's much more than is expected from the USMCA.

Third, free trade across Canada would also give us greater leverage and better access from other preferential trade agreements, which are the best immediate prospects for diversification: CETA with the EU, the Canada–Korea Free Trade Agreement, and the mini-TPP, which affords significant new potential in Japan, Malaysia, Indonesia and Vietnam, among others.

Fourth, we should move deliberately to conclude a bilateral trade deal with a post-Brexit Britain, complementing, where possible, the terms negotiated in CETA, but mindful as well of the terms being negotiated by Britain with the United States. Canada enjoys more than a 2:1 trade balance with Britain. I suspect that their negotiators will seek to make up what they may lose from the European Union by gaining enhanced access specifically from the U.S., Canada and Australia. Our negotiators should be determined to get at least as much in terms of increased access as we are prepared to give. That is the goal for any trade negotiation.

• (1430)

Fifth, Canada should actively explore the prospects for broader trade with India, despite the difficulties posed by the high degree of regulations and protectionism in the Indian economy. This initiative can best be conducted on the basis of careful preparation and consultations, not by high-level junkets.

Sixth, even more daunting are the prospects with China, where relations are completely hamstrung today by the deadlock over Madame Meng and the two Michaels. There is much not to like about China's behaviour these days on trade and many other issues. The way supplies needed for the pandemic were hoarded before China released initial data on the virus and were then sold for huge profits should elicit worldwide scorn, if not harsh penalties.

Today, we are unwilling to counter discriminatory trade actions against Canadian agricultural exports, even though China has a 3:1 trade advantage over us, lest it harm those in detention. We should not be reluctant to retaliate. We must also be more deliberate in joining sanctions against China for its repressive moves against Hong Kong. Canada should, like Britain, extend a welcome hand to

Hong Kong refugees. We should also nimbly expand relations with Taiwan.

Most importantly, we need to find a way out of the corner we have painted ourselves in, if not by an exchange of detainees, then by other means. We have become a hapless pawn caught in a dispute between two giants. Asserting self-righteous points of principle may make us feel better, but they will not break the current stalemate. We must deal with the world as it is and not as we would naively like it to be.

We cannot isolate or immunize ourselves from what will soon be the world's largest economy. Mutual self-interest obliges us to gauge prudently and cautiously the prospects for pragmatic, albeit limited, relationship, proceeding, as the adage about how porcupines mate stipulates, very carefully.

Finally, if the U.S. is reluctant to take up the mantle of leadership on trade, Canada should strive creatively to fill the void, working with countries like Britain, Japan, Australia, South Korea, Singapore and others to reinvigorate the WTO's capacity to uphold the rule of law on global trade.

Thank you.

The Chair: Thank you very much, Mr. Burney. We appreciate your comments.

We'll go on to Mr. Agnew, director of international policy for the Canadian Chamber of Commerce.

Mr. Mark Agnew (Senior Director, International Policy, Canadian Chamber of Commerce): Thank you very much, Madam Chair and members, for the invitation to speak here at committee today.

Although it's quite common for stakeholders to reference the critical or timely nature of a given study, I think this one really is. International trade is critical to Canada, and our relationships with both the U.S. and U.K. are critical as well.

I want to touch on three issues in my opening remarks this afternoon. The first point is that COVID-19's impact on international trade has been substantial, and it certainly has brought into focus the need to strengthen supply chain resiliency. I think we all know and accept this. I think most commentary has missed the point that supply chain resiliency is not monolithic—each sector of the economy, and maybe each company, has different needs in regard to what that looks like for their supply chain circumstances.

Also quite importantly, we are a market-oriented economy. Governments generally don't own supply chains; instead, they incentivize private sector behaviour and create the conditions within which businesses operate. Our approach to supply chains needs to ensure that we have the interests of consumers and businesses in mind, in terms not only of their being able to supply inputs and products that we need both in the country and into the country, but also supporting exporters. It goes both ways.

It's also much more than just the production of physical goods. Services across different modes of supply play a critical role in supply chains, whether you're talking about the upstream parts, such as research and development, and engineering and design, or about after-sales servicing of equipment, or transportation and logistics.

This week the chamber released our position statement on supply chain resiliency, which I have shared with committee staff. Hopefully, members have had a chance to look at it in advance. In short, we think governments need to take a holistic approach in how domestic and international policy is used to support supply chain resiliency.

The document is quite long, so I'll just draw your attention to a few of the international tools we think need to be a critical part of the effort.

The first we're calling "security of supply agreements". We've seen that export controls on medical equipment have proven to be a major problem during the early days of the pandemic. We're asking the government to take a positive approach with our most trusted allies and look at a way to circumscribe and tighten up how countries are allowed to use export restrictions.

We're not naive and certainly realize that there would only be a very small subset of countries that we'd be able to do this with. We commend the work that the government has done through the Ottawa Group and think that this might be a way to take that work, talking about transparency and time-limited and being proportionate, and take that to the next level in a tangible way.

Second, there also needs to be a much greater focus on the issue of industrial subsidies. This has been a long-standing problem since before the pandemic, but it's going to get worse as governments around the world throw huge sums of cash at their domestic industries. This is going to tilt the field against Canadian companies even more so than is already the case, and we certainly need to reign in the excesses of other countries by using multilateral or bilateral tools to do that.

The third aspect of supply chain resiliency is digital trade and e-commerce. As more activities head online, we need to make sure that our trade rules are relevant to the economy of 2020, whether that's cross-border data flows or trade facilitation measures that will support e-commerce.

The second point I want to talk about briefly is the United States. We very much welcome the entry into force of CUSMA and thank negotiators like Steve and his team who have done phenomenal work to get that deal over the finish line. However, our main message here is that it's too early to get out the proverbial mission accomplished banner, given that we have a number of other outstanding trade issues with the United States. The spectre of so-called nar-

tional security tariffs on both metals and electrical coils looms large once again. We are steadfastly opposed to the United States using them and are working closely with our U.S. official counterparts and are calling on the government to be active on that issue. Additionally, we are without a softwood lumber agreement at the moment. We hope that the resolution of CUSMA will create bandwidth to be able to pick up this issue again and bring it to a resolution.

The last piece I want to touch on in my opening remarks is our relationship with the United Kingdom. In the absence of further developments, Canadian companies are generally now operating on the assumption that the U.K. will leave its current transition status with the EU as of the end of 2020, and that it will enact its so-called global tariff regime in January 2021, which was announced earlier this year.

• (1435)

This means fundamentally that the clock is ticking. Given that discussions have been happening for some time between the U.K. and Canada, our view is that we need to conclude the efforts to transpose the CETA into a bilateral agreement at the earliest possible opportunity and begin the necessary implementation processes, especially here in Canada.

Being fully self-aware, I know this view puts the Canadian Chamber of Commerce in a slightly different spot from some others, but our position is informed by several factors.

One, companies have already faced more than enough supply chain disruptions in the last number of months. Let's give companies the certainty they need and ensure that they won't face tariffs on their exports to the U.K., potentially as of January next year.

The second piece is that, based on the media reporting we're seeing on what the European Commission has said about the status of the U.K.-EU discussions, they might not be finalized until October. That certainly cuts very close to the end of the year, and given our own parliamentary timings, if we decide to wait until we have complete certainty about the outcome of the U.K.-EU discussions, that doesn't leave much time for businesses to plan, especially in the COVID-19 context.

The third factor is that landing a bilateral agreement with the U.K. based on the CETA positions us quite well to take the trade relationship to the next level. Out of the 28 countries in the EU, the U.K. is the one where we can probably have the most advanced trade relationship possible. This includes, for example, deepening services, regulatory work and digital trade rules. It also sends an important signal for Canada to maintain that we are the only G7 country to have comprehensive FTAs with all other G7 countries.

The Canadian Chamber of Commerce represents Canada at a number of global business forums, and that's a point we're always very proud to make when we are speaking to our global counterparts when representing Canada abroad.

I'll stop there, but I'm certainly happy to take any questions from committee members in the Q and A rounds.

• (1440)

The Chair: Great. Thank you very much, Mr. Agnew.

We'll now go to Mr. Wilson.

Mr. Mathew Wilson (Senior Vice-President, Policy and Government Relations, Canadian Manufacturers & Exporters): Good afternoon. Thank you, Madam Chair and members of the committee, for inviting me to participate in today's discussion.

It is my pleasure to be here on behalf of Canada's 90,000 manufacturers and exporters, and our association's 2,500 direct members, to discuss COVID-19 and Canada's manufacturing and exporting sector. Our members cover all sizes of companies from all regions of the country and all industrial sectors. We represent the majority of Canada's manufacturing output as well as value-added exports.

I'll keep my commentary short so there can be more discussion at the end. However, it is important to make a few critical comments to provide context and background.

First, manufacturers have been critical in the country's response to COVID-19. Not only have domestic manufacturers made many of the goods necessary for the response; they have also continued to operate and employ millions of Canadians. Despite this, the sector has been very hard hit from the crisis. Output declined roughly 30% over March and April. We are not expecting a full recovery until well into 2022. While the impacts have been bad, it could have been much worse without strong actions by government. The wage subsidy and other liquidity measures were literally lifesavers for our members. With the crisis far from over, it is critical that these measures continue to exist and be adjusted based on economic conditions for the foreseeable future.

Second, while manufacturing continued to operate and global supply chains were maintained with only minor disruptions, the lower output meant a corresponding decline in Canada's trade activity. The 30% decline in output led to a decline in merchandise export activity of roughly 33%, and imports of 27%. The most impacted sectors, however, were among the largest in the country—automotive and aerospace in particular. The decline in imports and exports was widespread amongst our trading partners, but obviously of higher value with the U.S., given our volume of trade with that country. Notably, however, Canada did witness a massive spike of 35% of imports from China as consumers increased spending on electronics in particular.

Third, it is critically important to create a plan to move the country from recovery to growth and prosperity by harnessing the strength of Canada's manufacturing sector through a comprehensive strategy. The focus of the strategy must be on driving investment to improve global competitiveness for long-term economic growth. Canada faced structural economic problems of underinvestment,

soaring trade deficits and poor productivity before COVID-19 hit that must be addressed now.

For the purpose of this committee, there are several concrete actions that we believe the government should take on to help Canada's exporters. One, work to implement all aspects of the new CUSMA, especially the chapter on competitiveness, which aims to increase co-operation between the countries to deal with global trade cheats and unfair trading practices of third countries. Two, launch a made-in-Canada branding exercise at home and in international markets to boost awareness of Canadian capabilities and technologies with the goal of boosting sales and exports of Canadian-made products. Three, support SME export potential by expanding investment in government export concierge programs and private peer mentoring networks, which are critical to getting companies going internationally.

Finally, before making a few remarks about Canada-U.K. trade, I would like to note that we believe there will be some shifting in global supply chains moving forward and increased opportunity for Canada. This shift will be to protect supply chains and to meet increasing demands for consumers to buy local. However, these opportunities will flow to the locations that provide the greatest returns. Canada has a huge advantage in access to many foreign markets through FTAs, as well as a skilled labour pool that is world class. However, as a small and trade-exposed country, if our domestic business environment is not world class, investment will continue to flow to other markets and Canada will miss out on these current opportunities. Manufacturing investment in particular has been drifting downward since the early 2000s, which has stalled overall exports in the country and seen ballooning trade deficits. This trend must be reversed.

The possibility of a Canada-U.K. FTA is fully supported by CME. At nearly \$20 billion a year in exports, the U.K. was Canada's third-largest export market in 2019, behind only the U.S. and China. While gold accounted for 71% of this total, other exported products totalled over \$5.5 billion, including more than \$4 billion in manufactured goods. As such, even without gold, the U.K. is Canada's sixth-largest export market.

Given this, extending the terms of the existing CETA agreement to the U.K. would be logical. However, we must ensure through negotiations that Canadian exporters are gaining an actual advantage over other countries who do not sign new FTAs with the U.K. We understand that the U.K. is aggressively pursuing new FTAs with many markets and offering up broad-based tariff concessions to many countries. In some cases, these tariff concessions are being made even before there's a trade deal in place. Trade agreements should be about mutual gain and benefit. If there is no unique benefit to Canada in exchange for opening our market, it undermines the value of the FTA.

Thank you again for inviting me to participate today. I look forward to the discussion.

● (1445)

The Chair: Thank you, Mr. Wilson.

We'll move on to Mr. Neumann.

Mr. Ken Neumann (National Director for Canada, National Office, United Steelworkers): Thank you, Madam Chair and members of the committee.

The United Steelworkers thanks CIIT for the invitation to participate in the committee's study of the impact of COVID-19 on Canadian international trade relationships, with a focus on the United States and the United Kingdom.

The United Steelworkers represents more than 800,000 members across North America, including 225,000 members in Canada, in virtually every sector of the economy. We are the primary private sector union representing workers in trade-exposed sectors and regions. We also have a strong relationship with the trade union movement in the U.K., specifically through our partnership with Unite the Union and our global union, Workers Uniting.

As such, trade policy and trade agreements are of fundamental importance to our union and to our membership. The massive drop in trade between the U.S. and Canada, with exports down by 41% in April alone, has had an immediate impact on our members, particularly those in trade-exposed sectors such as manufacturing. At the height of the economic shutdown, about 15% of our entire membership was on a layoff of some type, including about 20% of members in manufacturing.

The COVID-19 pandemic has highlighted fundamental problems with the international trading system and our reliance on global supply chains for essential products. We must refocus the entire trade system to one that benefits both the workers and the environment, rather than one fixated on obtaining the cheapest possible products regardless of the conditions of production.

However, we are currently focused on the United States' possible reimposition of section 232 tariffs on aluminum, the risk posed by unfair trade on the steel industry, as well as the ongoing softwood lumber dispute. We are disappointed that these issues were not fully resolved prior to the negotiations and the implementation of CUSMA, which came into force on July 1.

While there are positive aspects of CUSMA, specifically the labour provisions demanded by trade unions and the U.S. Democratic Party, the section 232 side letter legitimizes the once-rare na-

tional security tariffs and curtails our options for counteractions in the event the United States reimposes the tariffs. The possibility of 10% tariffs on aluminum products threatens the 15,000 direct and 41,000 indirect jobs in Canada's aluminum sector, including 5,000 workers represented by the Steelworkers.

The United Steelworkers emphasizes that Canadian aluminum does not pose a national security threat to the United States, nor has there been any significant surge in exports. This assertion is backed by The Aluminum Association, which represents the majority of producers in the United States. Compared with 2017, exports in the first quarter of 2020 declined by 12%, and are up only about 3% compared with the annual average of 2017, the last full year without any major trade disruptions.

The cancellation of the original section 232 tariffs in May 2019, along with the end of the ABI lockout in the spring of 2019, led to the resumption of more normal trade patterns between our two countries. The drop in the U.S. aluminum prices is largely caused by the significant drop in demand as a result of COVID-related shutdowns, particularly in the auto sector. Massive growth in the Chinese production over the past 20 years remains the biggest threat, increasing from 1.9 million metric tons in 1999 to 31 million metric tons in 2019.

Ultimately, Canada must strongly defend community-sustaining jobs in the aluminum sector. That means that if the U.S. does reimpose section 232 tariffs on Canadian aluminum, Canada must impose retaliatory tariffs on a wide range of U.S. products, not only on aluminum. If the U.S. is not prepared to play by the rules, Canada should not be limited by the agreement signed last May. Canada must also stand up for the 22,000 direct and 100,000 indirect jobs in the steel industry. Since this pandemic, we have seen a 20% overall drop of steel mill exports to the U.S. in May.

This makes it even more important to grow the domestic market for Canadian steel. We could start by making sure that we use only Canadian-made steel products on government infrastructure projects like bridges, energy projects, transit and buildings.

● (1450)

Canada's steel is a very low carbon and global standard, so it is the green alternative to foreign steel. However, we should also implement a carbon border adjustment so that we're not placing our steelmakers at an unfair disadvantage compared with other countries that do not price carbon. Furthermore, workers and unions should also be considered as part of the domestic industry under Canadian trade law. This should allow trade unions to initiate trade cases in order to protect the domestic workers.

Canada's softwood lumber exports remain at risk despite our maintaining NAFTA's chapter 19 dispute settlement mechanism in the CUSMA. These provisions are not enough to prevent future duties on softwood lumber. Steep declines in forest product exports—minus 18% in May—combined with the volatile trade situation with the U.S. adds insult to injury to the Canadian forestry sector beset by declining prices.

Workers in British Columbia have been particularly hard hit by these multiple crises as thousands of workers have lost jobs and communities have been decimated by the effects of trade disputes, low prices and COVID-19.

Looking to the United Kingdom, United Steelworkers contend that any post-Brexit trade agreements must be based on strengthening workers' rights, and trade of products must be made in decent working conditions in both countries. We stand with our U.K. trade union allies in their opposition to the U.K.'s entrance into the CPTPP.

Along with our partner union, Unite, we support a trade policy that includes binding labour rights and strong trade safeguards for vulnerable industries and one that does not include investor-state dispute settlement provisions, or diminish the right to regulate.

Overall, the COVID pandemic has laid bare fundamental problems with the international trade system and our reliance on global trade chains for essential products. We need a broad vision and policies to ensure that Canada has the capacity to produce essential goods domestically in a manner that improves the quantity and quality of employment and allows us to meet our climate obligations.

Most importantly, we need to stand up to protect jobs in the aluminum sector and to ensure that the new CUSMA does not lead to continued erosion of the Canada-U.S. trade relationship.

Thank you for the opportunity. Mark Rowlinson and I are happy to answer any questions you may have.

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

We will move on to our questioners.

Mr. Hoback.

Mr. Randy Hoback: Thank you, witnesses, for being here on a nice July day here in Ontario.

I'm going to start with you, Mr. Burney. I know you're in Colorado, but you should be in Ontario. It's a lot nicer here than Colorado today, I would swear.

In one of your articles you talked about the “economic prosperity network” that was being created. That was the U.S. basically working with Japan, Australia and like-minded countries to develop a system to have each other's back in times of need, for example, like now on personal protective equipment or ventilators and things like that.

In discussions with other people around the world, the members of the Conservative caucus trade members have been talking to groups, associations, and other trade ministers. We're starting to see countries form these groups or cartels where they're not only talk-

ing about having each other's back, but actually setting regs. They have the regs set, and if you're going to trade with that bloc, that's the reg, that's the safety standard, that's the item you're going to trade in, which will set the global regs.

What's your comment on that and why do you think Canada should be involved with that?

• (1455)

Mr. Derek Burney: Well, it goes to the fundamental point I was trying to make in my opening remarks, which is that the world is turning more to self-reliance and self-interest, and that the American initiative was very much in that direction.

I think a lot of countries found that they were far too dependent on China, in the first instance, for the supply of the kind of medical equipment that we found necessary to deal with the pandemic.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: I apologize. The interpretation was interrupted because the volume was too low.

[English]

The Chair: The interpretation was interrupted. At what point was it interrupted?

[Translation]

Mr. Simon-Pierre Savard-Tremblay: The interpretation was interrupted because the volume was too low for the interpreters. Before we continue, is it possible to fix the problem?

[English]

The Chair: Just ensure that your volume is at its maximum as well, Monsieur Savard-Tremblay.

Mr. Burney, would you mind backing up a little bit.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: My volume setting is not the issue. The interpreters said they couldn't interpret with the sound the way it is. It's not me.

[English]

The Clerk: Marika, maybe we can do a sound check now.

Mr. Burney, do you hear me?

Mr. Derek Burney: Yes, I hear you very well. Can you hear me?

The Clerk: Can you continue to talk a bit? Marika will tell you what to do.

Mr. Derek Burney: I don't think I can do very much to fix my Internet connection. I'm on Wi-Fi, and in the mountains it does tend to get a little erratic. I apologize, but it's beyond my technical competence to fix the issue.

The Chair: I think the clerk is advising us now, so can you go back to the point where we interrupted you?

Mr. Derek Burney: I'll try. In effect, I was saying that I think this initiative that the Americans are leading is exactly what I was referring to in my opening remarks about the world turning more to self-reliance and self-interest.

One of the lessons we've learned from the COVID-19 pandemic is that many of our companies became too dependent on supply chains linked to China, and so the Americans are trying to get—I might even suggest, in the context of a trans-Pacific partnership concept—a group of like-minded countries to ensure that we are not dependent on unreliable sources of supply for dealing with future pandemics. I'm thinking that Canada should be very much in favour of this initiative.

In fact, one of the earlier commenters talked about the importance of supply chain resilience. One of the ways you can get supply chain resilience is by getting a network of countries to join together to ensure that we aren't caught with our pants down in the way we were with this pandemic.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Madam Chair, there is still no interpretation.

[*English*]

The Chair: Okay.

Mr. Randy Hoback: I hope you're not cutting into my time because of technical difficulties.

The Chair: No, I'm stopping and starting to make sure you get your time.

Mr. Randy Hoback: All right. That just leads into both the Canadian Chamber of Commerce and to you, Mathew, from the CME.

We're starting to see a shift in the supply chains, like Mr. Burney talked about, and we're hearing this from other people we've talked to. They say there's a huge opportunity here in Canada because we have these trade agreements around the world and are positioned in such a way that we can ship and manufacture.

What do you think the government should be doing at this time to take on some of this opportunity to take advantage of companies wanting to move part of their supply chains out of China, to not be solely reliant on China and have them located here in Canada?

I talked to a few companies that said they don't want to get 100% out of China, but they might get 60% or 70% out of China, just to make sure they don't end up in a situation like they have right now.

• (1500)

Mr. Mathew Wilson: Mr. Hoback, was that to me, to Mark, or to both of us?

Mr. Randy Hoback: It was to both of you. I think you both could handle it quite easily.

Mr. Mathew Wilson: I'll start and then turn to you, Mark, if that's okay.

As I mentioned in my comments, we see this happening and we see a huge opportunity, but companies are going to shift those supply chains to countries where they can produce economically and still supply. Part of the reason my companies went to China in the first place was cost competitiveness, moving out of places like western Europe and North America, or certainly Canada and the United States, and into those markets.

We'll see that swing come back, but whether we'll get it or not is entirely up to us. Companies will shift, but they're not going to come to high-cost jurisdictions in Canada, the United States, western Europe or other places. They still need, to some degree, a lower cost production opportunity.

Some of the earlier surveys we're seeing are looking at places like Vietnam and Mexico as regional hubs for manufacturing products in those supply chains, but as I mentioned, I think there's huge opportunity here for Canada as that realignment happens. It won't happen suddenly; it's going to happen over a period of years. There's a massive opportunity with it and we can take advantage of it, but we need to get our business conditions right.

Mr. Randy Hoback: Go ahead, Mark.

Mr. Mark Agnew: Yes, I am very much aligned with what Mathew has said. There's a lot under our direct control that we can do to have it make fiscal and financial sense for companies. At the end of the day, a company can't be running at a loss permanently.

For example, how can we have capital cost allowances such that, if you want to build a capital-intensive facility here, it's going to actually pay off for the company that has made that investment? How can we use procurement as a tool to incentivize early-stage companies to invest here in Canada? There are a lot of things within our direct control, and absolutely, we think that there are things we should be doing internationally, but we can't be thinking about only one and not the other.

Mr. Randy Hoback: Am I out of time?

The Chair: Yes.

Mr. Randy Hoback: Okay. I trust you.

The Chair: Ms. Bendayan.

Ms. Rachel Bendayan: Thank you very much, Madam Chair.

First, I'd like to ask a question of Mr. Wilson from Canadian Manufacturers & Exporters. My understanding from reading various sources is that even The Aluminum Association in the United States has said that the U.S. is unable to meet the domestic demand for aluminum and that, in fact, they could get up to one third of domestic demand at maximum capacity.

Is that your understanding as well?

Mr. Mathew Wilson: Yes, it is, and it's largely because of the integrated supply chains that developed. We have certain expertise in sourcing that goes into their system, and they have some that comes into ours. That's why these tariffs between countries that have a common production platform make no sense whatsoever. It's the same with steel, any auto threat and any of those other ones. They just make no sense at all in an integrated system, and you can say the same for things like government procurement policies and buy American. It's all the same type of protectionist action that doesn't work in an integrated manufacturing platform environment such as we have with the United States.

Ms. Rachel Bendayan: Are you in touch with American manufacturers on the other side of our border?

Mr. Mathew Wilson: Yes, absolutely. They are a lot of the same companies, right? A lot of those companies that are using the products in the United States are the same companies that are operating in Canada, and they're our members. We're working closely with our counterpart organization, the National Association of Manufacturers, on these issues, as well as the Canadian government. We're talking to the trade department, Deputy Prime Minister Freeland's office and others. Certainly, we've made our concerns very well known. I think the government is well aware of industry concerns and the potential negative impacts, both in Canada and in the United States.

Ms. Rachel Bendayan: Speaking of the negative impacts, obviously, it would mean increased prices for manufacturers, but it would also mean increased prices for consumers. Is that your impression?

Mr. Mathew Wilson: At the end of the day, we as consumers pay the bill. Industry doesn't. No one, not governments nor industry picks up the tab. At the end of the day, it's on consumers, and that's the unfortunate part of this. It's never really explained all that much. That's why tariff reduction often happens: It's to lower consumption costs for consumers. In this case, however, you're looking at a soft drink can or an adult beverage going up by 10 cents or whatever, just because of an aluminum tariff. It doesn't make a lot of sense.

• (1505)

Ms. Rachel Bendayan: Thank you, Mr. Wilson.

I'll go to Mr. Agnew if I still have time, Madam Chair.

Mr. Agnew, in your opening statement you mentioned the importance of our supply agreements. I just wanted to read into the record the dates of several joint statements that Canada was involved in and in many cases took the lead on: on March 25, March 30, in a May 14 agreement and on April 22.

There are a number of very interesting instruments that Canada was able to sign with like-minded partners that have made a difference in ensuring that our supply chains remain open. I wonder if you could be a little bit more specific when you talk about the security of our supply agreements and tell us what additional measures you think the government can take to continue to work towards keeping trade flowing internationally.

Mr. Mark Agnew: The first thing I would say is that the statements we've been producing have been a fantastic initial effort. What we're saying very much is to build on that and take them to the next level. Those statements, at the end of the day, are not legal-

ly binding on the countries that make them, so I think the next level up is to say that we've agreed to this in principle as a statement, and now let's actually put our money where our mouth is and put some legal text in writing that we as a country would be willing to abide by in an international legal treaty sense.

What I think that would specifically look like is to make it much tighter around the justified grounds for countries to use export restrictions that would prohibit the production of, say, PPE from leaving a particular jurisdiction. Certainly, what we have seen in the current context is that under our current trade deals, there's a very wide berth to interpret what public health and national security grounds actually mean, and there's a scope, we feel, to begin to make that much tighter and more narrowly defined.

The Chair: Thank you very much.

We'll now go to Monsieur Savard-Tremblay.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Good afternoon.

I would like to thank all the witnesses for their presentations.

I have a question for Mr. Wilson. Much like my colleague's, it will specifically involve the aluminum sector. As you know, the industry is extremely important in Quebec.

Mr. Wilson, you are most likely in contact with the main U.S. buyers of Quebec aluminum, that is, auto parts manufacturers.

Right now, we are trying to avoid the worst. Is there no way to let them know that new tariffs would penalize them considerably, especially since they are in states that will play a decisive role in the upcoming presidential election?

[*English*]

Mr. Mathew Wilson: Those American companies are well aware of how it's going to impact them, and they are working with the White House and U.S. trade officials to avoid the impacts.

You mentioned automotive. Most automakers use aluminum castings for engines and other things. Ford's F-150, the bestselling vehicle in North America, has an almost entirely aluminum body. The impacts on the auto sector would be massive, and aerospace would be the next one.

These companies are very well aware of the impacts on their supply chains. They don't have other sources of supply. It comes out of Quebec, Manitoba and British Columbia. Some supply comes out of the U.S., obviously, as well, but a huge chunk of it comes from here. Our intelligence, as well as what they're telling us, is that they're working with the right officials in the U.S. to make them aware of the direct impact on their operations in the United States and on the workers.

We saw this with steel. The same thing happened. These companies were very quiet for a long time and then they started getting vocal. It was companies such as Ford, Harley-Davidson and others that stepped up and started talking about the direct costs of the 232 tariffs on their production, on their employees and, at the end of the day, on their products, which made them less competitive in the marketplace.

We hear that they are talking and we expect them to continue talking. These are political problems that bear no basis in reality a lot of times, and that's part of the problem we're facing.

• (1510)

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: You seem to be saying that contact has been established, at least, between some of the elected officials in question and the auto parts manufacturers, which, I repeat, are often located in key states for the U.S. presidential election. They're called swing states because they could determine who wins.

Since you're saying they've been in contact, do you expect any duties? The major aluminum producers haven't taken the normal route, so they are going to take the presidential route, but they need to put that before both chambers.

Based on the information you seem to have and your interpretation of it, is that where we're heading?

[*English*]

Mr. Mathew Wilson: To be perfectly honest with you, I don't know. I really hope that a Canadian exemption is created on this because of the integrated supply chains, but I don't know. It's so political. Maybe others on the call can make a better guess than I can, but I would assume so. That's a guess at best, though.

The Chair: Your time is up.

We will now go to Ms. Mathysen.

Ms. Lindsay Mathysen: Thank you all for appearing today.

Mr. Neumann, you briefly mentioned safeguard measures, and I know that during the imposition of the previous steel and aluminum tariffs, the government imposed temporary safeguard measures. We had pushed for those to be permanent.

Going forward, would you support permanent safeguards to protect against these further tariffs that our industry seems to be experiencing?

Mr. Ken Neumann: Mark and I fully agree. The fact is that, listening to the discussion and listening to the testimony—as I said at the beginning, our union represents members in trade-exposed sectors and across the regions, be it in softwood, aluminum or steel—I have to tell you that I don't have a warm, fuzzy feeling about what's been happening to our members in the communities where we work.

When we came out of this thing in May of 2019 in regard to lifting the tariffs, I think we unfortunately fumbled very badly. The fact is that we have not looked after the needs and the wants of the aluminum workers, forestry workers or the steelworkers and the steel industry. You can't continue to reward bad behaviour.

I look at this file. Quite frankly, a large percentage of this file is probably 80% political, and the other 20% may be based on some facts. I mean, many of the witnesses have already testified with respect to what's happening to aluminum in the United States. They can't produce what they need to consume. They depend on Canada. It's good aluminum. It's a good product. It sustains good middle-class jobs. The fact is that the only people it's going to benefit is China and Russia, and it's going to be a detriment to workers in the United States, the auto sector and the consumer.

Yes, they should impose the duties, tariffs or the countervailing measures permanently. The fact is that we should not be pushed around. The fact is that the government has to stand up for the citizens of Canada. We maintained that back then, and we maintain that today.

Ms. Lindsay Mathysen: Thank you for that.

You also spoke about the targeted growth of the domestic product, the use of local skilled labour and those environmentally friendly materials within the government infrastructure programs. I believe that, in past testimony, Mr. Wilson has also talked about the need for the implementation of a national manufacturing and automotive strategy, and combining that with our export and industrial strategies.

Could you both talk about the benefits of that and how that would impact your members and, Mr. Wilson, yours as well?

• (1515)

Mr. Ken Neumann: I'll pass that to my assistant, Mark Rowlinson. He's familiar with that.

Mr. Mark Rowlinson (Assistant to the National Director, United Steelworkers): Hello, everybody. Yes, we've been advocating for the need for a national advanced manufacturing strategy in this country for a long time. Frankly, it's now needed more than ever in the wake of the pandemic.

Mr. Agnew also referenced the fact that government procurement can be an important measure that governments can take to spur new manufacturing in this country. I want to highlight one issue, though, that is relevant to this committee's inquiry. One of the issues that we had with CETA when it was signed was that it places limits, or could place limits, in our view, on the power of the domestic government to fully exercise the power of procurement to create jobs by excluding bidders from outside of Canada.

We think that, when you're renegotiating or negotiating a new agreement with the United Kingdom, the government should pay particular attention to preserving its ability to create jobs in Canada through the power of procurement.

Mr. Mathew Wilson: Yes, we definitely need a national manufacturing strategy. Procurement should be a core part of it. We released our strategy on what we're calling a recovery and prosperity strategy. Just two weeks ago I met with about 75 MPs during a virtual lobby day to present this. We think it's critical. Not only does it help grow domestic investment, but it also helps exports grow.

Part of the challenge on growing exports, diversifying exports and the rest is that agenda that we always talk about in this committee that, if you're at maximum industrial capacity, which largely we've been at in Canada now for quite a while, you can't grow exports. There is no capacity to grow. We're sitting at—or we were prior to COVID-19—around 83% or 84% capacity. In the biggest export sectors like automotive, we were over 100% capacity. If you don't grow capacity, you don't grow exports.

We need a strategy that drives investment, that grows the sector and grows capacity, whether it's for procurement or export sales, and that is really important.

The Chair: Thank you very much.

We go on to Mr. Lewis for four minutes.

Mr. Chris Lewis (Essex, CPC): Thank you, Madam Chair.

To all my colleagues, it sure is good to be sitting back here in Ottawa with you. It's great to see you all.

Thank you to all the witnesses today as well.

I listened with a very keen ear today. My riding of Essex is very close to the busiest international land border crossing in North America, so it's certainly good to be here.

I have a few questions. I guess we'll open this one up to any of our witnesses who may have an answer for this.

Due to COVID-19, notwithstanding the fact that we do have to be very, very careful with our borders with regard to personal travel, but specific to economic impact, do you have any idea of the economic impact, what it looks like as the land borders remain closed perhaps month to month or perhaps quarterly? What kind of economic impact does it have on industry and trade?

Mr. Mark Agnew: Maybe I'll just start it off. We haven't done a quantitative analysis of the impacts. It's being said that we have quantitative numbers. It's what the Canada Border Services Agency is already producing domestically. However, in terms of the actual impact, it's quite varied in terms of everything from a Canadian company that needs to, for example, have a buyer come here in order to, say, inspect a product and meet critical attainment milestones that are linked to payments, to bringing in, say, pilots who need training on flight simulators. That can't be done virtually on a laptop at home. They need to actually go to the physical flight simulator. Again that is another issue that we've had raised by our members. It does manifest itself in different ways.

I would also say that it's somewhat hard to quantify a chilling effect as well. Certainly, just speaking personally, despite international travel being in the job title, it's a fairly difficult proposition to know that when I come home I have to self-quarantine in my basement for 14 days.

• (1520)

Mr. Chris Lewis: With regard to the U.K., notwithstanding the fact that, yes, we did get CUSMA done, it seemed, however, as though it was a last-minute, rushed deal. How important is it for us, for Canada, to get to the table early and be number one in line to get a deal done, to make sure we have enough time to get a very strong agreement so we're not rushed, and to make sure we have an economic assessment before we actually sit down at the table? How will that impact Canada?

Mr. Derek Burney: Perhaps I can take a stab at that one, Madam Chair.

I think the first priority has to be Britain achieving an agreement with the European Union. There's very little that we can negotiate with Britain until we know what the terms of their agreement with the EU are going to be. We also know, secondly, that their top priority is the United States. We might like to think we're up there, but actually their top priority is a bilateral agreement with the United States. It gives them the biggest bang for the buck.

I think time is on our side. We're going to know by the end of the year, by October maybe, but by the end of the year for sure, what sorts of terms Britain extracts or the EU extracts from Britain, and then we have a fundamental choice to make, in my view. We decide to roll over the terms of CETA into a bilateral agreement with Britain, or we start from scratch with a fresh bilateral one.

However, they will give priority to the United States because that's their most important market. We should stand back, watch what the Americans get and make sure we get no less.

The Chair: Thank you very much.

Mr. Arya, please, you have four minutes.

Mr. Chandra Arya (Nepean, Lib.): Thank you, Madam Chair.

My question is for Mark and Mathew.

Because of this pandemic, for the first time in the history of the world every country has been hit economically. I would like to know whether this will fundamentally change global trade. Can we expect global trade to grow, to decrease or to remain neutral in the next three to five years? Do you see any push-back in global trade?

Mr. Mark Agnew: I'll maybe kick it off before handing it over to Matt. Certainly the World Trade Organization has done quite a lot of interesting work through its leading indicators on what they're seeing around the world in transportation and logistics, so absolutely there will be a decrease.

What does the growth path look like in terms of global trade? Is it a U-shape, a W-shape or a V-shape? Is it something else? Only time will tell. Given the gravity of what's happened, I think every company is looking at their supply chains in a very serious way, in a way that frankly they haven't had to in the past. It's probably good, actually, that this has forced them to at least know more than taking just a superficial, one-level-down look at what is happening in their supply chain.

The other, I think, quite concerning impact for businesses is what's happening with the U.S.-China dynamic. Any time you pick up a newspaper or go to the website of a given news outlet, it's not looking good at the moment. We're talking tit-for-tat trade wars. We're talking the U.S. even putting national security tariffs on Canada. It's a very bad environment for Canadian businesses.

Mr. Mathew Wilson: I'll maybe add a couple of things.

We certainly see a long haul out of this. It will recover eventually—everything always does—but it will take a while, and there will be some shifts in those supply chains. For Canada, we can't forget that three-quarters of our trade is with the United States. The vast majority of that is in manufactured goods. A lot of it is in automotive and aerospace and food. A lot of Canada-specific trade volumes come down to a handful of sectors that are interlaced with the U.S. or in commodities that are traded with China and markets around world that still have strong demands for them.

We think it will be a long slog to come out of this from a trade perspective, but a lot of our Canada-specific trade volume will be tied up in U.S. consumer demand. If people don't buy cars, for instance, there won't be a lot of—

Mr. Chandra Arya: I'm sorry, but my time is limited and I have one more question for both of you.

We have free trade agreements with almost 50 countries across the world. That phase is done. What do we need to do here in Canada to make use of these free trade agreements? What is one fundamental thing that we have to focus on in the post-COVID-19 world?

• (1525)

Mr. Mathew Wilson: We have to help small companies access those foreign markets. We do a terrible job in Canada overall, in that very few companies actually export. If we don't get more small companies exporting, we will never change the dynamic.

This is not a new thing. It predates COVID-19. It's just been highlighted by COVID-19. Small companies need to export more.

Mr. Chandra Arya: Mark, what about you?

Mr. Mark Agnew: I agree with what Mathew said on the SMEs. To build on that, I would say use the regulatory co-operation mechanisms. It's great if tariffs come down, but if the regulatory measures aren't aligned or they keep out a company, then tariff liberalization is a moot point. We saw that in the case of CETA, for example, and some of the agriculture issues that Canadian companies have run into.

Mr. Chandra Arya: In our GDP, 60% comes from trade, but 75% of our trade is with the U.S. Why have we not been able to increase trade with other regions in the world?

Mr. Derek Burney: It's because we're complacent.

The Chair: Okay. Thank you very much for that answer—

Mr. Derek Burney: That's the simple answer. We have a huge customer right at our door, and we're reluctant to go much further beyond to find new customers. We're not taking adequate advantage of the other preferential free trade agreements that we already have. That's the point I tried to make in my opening remarks. There's the Canada-Korea FTA, CETA and the mini-TPP. We have an edge over the Americans on the mini-TPP. Are we taking advantage of it? I don't think so.

The Chair: Thank you very much.

Go ahead, Mr. Carrie.

Mr. Colin Carrie: Thank you, Madam Chair.

I'd like to start off with you, Mr. Agnew. You sent us some recommendations on strengthening supply chain resiliency. I'm wondering if you could elaborate a little. Under domestic policy, you mentioned free trade zones. Perhaps you could expand on that. In Durham region we have the Pickering airport project—we have a lot of land there—a potentially great economic driver.

I'm wondering if you have any examples from around the world of where they do this well. How could we benefit from these free trade zones? Could you expand on that, please?

Mr. Mark Agnew: We're just starting our work to dig into this now in more detail. I mean, the headline message is that the current rules are best described as FTZ-like policies. I think when a company comes in and they talk about FTZs, they're having an expectation of much more flexibility with what they can do in terms of value-added processing in that area. That really would be the headline ask: Loosen up the rules to enable there to be a greater level of value-added production that could happen in a Canadian free trade zone.

Mr. Colin Carrie: Okay. Thank you very much.

Mr. Burney, you mentioned in your opening statement that the world is turning inward, particularly post-COVID. You mentioned some of the challenges with our southern neighbour and the comments from Mr. Schumer. I know that Mr. Biden has now said that he doesn't agree with the Keystone XL. You mentioned the importance of expanding our trade agreements and diversification.

I'm wondering if you could comment on our relationship with Britain. I believe Britain is now in talks with the United States, Japan, New Zealand and Australia. It seems we're not even at the table for some of these agreements. If the British would like to work with us, we could do a bilateral...or if they're interested in getting involved with the TPP. Could you explain the advantages or disadvantages of Canada doing a bilateral or having the U.K. join the TPP?

Mr. Derek Burney: My sense is that their own preference is a bilateral with Canada. It's not as important a relationship for them as it is for us. I think we have more than a two to one advantage in our trade balance with Britain, but as I said earlier, I think it's very difficult for anybody to be negotiating with Britain right now because they're totally preoccupied with getting out of the European Union. Keep in mind, they don't have a deep roster of trade negotiators, because all the British negotiators were part of the EU. They're starting from the ground up, trying to train a whole new team of trade negotiators, and I think they're focused right now on the EU.

The Americans are number one for them, but nothing is going to happen in the United States on a trade agreement with Britain or anybody else for the rest of this year, because we're into the silly season, as they call it, of their election, and Washington has been pretty silly for three years now.

The first thing that has to happen is that Britain has got to settle its hash with the European Union. Only then can countries like Canada, Australia and the United States decide which way we want to go. Is it to roll over CETA into a bilateral or strike a whole new bilateral? That's a decision we'll have to make once we know better what Britain's situation is coming out of the EU.

• (1530)

The Chair: Your time is up. Sorry about that.

We'll move on to Mr. Sarai.

Mr. Randeep Sarai: Thank you.

Mr. Burney, you've had close relations with the U.S. and worked quite extensively there. What are your thoughts on the American response to the recovery, whether it's the health aspect, their election or their economy, and how important is that to Canada's economic recovery post-pandemic or even once it restarts the economy?

Mr. Derek Burney: As I said in my opening remarks, I think the best antidote to the protectionism taking root in the United States aggressively right now would be a robust recovery of the U.S. economy. There's no better tonic for protectionism than economic growth.

Do I see that happening? There are some signs that the American economy is coming back a little more smartly than their effort to control the pandemic. It's a very mixed message from the United States today, but I have to assume that the Americans are very versatile in responding to crises. The chances of a strong economic recovery—and maybe I'm not as pessimistic as some colleagues on the panel here—will come in 2021. I don't think we'll have to wait until 2022. I think even our finance minister is predicting a 6%

growth in our economy next year, so that will be good. The best tonic for protectionism is economic growth.

Mr. Randeep Sarai: Thank you.

Mark, one of your recommendations is infrastructure, particularly infrastructure to enable supply chains. Can you elaborate on that? It's usually a very popular thing to do for a recovery, specifically after this, and if it gives long-term benefits, it's even better. We've seen the benefits of the Asian gateway in British Columbia and the gateway projects that improved a lot of our ports and our transportation corridors. Is that what you're envisioning, more improvement on that type of infrastructure? If you can let us know, it would be great to hear.

Mr. Mark Agnew: It is precisely those types of things—ports and airports. This isn't anything new, and I'm not trying to pretend it is. As always, the reality for these infrastructure funds is that the demand way outstrips the supply of money available. This is about putting more cash into the national trade corridors fund to open it up again for organizations to be able to tap into to build those projects.

Mr. Randeep Sarai: You spoke earlier about free trade zones. How feasible are they? I know people talk about them. We've seen them in other places around the world. In some cases, I've heard the argument that they're counterproductive, that people move to free trade zones temporarily for tax benefits and then they move back.

Are you talking about more of a logistical place where goods move in and out, rather than being manufactured there, or are you looking at places where value is added to products? Can you elaborate on your suggestion on that?

Mr. Mark Agnew: We're definitely talking about substantive value-added transformation. Precisely what you talked about is some of the problems we would have with the regime as it stands today, and loosening those rules to enable more production would build up our domestic capacity in the manufacturing sector and certainly create jobs for Canadians in the process.

Mr. Randeep Sarai: Thank you.

The Chair: That will be the end for this group of witnesses. We have our next panel waiting.

Thank you to the witnesses for sharing very valuable information with us today. Certainly, we all appreciate it very much.

Stay safe and stay well.

I'll suspend for a couple of minutes while we get the other panel set up. Thank you.

• (1535) _____ (Pause) _____

• (1540)

The Chair: We are meeting on the impact of COVID-19 on Canadian trade relationships, especially with the United States and the United Kingdom, for our third panel this afternoon. Please accept our apologies that we're running a bit late today.

We'll start with the Canadian Europe Round Table for Business, Mr. Langrish, who will then be followed by Canadian Agri-Food Trade Alliance, Claire Citeau. Next will be Centre d'études sur l'intégration et la mondialisation, Michèle Rioux; and then Partner Technologies Inc., George Partyka, Sr., chief executive officer.

Mr. Langrish, we will start with you for approximately five minutes, please.

Mr. Jason Langrish (Executive Director, Canada Europe Round Table for Business): It's nice to be here today. Hello to everyone.

I'll keep my remarks brief, to five minutes, and focus primarily on the United States and the United Kingdom.

First, broadly, the primary impact of COVID-19 on international trade is the continued rise of the sentiment "my country first". We've obviously heard it being voiced south of the border as "America first", but it's the concept that we're putting our country and its interests, at least as the politicians see them, ahead of the multilateral agreements that are in place. I feel that has the potential to be quite problematic.

The principal reason I feel it could be problematic is that there are arguments for some self-sufficiency given what's transpired. However, this can quite easily morph into a wider and more unjustified form of protectionism, notably in the form of technical barriers to trade—that is, putting up barriers based on the fact that it's not safe enough, their approvals are not robust enough, etc.

There are also some other issues. The nationalization of industries could run afoul of international trade commitments. Massive government expenditures could undercut things like state aid rules, which we may see play out in the negotiations between the U.K. and the EU, given the massive spending that Germany is making now in their stimulus program and the money that's going to specific industries.

When we look at our relations with the United States, I think our trade relations are generally under control. It's been a bumpy ride since Mr. Trump was elected as president. I think the government has generally done a pretty good job there, but we have to constantly be keeping an eye on things because protectionism pops up, as it has with aluminum, with the border at times, with bans on exporting protective equipment into Canada, etc.

The approval of the CUSMA is good news. Closing the border as a result of COVID was a more impactful development than the approval of the CUSMA, which has largely been factored into business decision-making since it's an agreement from some time ago. However, it's obviously important that we maintain a strong trading relationship with the U.S., the obvious reason for this being national prosperity and maybe the less obvious reason being that we will

need U.S. support in dealing with difficult third party issues, such as the diplomatic dispute with China, including in Ms. Meng's extradition hearings.

Turning to the U.K., I think the real question for Canada is this: What will be the outcome of negotiations on a future relationship between the U.K. and the EU? In my view, the highest probability outcome at present is a hard Brexit, which would take place at the end of the year. That is, the U.K. would leave the customs union and the single market and would revert to WTO rules. There is a bit of good news there in the sense that the British have unilaterally decided that they are going to remove import tariffs for countries with which they have MFN status, so that would take some of the sting of a hard Brexit off Canadian exporters.

The problems with a hard Brexit, as I see them, are twofold. First, we would be unable to conclude a Canada-U.K. agreement to replace the CETA. The U.K. is currently a party to the CETA, the Canada-EU trade deal. Obviously, if they leave the single market and the customs union, they will no longer be a party to it. Frankly, once they leave the EU, they are no longer a party to it after the transition period. We won't be able to conclude a Canada-U.K. trade agreement until we know the outcome of U.K.-EU talks. The second problem is that if the U.K. leaves the single union, they'll no longer be covered by the CETA.

We're going to have to do some work to get an alternate arrangement in place. It would not make sense, in my view, to move forward with a trade agreement with the U.K. right now, because we do not know where there will be import tariffs in the EU, how we would deal with rules of origin and how we would deal with financial services and a whole host of other issues.

I'll end my remarks there. Thank you.

• (1545)

The Chair: Thank you, Mr. Langrish.

We'll go on to Ms. Citeau, for five minutes, please.

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

As you know, CAFTA is the voice of Canadian agri-food exporters, representing the 90% of farmers who depend on trade and the ranchers, producers, processors and agri-food exporters who want to grow the economy through better access to international markets.

Thank you for the opportunity to speak today with you about the state of global trade and what the road ahead may look like. The year 2020 was supposed to be a big year for trade for us with the ratification of CUSMA, the need to address CETA issues, non-tariff trade barriers and the lack of respect for international trade rules, the necessity to modernize the WTO, opportunities to diversify in Asia and the creation of a new post-Brexit trade relationship with the U.K.

Yet, in an instant, COVID-19 upended the predictability and stability businesses and exporters need. The last few months have shown us just how foundational agri-food trade is for our economy and way of life. While we're proud of the role our members have played in feeding Canadians and the world while also protecting jobs in a time of crisis, clear worries remain.

Chief among them is the fear that this crisis will bring about new trade barriers and other forms of protectionism and that trade commitments will be undermined and not followed. Given the topics today, I will focus my remarks on, first, the need to continue to strengthen and improve existing trade relationships, the need to support WTO modernization and the rules-based global trading system, and the need to continue to open new markets, enforce free trade and put agri-food trade at the centre of the recovery.

Canada has no more important trading partner than the U.S. Our members are very pleased that CUSMA is now in force. It will help ensure a continued strong foundation for uninterrupted trade with our closest neighbour and trading partner. Restoring stability and predictability to North American trade is essential for Canadian agri-food exporters that have developed highly integrated supply chains for the past generation across the continent, and especially so in the U.S.

CUSMA will help restore the competitiveness in the North American free trade platform; normalize trade, not just for commodities but also for value-added food products; and enable a globally competitive sector that drives the economy forward in all three countries.

It will be important to monitor the proper implementation of the agreement to realize its full benefits. I will point to two sectors in particular. The food processing sector is concerned with the implications of the front-of-pack labelling regulation—a trade irritant with the U.S.—and, in the sugar industry, a key driver of food exports to the U.S., discussions on the administration of TRQs create a level of uncertainty of access.

It's very clear that the implementation of trade agreements is just as important as negotiating trade agreements and perhaps even more so. Take CETA, our comprehensive agreement with the European Union. It will turn three this September, yet despite holding so much promise for agri-food exporters, it continues to fall short. This is because the EU is not abiding by commitments to remove technical barriers.

We know there are solutions to these persisting barriers. Such work includes achieving mutual recognition of meat processing systems, developing protocols to verify livestock production practices, addressing misaligned regulation of crop protection products, more predictable and timely review of seed technologies, ensuring

that Italy's country-of-origin labelling requirements are not applied in a trade-restrictive manner and addressing production and trade-distorting EU sugar subsidies that make our exports uneconomical.

Italy provides an example where Canada needs to be assertive in defending our trade interests. Quiet conversations to date have not resolved the issues. It's important that Canada challenges these so that Italy's protectionist measures do not spill over into other countries and products. We've asked the Canadian government to take up these issues with EU political leaders in order to secure commitments and timelines to remove and address the barriers that persist. As the world is moving toward the enforcement of rules, Canada, too, should step up its response and push for enforcement.

Vietnam, Peru, India and others—the list goes on of countries that do not follow internationally agreed-upon protocol, that do not live up to their bilateral and WTO commitments and that maintain unwarranted SPS measures. All of these create significant risks and uncertainty for exporters. Canada needs to be proactive and nimble in its response to the growing use of non-tariff barriers to block agriculture and food exports.

The current crisis has also shown us why we need a rules-based global trading system. CAFTA is pleased that the federal government has been at the forefront of efforts to safeguard the WTO and the rules-based trading system. This was done in large part through the Ottawa Group. The Ottawa Group, led by Canada, initially created to find ways to reform the WTO, has played a major role in keeping supply chains open to agri-food trade during the crisis and in seeking commitments from WTO members to limit and unwind the 200-plus trade restrictions adopted by 93 countries as a result of the crisis. It is imperative that this work continue.

• (1550)

In parallel, the Ottawa Group needs to drive forward WTO reforms to fix the dispute resolution processes to ensure their ongoing functionality, to revitalize the multilateral negotiation process and to restructure the overall governance of the WTO.

Amidst the crisis created by the pandemic, we must recognize that it's absolutely vital to get WTO reform right. We should fully expect that many countries will be tempted to use the current crisis to restrict trade and introduce non-tariff barriers disguised as excuses with protectionist motives. This is precisely why we need a solid, functioning WTO that can deliver on stable, predictable, open, rules-based trade as recovery begins to take root.

Now is the time to step on the gas—

The Chair: Ms. Citeau, I'm sorry, but your time is up.

If you could just give your closing remarks or make your last few statements, or maybe you could get them in during an answer to some of the questions.

Thank you very much.

Ms. Claire Citeau: In closing, I will say that as people around the world need to continue to eat, agri-food trade gives us one of the best engines for growth.

We need to look at ways to strengthen relationships, including with China, to grow and modernize our existing FTAs, whether by launching FTA talks with ASEAN, or launching talks with countries that have expressed interest in joining the CPTPP, including the U.K.

Perhaps on the U.K. specifically, I will add that given that it's one of our largest partners in Europe, it's important that Canada engages [*Technical difficulty—Editor*].

The Chair: I think she's having difficulties.

Ms. Citeau, maybe your ending remarks.... Can you hear me?

Ms. Claire Citeau: I can, with a lot of delay.

• (1555)

The Chair: Maybe you can just stop at this point, Ms. Citeau, so that we'll have time for the members to ask you questions.

Ms. Claire Citeau: Sure.

The Chair: Thank you very much.

We now go to Ms. Rioux for five minutes, please.

[*Translation*]

Ms. Michèle Rioux (Centre d'études sur l'intégration et la mondialisation): Good afternoon. Thank you for having me today. I am director of the Centre d'études sur l'intégration et la mondialisation. We are currently reflecting on the aftermath of COVID-19 and the pandemic's impact on Canada's international trade, but more broadly on the economic system.

First of all, I want to say I totally agree with Ms. Citeau on the importance of looking at multilateralism and the interface with the agreements that Canada signs. It is very important for maintaining consistent trade policy over the long term, but it is particularly important for the future of the international community to ensure that bilateral or regional trade agreements do not jeopardize co-operation at the multilateral level.

I know it is always taken a bit for granted that bilateral agreements are aligned with multilateralism. However, at the centre, we have mostly focused on the potential divergence between a multi-

lateral system built on bilateral agreements and the risk of system fragmentation.

Our approach is to try to understand how COVID-19 revealed the flaws in our societies, in our international community and in the institutions that are there to enforce rule of law and stabilize the system.

We believe that our societies and the international community were not equipped to deal with the current pandemic and that, to deal with future catastrophes like this one, it's very important not only to consider short-term responses and challenges, but also to have a medium- and a long-term vision of them. This health crisis has revealed the pitfalls of collective action, which we also believe will be a catalyst for change and transformation.

The COVID-19 pandemic is forcing us to rethink economic policies [*Technical difficulty—Editor*] and trade. In fact, our colleague addressed the issue of the labels "made in Quebec", "made in Canada" and "made in America". That means the potential for relocation is there and could be very dangerous.

Globalization and trade are forcing us to thoroughly rethink the role of institutions. We anticipate a pre-COVID-19 era and a post-COVID-19 era. This is a historic time that will determine the path forward in the face of multiple social and economic trajectories, while opening up new avenues for economic governance.

We have organized a series of workshops that will continue until December. The worst-case scenario, which we have discussed, is border closure and the emergence of highly intrusive surveillance and monitoring systems. A number of our colleagues have written that deglobalization is not necessarily desirable or even possible in many industries. We are in the process of documenting such a deglobalization scenario, and we are adding a number of nuances.

We agree completely with Canada's approach, which we feel is to secure supply chains by showing flexibility and finding ways to secure those value chains so that Canada's supply is protected. The primary risks are therefore fragmentation, countries looking inward and deglobalization, but also trade warfare. These risks should not be underestimated. We also see as key risks rising inequality, economic concentration and challenges to the legitimacy of the international trading system. I believe all these issues must be taken very seriously.

Our approach is to look at institutions in the context of globalization, as well as state policy and actions. We are interested in how such actions can be aligned with more regulated globalization, while preserving economies that are open to trade and investment. The big picture for all this is to work toward a more stable trade system, one that could be more inclusive and progressive. It is in line with the approach Canada has been using in recent years.

• (1600)

[English]

The Chair: Could you get to your closing remarks, Ms. Rioux?

Ms. Michèle Rioux: Okay, I will.

[Translation]

Coming back to the United Kingdom, we believe that a bilateral agreement should be founded on the Comprehensive Economic and Trade Agreement, or CETA, with the aim of ensuring consistent transatlantic trade and continuing to work with European countries as we did before Brexit. In our opinion, the agreements with the United Kingdom should follow on from the third-generation agreements, which take into account the global standards, policies and regulations that CETA has promoted.

With respect to CUSMA, very close attention must be paid to implementation, transparency and, above all, the cultural exemption and e-commerce. A number of issues affecting cultural industries will become clearer in the fall. I think our trade relationship with the United States will be seriously put to the test. It will be very important to properly articulate our objectives when it comes to cultural sovereignty and digital sovereignty. They are crucial issues that are not only the subject of trade disputes, but also—

[English]

The Chair: Thank you very much, Ms. Rioux.

[Translation]

Ms. Michèle Rioux: These issues will also ensure the survival of our cultural industries in Canada.

Thank you for listening.

[English]

The Chair: Thank you very much.

We go on to Mr. Partyka.

Mr. Partyka, it's your five minutes now.

Mr. George Partyka Sr. (Chief Executive Officer, Partner Technologies Inc.): Thank you so much. I won't be that long, and I do want to thank the committee for this opportunity to speak today. It's nice to meet everybody.

It would have been very useful if I had heard some of the earlier comments, because I could probably have added to or supported some of the statements I agree with. Everybody has very valid points.

First, I'd like to take the opportunity to introduce what PTI Transformers is.

We probably aren't well known out there. We're not a brand name as such, but we are the largest privately owned Canadian manufac-

turer of transformers. We were established in January 1989 and started manufacturing in 1990. Currently, we are now building up to 500 MVA transformers, which are similar to 500,000 horsepower, if you want to equate them with something you're more familiar with. We have over 300,000 square feet and employ over 300 skilled personnel in Canada. In 2015, we purchased CG Power Systems Canada, which was owned by India, and we brought that technology back to Canada. We are continuing to reinvest in the technology and support the Canadian industry.

We're bringing back a lot of the stuff that was lost over the last 40 years. For example, in North America there's not a whole lot made here that you can buy at Costco right now in Canada, or the United States for that matter. Most of it is brought in from Asia, so my concern has more to do with Asia. We've been seeing a lot of penetration of our market from Asia, and we have some concerns.

We've performed very well, both financially and technically, since our inception, and despite the most recent impacts from COVID-19, we have remained open throughout the pandemic period without layoffs and without support. We have continued our business uninterrupted with all of our Canadian and U.S. customers. We do not export to Europe.

The business market demand for our product has decreased recently due to the economic slowdown and COVID-19 and the resulting decreases in new construction projects, along with the corresponding impacts on North American supply chains.

PTI Transformers has also been impacted by recent steel tariffs imposed by the U.S., and dumping by foreign competition. In response to this, we undertook an initiative by twice filing and winning dumping complaints against Korean manufacturers, who are my major concern right now. This in itself was a costly and time-consuming venture, but the resulting anti-dumping tariffs are of benefit to Canada.

Our relationships with other countries and the U.S., and all of our customers, continue to be amicable. However, there is noticeably more and more focus by many customers on buying local. Jason, to your point, there's obviously a lot of interest now in buying local for various reasons, whether for good security in our case or more dependable sources of supply and service. There's definitely a move afoot all over the place, and in North America especially, to buy local.

Also, I would like to take this opportunity to commend the politicians in our provincial jurisdictions for their unified stance with public health authorities, along with their positive approach to addressing the COVID-19 pandemic. Frequent and positive communication apprising the public of the current ongoing health status and plans for reopening the economy was, in my opinion, paramount to reaching the success we have achieved thus far in battling this virus. Although concerns may still be apparent regarding a potential second wave in the fall, we can all take solace in the fact that this proven-to-be successful approach can once again be followed and potentially even be improved.

● (1605)

PTI Transformers' strategy was to follow recommendations by public health authorities. Although there were times when it was tempting to consider deviating to more stringent but difficult to manage alternatives in addressing this virus, this ultimately garnered the good results we have today. Their unified approach and good communication helped stave off our temptation to move to a little more difficult to manage alternative. We have learned a lot these past few months, and although there are still many Canadian casualties, I am very proud of their efforts and what we all have been able to accomplish together.

I offer my commendation to all the politicians. It's been difficult yet, in my opinion, they have come through.

In addition to the COVID-19 pandemic and the steel tariffs imposed by the U.S., PTI's business opportunity has most recently been impacted, and if not addressed or corrected will have dire consequences going forward, regardless of a pandemic, or even be further compromised by the pandemic, if it reoccurs.

One particular circumstance I would like to bring forward to the committee is the Wataynikaneyap project in northern Ontario. This project connects Hydro One's electrical grid to many first nation communities that are currently running on undependable diesel, which is economically not viable. It's dirty and environmentally not warranted, currently. It's a big project and unfortunately the project, although it represents about 27% of our annual capacity for next year, has been given to the Koreans who twice were charged for dumping into Canada—the same company.

It's a federally funded project, and I'm just voicing my concern now because I find it's a surprise event for me. It represents over 100 person-years of direct employment, 20 person-years of engineering and professional employment, and it's come at a time when the work should be direly needed in Canada, and our company is here to do that.

● (1610)

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

Mr. Michael Kram: Thank you, Mr. Partyka, for your presentation today. I'm glad to hear that you and your business seem to be weathering the pandemic better than most.

I'm very curious about your experience with the federally funded Wataynikaneyap project in northern Ontario. Could you tell us about the bidding process for that particular project, and why you feel your company was not successful in that particular bid?

Mr. George Partyka Sr.: The project was in two stages. The first stage was done so that a major contractor could be selected. We had tendered our offering to several contractor bidders for the whole project. The entire project was then left to one contractor and then it was rebid. After it was rebid, we were working on it for about a year and then, come January, we were advised that the project went to the South Koreans.

I'm not sure where we were in position, but some of it covered transformers that were already dumped and other transformers were not, so it didn't fall under the dumping provisions. Why were we not awarded the project? I'm assuming it was all price, but I couldn't comment as I don't have that information.

Mr. Michael Kram: You've made past dumping complaints against the South Koreans. Can you give the committee an idea of how involved a process it is to file such complaints when you believe dumping is happening?

Mr. George Partyka Sr.: First, there was another supplier, a manufacturer, that also entered into the dumping complaint. This was done both in the U.S. and in Canada. We had won twice in Canada. There was a five-year period and then a second five-year period, so for 10 years we were able to prove that the dumping was occurring from South Korea. That is supported through a lengthy process. It probably went on for about a year. We hired lawyers in Ottawa to contact the governments and the trade tribunal. This went on for a period of a year. A lot of the information that had to be shown was that you were harmed and also that they were dumping. We got support and information from a lot of customers in Canada that showed this was the case.

Mr. Michael Kram: From your perspective, could you tell the committee what the federal government needs to do with future free trade agreements to stop these dumping practices from happening?

Mr. George Partyka Sr.: On policies, I guess one thing I found out off the record was that some of the tariffs were not being collected. The reason for this was that they were not being reported properly.

Further to that, I believe Michèle's point was that there has to be better regulations put in place so that clarifications on what type of product is being imported and from where are better regulated and supported through CBSA. I think CBSA is very busy, and perhaps there are some issues they have with paperwork and in trying to get these products identified. As a result, there may be some erratic reporting that goes on that doesn't help identify the products, so tariffs cannot be collected. Regulations have to be improved. I believe CBSA has to be better supported.

There's obviously some better control on pricing from procurement fields. I believe there are some policies, but right now, with the world open globally, it's very difficult to control where prices are coming from and whether those standards are being met. We do a lot of investments to make sure we comply with standards. We test in accordance with standards, but I believe there is probably some flexibility going on out there that I'm not aware of. Perhaps CSA standards have to be strengthened a little more.

I'm pretty aware that the Canadian Welding Bureau does not go to Asia and approve plants for the welding, whether it's good for -50°C or -40°C. I can't vouch for that, but I'm pretty sure CWB doesn't go there and make sure of that.

• (1615)

The Chair: Thank you very much, sir.

Mr. Dhaliwal.

Mr. Sukh Dhaliwal: My questions are going to Ms. Citeau and Mr. Langrish.

Minister Ng has stated publicly that a future Canada-U.K. free trade agreement will be based on a U.K.-EU free trade agreement. Based on this statement, what are the members of CAFTA thinking about this statement?

Also, to Mr. Langrish, what is not in the CETA that can be added when the new negotiations take place?

Ms. Claire Citeau: Perhaps I can go first. I want to clarify that earlier on I had a lot of technical difficulties. There was an echo and I could hear people talking three times, so it was very challenging.

Particularly as it comes to the statement you're talking about, I'm not sure I clearly understand what specific statement you are referring to. I understand it's about the U.K. As it pertains to the U.K., given it's one of our largest trading partners in Europe, and with under six months until the U.K.'s full separation from the EU and the fact that some of our competitors are already deeply engaged in full-blown negotiations with that import market, our view is that Canada should formally engage. We should seek to conclude negotiations on an ambitious Canada-U.K. free trade agreement that removes tariffs and non-tariff barriers, provides liberal rules of origin and secures a level playing field in this at the earliest time.

We must be looking for an edge in a fiercely competitive global economy. Our competitors are actively doing this. Ultimately, our success depends on how well Canada opens the door for us around the world. We need to be at the table as well.

Mr. Jason Langrish: When you posed the question, the screen froze, and I didn't hear it, but I'm assuming you want to know about the prospects for a Canada-U.K. agreement. Is that correct?

Mr. Sukh Dhaliwal: That's number one. Second, is there anything that we did not have in CETA that you would like to see moving forward?

Mr. Jason Langrish: Generally speaking, I agree with Claire's remarks with regard to having an ambitious agreement. I think we need to have something there. In my opening remarks, I said that I thought there was going to be a hard Brexit. In fact, if I'm being blunt, I think that the U.K. political leadership believes that the economic fallout can, to a degree, be pinned on COVID. I think they see a bit of an out here. I mean, if you look at the way the negotiations are going between the U.K. and the EU, it's not very good. The best that they're going to be able to achieve by the end of the year, if they do get an agreement, is a very skinny, tariff-only agreement.

Starting with that point, we had a rollover agreement, a CETA-like agreement, that was in place and basically ready to go and re-

place and cover the U.K.-Canada relationship; however, the British government came along and surprised everyone by saying they were going to remove import tariffs. That was a big piece of the agreement that they were giving away for free. I think the negotiators in the department in Canada are a bit unsure about exactly what the U.K. may put on the table next. I just don't know that we're going to be able to have an agreement in place prior to knowing the resolution between the U.K. and the EU.

For example, how would you treat rules of origin if they're outside of the EU Customs Union? For instance, typically you need at least 50% to 60% of content in your goods to qualify for duty-free status. A U.K. that is outside of the European single market, will they be able to meet those provisions? We won't know if we even need to negotiate rules of origin until we know what they have agreed upon, so I think realistically we probably will not have an agreement in place until 2021.

I think we can take quite a high level of ambition into these negotiations. Where I would like to see better progress... We still do not have conformity assessment in place two years on in the CETA. Basically what that means is, if a product is certified in Canada and exported over to, say, Germany, it doesn't have to be retested and recertified again. It's seen as being equivalent. We agreed to this in CETA, but the problem is that it still has not been implemented.

We also see continuing problems with technical barriers to trade. Claire has raised this on the agricultural front. I think we need a more robust process for preventing technical barriers to trade. There's also been some confusion around the regulatory co-operation provisions. The regulatory co-operation committee within CETA is for going after future regulatory barriers; however, I think most people, certainly in the private sector, believe it's a forum for dealing with existing regulatory barriers. I think there needs to be more clarity around this in a future agreement.

I think that—

• (1620)

The Chair: Sir, I have to interrupt. The time is up. Thank you very much.

We'll go on to Monsieur Savard-Tremblay.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Good afternoon.

I would like to thank all the witnesses for their presentations.

Ms. Rioux, your presentation emphasized the need for trade in supply chains, but also the exemptions that must be maintained. In other words, not everything is a commodity, and we will have to be able to clearly draw the line in future agreement negotiations.

In anticipation of an agreement with the United Kingdom, you said we could base it on CETA. In fact, rumour has it that the new agreement will probably be very much like CETA. We may simply take CETA and turn it into a bilateral agreement this time.

However, how can we ensure that your concerns about exemptions, which have been more or less honoured in CETA, will be addressed this time around?

When the signing of CETA was being debated, people said the government ended up sacrificing cheese for beef. In the end, neither of the two industries really managed to break into the much-touted big market. We were told that the market would be huge, but it turned out to be harder to break into.

What do you feel we could correct in CETA, now that the time has come to plan for a new agreement with the United Kingdom, which is no longer bound by European Union agreements?

Ms. Michèle Rioux: That's a multi-faceted question.

Mr. Simon-Pierre Savard-Tremblay: Indeed.

Ms. Michèle Rioux: I'll try to answer.

I'm going to start with your last point, about deregulation and the need to break into the European market despite the many technical barriers.

Last month, we took part in a meeting with the Belgians. It was hosted by Global Affairs Canada. We talked a lot about the impact of CETA. The enthusiasm or flow of trade didn't necessarily materialize. A point that came up repeatedly was that negotiating an agreement wasn't enough; ensuring oversight, implementing business strategies and delivering support were also needed. Mr. Langrish mentioned regulatory co-operation, and we stressed the importance of that aspect in our efforts.

Today, we don't focus solely on trade barriers, tariffs and the opening of borders to trade. We are actually looking at which rules can constitute restrictions, as well as which ones are necessary for protection. That's what the COVID-19 pandemic has caused us to think about. It's making us take a serious look at the current rules designed to eliminate barriers and improve access to foreign markets and exports, on both sides of the Atlantic. At the same time, it's making us think about the standards we want to put in place with the Europeans. I think we can go very far, even with the United Kingdom.

As far as e-commerce and social media rules go, I would say they're a bit more resistant to the approach taken by the Americans, which is naturally a defensive one. All of that highlights just how important regulatory co-operation will be going forward, not only to clear the way for trade, but also to build the institutional foundation for clear rules and consideration of the broader public interest. I do a lot of work with cultural industries. That's very important as we speak. As you know, Canada's legislation is going to be amended. We don't want to end up with problems because of trade policies and disputes.

I'm not sure whether I missed anything, but when it comes to exceptions, whether for trade in cultural products or cheese, it's quite a specific area with underlying social issues at play.

• (1625)

Mr. Simon-Pierre Savard-Tremblay: I have 20 seconds left. Since the preambles to my questions and your answers were lengthy, I won't have time to ask you anything else.

I'll simply thank you for your answer.

[*English*]

The Chair: Thank you very much.

Go ahead, Ms. Mathysen.

Ms. Lindsay Mathysen: Thank you to all the guests for appearing before the committee. I will build on what my colleague was getting at.

My question is for Madame Citeau and Madame Rioux.

I think we all understand the benefits of trade, especially in the agricultural sector. No one disputes that. Having access and growing markets are key. However, often within these very large multilateral agreements, we're pitting one sector against another. Within the agricultural sector, we saw a key loss under CETA, the CPTPP and the new NAFTA in our supply-managed sectors of about 10%, so even within one industry there was quite a lot of division.

As for how we look at future trade, there have been discussions today that we can't lose sight of multilateral negotiations. However, we're seeing so much conflict within that.

Have you thought about potentially looking at sectoral trade and the benefits it would have, so that we're not pitting one industry against another?

Ms. Claire Citeau: I think in general we much prefer multilateral regional agreements because of the market opportunities that are much larger in scope and the rules of origin that we seek. Bilateral agreements are something that Canada has done. Our preference in recent years has been for multilateral agreements.

As for sectoral agreements, they are limited to such areas as co-operation. They do not address tariffs and non-tariff barriers in significant, comprehensive ways for our sector. It's not something our membership has been advocating for, at least to my knowledge, in recent years.

• (1630)

[*Translation*]

Ms. Michèle Rioux: Good afternoon. Thank you for your question.

Sectoral agreements could be explored. Historically, they have had a lot of success. In particular, I've studied the agreement on basic telecommunications, which was later generalized. I think you can get a lot of mileage out of sectoral agreements. That said, they can also work against you, because when you have something to give, there are often trade-offs that have to be made. With sectoral agreements, however, you simply can't make trade-offs. In short, the potential is there, but it's not always a win-win situation.

[English]

Ms. Lindsay Mathysen: In terms of the negotiations we saw with the new NAFTA, there was an elimination of the investor-state dispute settlement mechanism. New Democrats were quite happy to see that. Within the CETA agreement, of course, there was the highly controversial investor court system, which is very similar to ISDS. It has caused a lot of controversy within the European Union as well.

If we do move forward with a U.K. deal, I would like to hear the panellists' feelings on the insurance that a future FTA doesn't include something like ICS or ISDS.

The Chair: Whoever would like to answer Ms. Mathysen's question, please do so briefly.

[Translation]

Ms. Michèle Rioux: That's a complex question, but I'll give it a go.

Even if we were to negotiate an investor-state dispute settlement mechanism with the United Kingdom, there would still be other venues where disputes could be brought forward.

While I won't say whether I'm for or against the mechanism, there are ways to have the same mechanism or something along those lines. The mechanisms are being discussed all over the world. We are seeing the pendulum swing the other way. A more nuanced approach is being taken, including when it comes to state protection.

We'll see what happens with the European Union and CETA, but we are witnessing innovation at the institutional level, which will probably develop and could eventually be modernized.

Historically, I don't think it's an area where we've necessarily seen stability. I think it's important to stay open to the possibilities.

[English]

The Chair: Thank you very much, Ms. Rioux.

We will move on to Mr. Hoback for four minutes.

• (1635)

Mr. Randy Hoback: Thank you, Chair.

Thank you, witnesses, for being here this nice day.

Five minutes isn't enough, Chair, and I think you know that, but I'll go to Ms. Citeau first.

One of the concerns I have post-COVID is that countries are using non-tariff trade barriers to restrict access in order to protect domestic sectors as they try to recover economically in their country. On the agriculture side of things, of course, they use all sorts of

items as we've seen in Italy and in China, for example, in canola. We've seen it in India and a few other countries that you mentioned.

Do you think the government has put in place enough people, for example, CFIA inspectors? Do you think our trade commissioners are positioned properly? Do you think we have the mechanisms in place for this turmoil that's coming in front of us? Do you think they have properly prepared, or are you aware of any changes they have made in regard to making sure we can represent Canadian companies in these countries when this turmoil erupts?

I'll start with you, Ms. Citeau.

Ms. Claire Citeau: I'm not aware, myself, of changes, or at least recently, but it's certainly an area that we need to look at as these trade barriers continue to increase. As I mentioned, the list of countries continues to increase when it comes to countries adopting non-tariff barriers. Certainly, they need the opportunities to have boots on the ground even before those issues become problems. That can certainly help.

This is something that some of our members are asking for in certain countries and regions of the world, to make sure that non-tariff barriers are dealt with before they become problems. Having trade commissioners on the ground doing advocacy can certainly be helpful as well.

Overall, I think it can only help when it comes to making sure that the rules are enforced and respected around the world. This is certainly one of our major issues and concerns for members today.

Mr. Randy Hoback: I'm a big fan of the trade commissioners and, in fact, I want to compliment them. I know that, when this crisis erupted, a lot of them shifted to finding the PPE supplies that we got into Canada, and they were trying to help in the logistics in regard to that. A lot of them stayed in countries when probably they would have preferred to come back to Canada.

That's one of my concerns now. We've had a lot of our bureaucracy who have been around the world, stationed in countries that are important to us, come back to Canada. What's the process of getting them back to the countries moving forward post-COVID and reflecting on making sure our Canadian companies have proper representation and that Canadian travellers in the future are properly represented and taken care of, too? That is one concern I have.

I'm going to shift a little bit to the U.K. One of the things I'm hearing from agriculture producers.... Here is a classic example. Last night I was on a conference call with some agriculture producers out of southern Ontario. They grow lots of beans, and they sell a lot of those beans into the U.K. They're very nervous that they don't know what the price of those beans is going to be on January 1, because they don't know what possible tariffs could be in place or not in place.

The other concern they have is, when they see other countries, such as the U.S., that compete with them, that the U.S. may have first-mover opportunity, which is what we had in Japan with TPP that really gave us good market access and a great advantage.

Are you concerned that we haven't entered into a negotiation with the U.K. and that we haven't even done the simple stuff as far as the easy, low-hanging fruit and at least get that out of the way?

Ms. Claire Citeau: I think certainly there has been some anxiety that our members are feeling, not only about non-tariff barriers but also the pace of negotiations that some of our competitors have adopted when it comes to negotiating free trade agreements around the world. That has been the case with the U.K. and other countries as well.

We know that we lose when our competitors are first to markets we are also after. Seeing the U.S., Australia and the EU engage with the U.K. certainly raises eyebrows and questions, but that's also the case with the U.S. and China, or the EU and Thailand and others. It all certainly creates some anxiety, and they find that Canada's response in large part to our global competitiveness can provide confidence, or not, on a path forward.

That's why we support the inclusion of the U.K. among Canada's priorities for negotiation. It's important that Canada be actively engaged in the discussions with the U.K. and not necessarily wait and see.

• (1640)

Mr. Randy Hoback: Yes, I was talking to one of the grain companies, G3, a couple of years ago, and they were concerned. They sell a lot of wheat into Warburtons, and they were trying to figure out their pricing mechanism in their futures contracts while not having the visibility of what that was going to look like. They were raising that issue for sure.

Do you think we're going to see a lot more challenges and a lot more ruckus, for lack of a better word, in our trading markets over the next year or year and a half? Do you get a sense from talking to your producers that it's not business as usual as it has been in the past?

The Chair: Make a short response, if possible.

Ms. Claire Citeau: I certainly think the road ahead is going to be rocky for us. We need to make sure our existing free trade agreements are going to work and that we continue to diversify, but we can't take for granted what we had before the pandemic. That's for sure.

The Chair: Thank you very much.

We'll move on to Ms. Bendayan.

[*Translation*]

Ms. Rachel Bendayan: Thank you, Madam Chair.

Thank you, Ms. Citeau. We've spoken several times during the pandemic. I'm glad to see you again, even if it's just virtually.

I have more of a general question. Your sector, the agri-food sector, was especially hard hit by COVID-19 and the global pandemic. As you know, Minister Ng and others have worked extremely hard and been leaders in the international community, promoting international trade and making sure we don't turn inward and protectionist. One thing that comes to mind is the April 22, 2020 statement that was signed with 23 other WTO countries to ensure open and

predictable trade in food and agriculture products. I know that was important for you.

Can you give us a general idea of what this period has been like for you? Do you think, as I do, that the Government of Canada has taken a strong position so far and really championed international trade in a number of multilateral organizations?

Ms. Claire Citeau: If you read the press releases we put out during the crisis, in the past few months, you'll see that the Canadian Agri-Food Trade Alliance has applauded Canada's efforts. As I understand it, the Ottawa Group was largely responsible for those efforts. The fact that the borders remained open to agri-food trade is precisely why families were still able to put food on the table, not just in Canada, but also all over the world.

When we think about agriculture, we think about the products we see on store shelves, but there's a whole ecosystem of underlying sectors: distribution, transportation and retail. For the supply chain to work, all of those sectors need workers, ingredients, services and so on. Those networks were able to keep operating because the borders remained open. Not only were we able to continue feeding people, but we were also able to protect jobs and keep the economy moving. The work that was done was vital. I mentioned this earlier—and I hope it was heard despite all the technical difficulties: the work was tremendously important, but it's imperative that it continue.

According to the Ottawa Group's most recent news release, the export restrictions adopted by some countries during the pandemic were limited and are coming to an end. Of course, those efforts have to continue as well. We, too, have some suggestions and we'll definitely be sharing them with the government and the committee soon. We've observed certain things during the pandemic. The Ottawa Group could take a closer look at some of our proposals.

• (1645)

[*English*]

Ms. Rachel Bendayan: Mr. Langrish, with the Canada Europe Round Table for Business, I understand you have been around for about 20 years with a very interesting membership.

I was wondering if you could comment a little on something you mentioned earlier. I believe you said earlier that it was your opinion that we might not come to a negotiation or final agreement with the United Kingdom until 2021.

I was wondering, if that were the case, what you think would be our most prudent step forward to ensure, after CETA no longer applies at the end of the year, that there is predictability for our exporters here in Canada.

Mr. Jason Langrish: It is worth remembering that this is largely on the U.K. The U.K. made the decision to leave the European Union, so the U.K. is the demander in all of these things, including their discussions with the EU and discussions with third parties like Canada.

In my view, the U.K. hasn't done a very good job in outlining its priorities. They're poorly defined, and it's a difficult party to negotiate with. It doesn't have a lot of capacity. The trade negotiations have been conducted by Brussels for the last 40-plus years. They have been doing their best to build up their capacity, but it's not there.

There are a couple things. First is that I think there was a remark that we aren't doing anything while the U.S. and other countries are negotiating, but we have been doing things with them. We have been discussing a rollover agreement, a CETA-like agreement that would be put in place in the event of a no-deal scenario. However, as I mentioned, the U.K. government unilaterally said they're going to remove all import tariffs. That's a huge piece of what would have been negotiated, which was negotiating away those tariffs, so we could get it for free. We don't even need to negotiate an agreement to get that tariff reduction. That changes the dynamics.

Also, the idea that the U.K. is going to strike a deal with the U.S. this year is not very realistic, with an election campaign and the difficulties of getting the deal through Congress.

I think we need to keep the lines of discussion open with the British. We should be having concurrent discussions with them, but we're going to have to face the reality that there are going to be some chapters of a potential Canada-U.K. deal, which will look like a CETA deal, that we won't be able to close before we know what the U.K. and the EU are going to agree on. First and foremost on that is how much a regulatory approach is going to diverge—

The Chair: I'm sorry. I have to cut you off, Mr. Langrish.

Mr. Jason Langrish: These are the key answers to the question, so if you don't want to hear that, then....

The Chair: We certainly do. It's just that each members has.... I still have two members to get their time as well. There's only so much time. I'm sorry about that.

Mr. Kram.

Mr. Michael Kram: Thank you. I'll be splitting my time with Mr. Lewis for this round of questioning.

Mr. Partyka, are you aware of any requirements during the procurement process for the electrical project in northern Ontario? Are you aware of the past dumping by the South Koreans being taken into consideration in the procurement process for that particular project?

Mr. George Partyka Sr.: I'm not aware of it, no. I'm pretty confident that the same kind of approach was taken by the Koreans, but I'm sorry. I'm not privy to the procurement side of things, so I couldn't comment on that.

Mr. Michael Kram: All right.

In general terms, is there anything else that policy-makers should be doing or need to be aware of to stop unfair dumping practices?

Mr. George Partyka Sr.: Mainly it's to influence training procurement specialists and procurement officers so that they are more aware of what dumping means. I think the incentive for all these people is just to buy low and not to consider the real value or the fact that dumping is going on. It's a lengthy process to determine dumping, but on the other hand 90% of the material is traded on the

open exchange, so it shouldn't be difficult for them to realize where the price level should be in the first place.

I'm thinking training would be the biggest thing for procurement awareness.

• (1650)

Mr. Michael Kram: Thank you.

I said I'd be splitting my time with Mr. Lewis, so I'll hand things over to him.

Mr. Chris Lewis: Thank you to my colleague Mr. Kram.

I would like to continue to hear from Mr. Langrish.

Sir, if you could continue on your answer from the former question, that would be fantastic.

Mr. Jason Langrish: Yes, it's just to say that we cannot close chapters on rules of origin. We spent almost two years negotiating rules of origin and going through lists with which services would be covered and those types of things. This is a very lengthy process. The idea that we're going to be able to get this all done and ready to go by the end of the year is, in my view, just not realistic. We need to advance a CETA-like deal with the U.K. and have those negotiations occurring, those talks, and take those discussions as far as we can go, but be cognizant of the fact that, until we know what the outcome of the U.K.-EU talks are, we will not be able to close certain chapters of that agreement.

Mr. Chris Lewis: Thank you.

This is probably a question specifically for, I believe, Madame Citeau. If there is anybody else who would like to jump in, feel free.

Specifically to our wine industry, I believe the WTO's decision has been pushed off until July 17, which I suppose in a lot of ways is, perhaps, good news for us. At least there's still a fighting chance. I'm wondering if there are any other industries out there that you know of specifically that are equally as concerned with our relationship with the WTO and/or Australia and kind of being bullied into a corner.

What are the thoughts of any of the experts here?

Ms. Claire Citeau: For the record, we represent a large portion of the agriculture and agri-food sector, not the supply management sector and not the wine industry but beef, pork, wheat, cereals, whole seeds, grains, pulses, malt, sugar and processed food products.

We are very concerned about the state of the WTO, which needs to be modernized. Its dispute settlement system is not fully operating. There needs to be reform work done on its negotiating processes as well as the overall governance of the organization. The Doha round has not moved for a long time, yet it's remained a very important forum for us to address, not only dispute settlements but important things like agriculture and domestic subsidies as well. We absolutely need the WTO because it's the basis for the global rules-based trading systems. There needs to be adherence to the rules, and those need to be made based on science as well. It's really important that it continue to function properly and deliver on stable and predictable trade. This is really essential for our own economic recovery.

Mr. Chris Lewis: Thank you.

The Chair: Thank you very much.

Mr. Sarai.

Mr. Randeep Sarai: This is for you, Ms. Citeau.

Canadian pulses and grains are two of our major trading commodities, and in my riding we have a big port of grain terminals that are just being completed. There are also a lot of lentils and pulses that get exported out of some of the rail and port terminals there.

The concern has been valid—Mr. Hoback has said it—that many countries have used non-tariff trading penalties. How do you see...? When foreign entities or countries unilaterally impose non-tariff barriers, we know they have no validity. They're simply made to protect their own commodities or be punitive for other various reasons. What measures do you think, other than trade commissioners, would be able to prevent this from happening or have better punitive measures so that those countries don't do that again?

• (1655)

Ms. Claire Citeau: There are mechanisms. There should be bilateral mechanisms in the case of bilateral free trade agreements and regional mechanisms in the case of regional free trade agreements such as the CPTPP. There is also the WTO, which sets the basis for the rules and, as you said, there are a number of countries that have adopted a number of non-tariff measures disguised as protectionist measures, in our view, so there are legitimate but way too often illegitimate reasons.

Tariffs used to be one of the most important factors in free trade agreements. Now tariffs are only the tip of the iceberg, and non-tariff barriers are what countries have used to block agri-food exports. It's really important that we continue to work, not only on a bilateral basis but also at the WTO to enforce the rules.

Mr. Randeep Sarai: Do you anticipate more protectionist measures as the global environment becomes more “me, me”, or “my country only”, or the protectionist environment increases, or do you think it has stabled off because of food necessity?

Ms. Claire Citeau: That is very much the fear. We saw how quickly countries were to adopt various measures to restrict trade. We can only fear what may come ahead, in particular as countries have talked about the need to turn inward to secure their own food supply.

In our view, we need to diversify and reinforce supply chains. We have proven that they work. They have continued to feed Canadians and the world during the crisis. We certainly have a lot of the resources to continue to do so. The need to turn inward should not be the response. What we need to do is actually to push on the pedal, diversify and make sure that trade works and is based on rules so that there is stability and predictability of trade.

Mr. Randeep Sarai: Thank you.

Mr. Langrish, can you tell us how much trade has increased with Europe since CETA was implemented? Do we have a number yet? I know that the time frame has been short since its implementation and taking effect, but do we have a number?

Mr. Jason Langrish: I believe there was a study report issued late last year. If my memory is correct, the Europeans had done a bit better. They had about a 10% or 11% increase in trade. Canada had about a 6% or 7% increase. I'd need to check, but I believe the numbers are roughly those.

It is worth bearing in mind one thing, though. The protectionist measures taken in Italy dramatically reduced durum wheat exports into the European Union. If that hadn't occurred, Canada's exports would have increased and the numbers would be much stronger.

Mr. Randeep Sarai: It's an ongoing challenge when we talk to businesses, especially small and medium-sized businesses. They're not as aware of the opportunities that CETA perhaps has for them. What's the best way we can increase the knowledge or the awareness of the opportunities with CETA so that small and medium-sized enterprises in Canada all over the place can actually play ball as if they're a European Union member under CETA and ship their goods and trade with CETA? Are there better ways or practices used by other countries to increase trade in this regard?

• (1700)

Mr. Jason Langrish: That's a tricky one. The definition of a small and medium-sized enterprise varies. In Germany a \$2-billion or \$5-billion company is still considered an SME, whereas in Canada it's generally much smaller.

Typically, SMEs don't have the resources to participate as aggressively in international trade. Most of it is global supply chains. It's larger corporations and their suppliers. Most of it is intracompany trade, so it's dominated by larger corporations. The way that small and medium-sized enterprises tend to participate is in these supply chains. They tend to be contractors to the larger firms. As George mentioned, his business is largely providing materials to these larger... I guess in the case of the Wataynikaneyap power project, Fortis, I believe, is one of the principal procurers. That's often how it occurs.

I think one of the things is not to separate SMEs from the larger corporates. They occupy the same ecosystem. When you see the larger Canadian firms going into the European market—if you're doing trade missions, say, and things of that nature—I wouldn't separate them and have just an SME trade mission and then a large corporate trade mission. I'd put them all together.

The Chair: Your time is up.

Thank you very much to our witnesses. All of you have really given us some very valuable information today. Stay safe and stay well.

To the committee members, thank you all for coming today. I think it was a very informative day. Please stay well and stay safe.

I adjourn the meeting.

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