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Standing Committee on International Trade

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• (1535)

[*English*]

The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)): I call this meeting to order.

Welcome, everybody. This is meeting number 60 of the Standing Committee on International Trade.

Today’s meeting is taking place in a hybrid format pursuant to the House order of June 23, 2022. Therefore, members are attending in person in the room and remotely by using the Zoom application.

I would like to make a few comments for the benefit of the witnesses and members.

Please wait until I recognize you by name before speaking. When speaking, please speak slowly and clearly.

With regard to interpretation, for those on Zoom, you have the choice at the bottom of your screen of either “floor”, “English” or “French”. Those in the room can use the earpiece and select the desired channel.

I remind you that all comments have to be addressed through the chair.

If members in the room wish to speak, please raise your hand. For members on Zoom, please use the “raise hand” function. The clerk and I will manage the speaking order as best we can, and we appreciate your patience.

Please also note that during the meeting, it is not permitted to take pictures in the room or take screenshots on Zoom.

Should any technical challenges arise, please advise me, and we will suspend the meeting in order to ensure that everyone has proper interpretation.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Friday, November 25, 2022, the committee is beginning its study of non-tariff barriers in Canada’s existing and potential international trade agreements.

We have with us today, by video conference, from the Automotive Parts Manufacturers' Association, Flavio Volpe.

From the Canadian Centre for Policy Alternatives, we have Stuart Trew, senior researcher.

We have, from Mondo Foods Co. Ltd., Tom De Nardi, president.

For the Organization of Women in International Trade, we have Nathalie Bradbury, president.

Welcome to all of you.

We will start with opening remarks and then proceed with a round of questions.

Mr. Volpe, I invite you to give an opening statement of up to five minutes, please.

Mr. Flavio Volpe (President, Automotive Parts Manufacturers' Association): Thank you, Madam Chair. It's good to see you again.

Thank you to the committee for inviting me to this august panel to talk about something that is, from time to time, the biggest issue for our industry in trade with other countries.

I'm going to frame my remarks with our relationship with commercial and diplomatic relations with Japan, because I think it's illustrative of where some of the non-tariff barriers play in a real and practical manner in the auto sector, where we can ground a couple of examples, but I want you to keep in mind that countries like Vietnam, which are now our CPTPP partners, are emerging players in the auto sector.

Anybody who's been to the Yorkdale mall in Toronto can see that you can buy a VinFast, which is a Vietnamese-produced, -engineered, and -supplied vehicle. It's a very competitive product for sale to Canadian consumers.

We spent a lot of time with this government and the previous government in updating, renewing, and starting new trade relationships and formal trade agreements with great existing trade partners like Japan. During the TPP discussion and negotiation that started with the former government and finished with the current government, one thing that we were seized with was how to deal with our Japanese partners' global-leading automotive products and the local demand here. How do we properly work out an agreement that is accretive to operations in both countries? Also, how do we balance a scenario in which Canada does not have a domestic automaker and does not make decisions on product allocation and design, as even the Vietnamese do?

Specifically, Toyota and Honda manufacture vehicles here and sell vehicles here. Some of the vehicles that they manufacture they sell here. Some of the ones that they sell here they manufacture in other parts of the world, including, especially, in Japan.

We tend to conduct these negotiations as if we're equal partners, at least in the automotive space, but we're not. We're the world's 10th-biggest automotive jurisdiction, by units of production, but we have not had a sustainable Canadian car company for 100 years. Malcolm Bricklin gave it a shot in the the seventies, and it didn't work.

I draw attention to the fact that different countries have different vehicle import penetrations that are starkly different from Canada's. In Canada, 85% of the vehicles sold have foreign origins. In Japan, that number was 6.9% in 2017, when we started the TPP negotiations.

We talked with both governments, the previous one and the current one about this. Some of the reasons are that the non-tariff barriers in Japan take the form of ownership taxes. For example, Japan charges private vehicle owners three annual taxes for vehicle use, paid at registration time: automobile tax, which is on the dimensions; automobile weight tax; and on-the-road tax. They're all charged on a sliding scale. The first two are by vehicle weight and size and the third is by engine displacement.

We'll use this example. For a Canadian car made in Brampton on the Stellantis, Dodge and Chrysler line, the LX cars that we all know—the Chargers, Challengers and 300s—those three taxes would have totalled 105,000 yen at the time. A Japanese domestic market Nissan Maxima with a base engine would annually cost a Japanese customer about 79,000 yen. For that comparison that we used, for a similar product into that market, the annual ownership difference was the equivalent of about $1,500 to $2,300 Canadian.

On the fuel side, the fuel costs in Japan are 40¢ a litre higher. A lot of that difference—52%—is in taxes. This adds a disproportionate cost for the less fuel-efficient vehicles that we manufacture here for the North American market.

● (1540)

Using the regular Transport Canada duty cycle of 24,000 kilometres a year at $1.60 for a litre of gas, the difference in operating a Canadian-made vehicle from Brampton and a Nissan Maxima was somewhere between $989 and $1200 in incremental tax. This is the ownership price difference.

There are no distribution dealerships for Canadian cars in countries like Japan. There are Japanese car companies that operate dealerships here. The cost of importing a vehicle would be borne by the consumer.

It makes it price-prohibitive for a consumer in Japan to buy a vehicle made in Canada. We signed up to do a free trade agreement, the CPTPP, with the view that one of the advantages would be we would open up a great Japanese market in the same way that we opened up a Canadian market. However, we are not organized the same, from an industrial point of view; we don't have Canadian-domiciled companies. The Japanese non-tariff barriers in the form of taxes, both for the ownership and on the gas, make it prohibitive, and that is a bigger barrier than anything else in terms of customer preference.

If we're going to continue to do these trade agreements—Vietnam is inside the CPTPP—we're going to have the same challenges, with an imbalance in trade between them and us on those vehicles. It's the same thing with Europe and CETA.

I hope we take a deeper look to see the other barriers to consumer entry the next time that we reopen or start a trade negotiation with another car-making country, rather than just saying what we usually say, which is that if you're competitive, you can sell there.

The Chair: Thank you very much, Mr. Volpe. I'm sure we'll have lots of questions from committee members.

Now we'll go on to Mr. Trew, please, for up to five minutes.

Mr. Stuart Trew (Senior Researcher, Canadian Centre for Policy Alternatives): Thanks very much, Chair and committee, for the invitation to be here.

To be honest, I wasn't exactly sure how to frame my presentation on the topic of non-tariff barriers. It seemed to me to be quite a broad category. I thought, maybe given the high profile of certain food issues around non-tariff barriers, that would be the focus, but from looking at the group you have here, it's more eclectic and more varied than that. I decided to keep it to the big picture and mention three things I think are important to keep in mind in any discussion about non-tariff barriers.

The first is that what one group—whether it's a producer group or a trade economist, for example—considers a a non-tariff barrier, other groups might simply call good public policy.

I'll give you a few examples. One is front-of-package health labelling on cigarettes, alcohol or food, talking about the sugar or fat content, for example. That labelling applies to domestic as well as international companies. You could have labels that have to do with other aspects as well, like halal labelling in Indonesia. That has come up as both a technical barrier to trade and, in that country in particular, as good public policy.

Another example is California's animal welfare laws that expand minimum cage and pen sizes for captive farm animals and ban the sale of food products, even from out of state, that can't meet those standards.

There are policies aimed at reducing the use of pesticides, for example, and favouring organics based on environmental considerations or the preferences of a given local, national or regional population, in the case of the European Union.

There may be public stockholding. There are tons of other examples, but public stockholding programs in, say, India aim to stabilize prices and compensate struggling farmers.

All of these are clear cases that serve public health, public ethics and social and environmental purposes, but they may also be challenged in trade deals that have overly strict rules on how governments are allowed to regulate.

The second point I'll make is that I think existing trade deals go far enough, and probably too far, in limiting regulatory and policy space in ways that impoverish our democracy and the democracies in other countries.

Canada and the U.S. are among a relatively small group of countries at the WTO that continue to expand disciplines on government regulatory space in their bilateral and regional trade agreements. The CUSMA is the most striking example. I can share some of the research I've done previously on some of the ways that's true, if the committee is interested.

For example, the agreement goes further than most trade deals to privilege the interest of foreign investors and foreign companies in the domestic rule-making process. It also enshrines in international law a single—allegedly best—way to regulate in all instances in what they call the "good regulatory practice" chapter, which is open to dispute settlement in that agreement.

The amount of work that Canadian regulators already do now to ensure that public protections comply with our trade obligations—things like red tape reduction, act rules and regulatory burden assessments—has been described by different groups as creating "red tape for regulators." It actually gets in the way of governments doing their job in some cases, which is regulating to protect public interests.

That job, I would say, is complicated enough by today's overlapping and very serious environmental and social problems. In some areas, like fossil fuel emissions, biodiversity loss or online privacy, I think governments are under pressure to do more to restrict trade and to create what might be considered as trade barriers or technical barriers to trade, and for good reasons. Rapidly lowering greenhouse gas emissions and protecting public privacy by limiting cross-border flows of data are examples. These are all examples of how public policy could be framed one way or the other.

The final thing I'll say is that I believe appropriate venues already exist at the WTO and in our bilateral agreements for addressing differences with other countries with respect to technical barriers to trade, food standards and other policies. The notice system at the WTO is quite effective at defusing problems before they end up before a dispute settlement panel.

Where we have bilateral commitments and committees established to look at certain issues is in CETA. Obviously, it's not what a lot of producer groups would say is a perfect solution, but I would say it's one that strikes a good balance between the democratic obligations of governments to their people and varied interests in how they develop policy on the one hand and the trade interests of limited groups on the other.

I'll conclude there to say that I think this is possibly a huge area of study for the committee. I wish you good luck in grappling with it.

● (1545)

I think it's an important area because it also goes to the heart of what our trade agreements do and could be doing better in this era as we grapple with these very big problems, such as climate change and biodiversity loss, for example.

Thank you.

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

We'll move on to Mr. De Nardi for up to five minutes.

Mr. Tom De Nardi (President, Mondo Foods Co. Ltd.): Thank you.

My name is Tom De Nardi. I am a family member of a second-generation food business that I hope to pass on to my children one day. My 80-year-old parents still come to work every day to make sure their legacy continues.

For 50 years, our family has been importing, retailing, wholesaling and distributing domestic and imported cheese to pizzerias, restaurants and retailers, both local and nationally. In fact, some of the products you buy at your grocer may have been pioneered, developed, imported or distributed by Mondo Foods. We have grown from a 600-square-foot Italian deli in Winnipeg's ethnic west end to a medium-size business today.

This was through hard work and dedication to family, staff and customers. It's been a long road. It's been a tough road. Multiple times over the years, we pioneered and built specialty cheese programs for major retailers worth millions of dollars, only to be cut out by the quota holder.

Until CETA, CUSMA and TPP, the only way to import cheese into Canada was to own or rent quota from a historical WTO quota holder. A small amount of WTO quota was reallocated to us in the late 1990s as a result of the Canadian trade tribunal report. This allowed us to pioneer new, exciting specialty cheeses for our customers. We were finally in control of our own destiny. In fact, we further developed a specialty cheese market by acquiring other WTO quota holders' licences, but once again we became a victim of our own success. We developed an imported cracker and cut-cheese tray never seen in Canada before, which we unfortunately had to stop selling, as sales demand far exceeded quota availability, costing us millions.

CETA was rolled out with a four-pool program from 2017 to 2022, which saw access to the Canadian market increased from 15 million to 30 million kilograms. We thought this was the beginning of a more level playing field for companies like ours: a small and large pool for manufacturers, and the same for retailers and distributors, with 60% going to the small and medium enterprises and 40% going to the large enterprises. The threshold for manufacturers was approximately 50 million litres and approximately one million kilograms of cheese sales for retailers and distributors annually.

It is worth noting that under the supply management system, there are potentially thousands of distributors and retailers, but there are under 100 manufacturers.

In 2017, Mondo received its first CETA allocation, which grew to 120 tons in 2020. It used this allocation to import and develop a specialty cheese program with major retailers. The program grew, and we were comfortable in thinking we had a stable 100-ton—plus or minus—supply of CETA, as our sales volume had not changed since 2020. It never occurred to us that in five years the threshold would slide backwards to 475,000 kilograms from one million kilograms.

In 2021, we were devastated to find out we would be competing with the likes of Loblaws and Sysco for quota in the large pool, and we received only 5,800 kilograms, down from 120,000 kilograms just the year before.

Think about that for a second.

This put our family business in extreme peril, and all the hard work evaporated. We sounded the alarm bells to Global Affairs and had several conversations and assurances: “We understand the effects on companies like yours”—there were several—and “This is a result of unintended consequences” of the formula, and there was a comprehensive review to address it.

Follow-up emails and meetings with the deputy director were summed up in the following email to him on September 13, 2022: “In conclusion of our meeting, Mondo is hoping to get a timely resolution to the unintended consequences of the mathematical formula that currently governs the small and large pool of distributors and retailers.”

Some of the key points discussed were thresholds that better reflect those established at the outset of CETA; greater transparency of thresholds, so that companies are not blindsided from one year to the next and put into the large pool; that a reasonable continuity of quota amounts from one year to the next is crucial to a company's contractual commitments and continued viability; that it is unfair and devastating for companies like ours to be given quotas to build our business and then be penalized for maintaining and growing; that it's not just the economic cost but also the damage to the company's goodwill; and that the current system has created a market of “armchair traders” who increase the price to consumers, causing inflation and market instability.

We feel no further ahead than at the beginning, beholden to armchair traders who are making millions of dollars on our work and doing nothing.

● (1550)

Just this year we lost a 30-year customer for the value of the quota that I had to pay for, and a manufacturer was gifted by Global Affairs from a WTO reallocation, a reallocation of 250 tonnes that I was not entitled to, so we are not sure where the equity and equality is on that.

CETA is not the only area where there are problems. Both CUSMA and the TPP are being challenged by the United States and New Zealand. We have problems with this system.

Thank you.

The Chair: Those are not good things to hear.

We'll go to Ms. Bradbury, please.

Ms. Nathalie Bradbury (President, OWIT Ottawa, Organization of Women in International Trade): Hello. My name is Nathalie Bradbury. I'm representing the Ottawa and Toronto chapters of OWIT, the Organization of Women in International Trade.

I am the president of OWIT Ottawa and a former trade commissioner, economist and policy officer in various parts of the Canadian public service, including Global Affairs, agriculture, immigration and Canadian Heritage.

The Organization of Women in International Trade, OWIT, is a global not-for-profit association that has been seeking to advance women's role in international trade and business for over 20 years. OWIT has 2,500 members in over 25 chapters active in North America, Central America and South America, as well as in Europe and Africa. OWIT members are professionals engaged in all aspects of international trade. Together, our members make a significant contribution to global economic growth.

At OWIT Ottawa and OWIT Toronto, we provide mentoring, networking and educational events, as well as trade missions. We have corporate members, including Export Development Canada, and members from the private and academic sectors, as well as individual members, who tend to be professionals in the legal and financial sectors, academics, the public sector, as well as members from large and small corporations.

Thank you, Madam Chair, for giving us the opportunity to speak about non-tariff barriers—NTBs—in Canada's current and potential FTAs.

● (1555)

[*Translation*]

You can ask me questions in French, if you like.

[*English*]

NTBs are, as Stuart said, a huge area of study. They are complicated and detailed, and yes, they have a good side and they have a bad side, so it's hard to really assess them broadly since they have different impacts. I have stories to tell that are different from those of either of my colleagues here, so in the interest of time, I'll pass on to that.

How do these NTBs pertain to women in trade? Canadian studies show that women-owned businesses tend to be smaller, have fewer employees and have more trouble with access to finance than those owned by men.

CanExport grants, for example, have high thresholds for applications that can work against service-based businesses, which a lot of women hold, and the application process is onerous. Besides service businesses, Canadian women entrepreneurs are very active in retail, buying and selling to international markets, an area with many technical trade regulations, which are essentially NTBs. These kinds of challenges for women-owned businesses are similar to those of our trading partners as well. In fact, they're worldwide.

The 2022 report, "The State of Women's Entrepreneurship in Canada", released on International Women's Day in March, found that only 18% of Canadian companies are owned by women, up from 16% two years earlier. That's small progress, but it's very small.

Many women-owned businesses are not incorporated, so they aren't counted in the statistics, or are sole proprietorships, which is another definition again.

Women-owned businesses congregate around the small end of the business spectrum, and many business services are designed for the larger, incorporated businesses run by men. This, however, is slowly changing. The business world is adapting.

What are some of the implications of NTBs for women? Complexity of rules of origin, heavy use of legal jargon in the wording of rules, as well as the complications of tariff classification for certain types of products make it difficult for businesses, and in particular SMEs, to leverage free trade agreements because they or their foreign suppliers can't understand the eligibility rules.

Importers are often obliged to rely on their suppliers to provide certifications of origin and have limited ability to conduct due diligence on the production process because of commercial confidentiality concerns, even though the duty liability is borne by the importer. This creates risk for the importer. Here, I'm talking clearly about small business. I'm speaking about women-owned businesses, which is where most Canadian women-owned businesses are located.

Variations in rules of origin across different free trade agreements have created a spaghetti bowl of different rules that make compliance and record-keeping difficult and costly for companies, especially companies that have a small number of staff.

We all agree that health-based or environmental policy-based trade restrictions have positive aspects from one perspective, but there are also some negative ones. There are always trade complaints in the courts trying to sort through those issues.

I participated in a recent event organized by the British chambers of commerce of Canada, Ecuador and Chile. OWIT UK and OWIT Ottawa were present. According to Simonetta Zarrilli at UNCTAD, for many decades it was felt that trade and gender had nothing to do with each other. Customs procedures, duties, and tariffs are the same whoever is doing the importing and exporting, right?. However, what is different is the impact of these rules and procedures on women and men, since they play different roles in society and the economy.

First, women are employees. With trade liberalization and a switch to export orientation in many developing countries, large numbers of women were hired to work in these sectors, such as textiles, clothing and shoes, and later in the high-tech factories for microchips, cellphones, iPhones—you name it. However, the best jobs—the high-paying jobs for factory managers and trading professionals—were held by men. This might remind you of the situation with C-suites in Canada, where there are not enough women.

The Chair: Could you give us your closing remarks, Ms. Bradbury?

Ms. Nathalie Bradbury: Women are entrepreneurs. I've already spoken to some of the issues there. Trade liberalization provides opportunities to export, but can be a double-edged sword for families.

My conclusion is that FTA negotiations can lead to progressive policies being implemented in the broader government policy framework.

Canada-wide, low cost child care, with our lead in Quebec, has greatly improved the situation for women and their families. Quebec is now the world leader in employed women who are mothers with children under the age of three.

Thank you very much.

● (1600)

The Chair: Thank you, Ms. Bradbury.

For six minutes, we have Mr. Martel, please.

[*Translation*]

Mr. Richard Martel (Chicoutimi—Le Fjord, CPC): Thank you, Madam Chair.

I would like to thank the witnesses who are with us today.

My question is for Mr. De Nardi.

Mr. Tom De Nardi: Just a moment, please.

[*English*]

The Chair: Please wait a second. I will make sure everyone has interpretation.

[*Translation*]

Mr. Richard Martel: This is an interesting discussion.

Mr. De Nardi, we are hearing about flaws in trade agreements, often putting the Canadian market at an advantage. Take dairy farmers and processors, for example. I hear a lot about the reciprocity of standards. Products come into Canada, but some of our products can't be exported to other countries because they don't meet the standards. I also get feedback on the quotas.

I'm curious as to whether the sector is consulted on the negotiations. It's hard to imagine that it is. My understanding from your comments is that Canada often seems to get the shaft when it comes to the negotiations. Another witness brought up the issue of vehicle exports and Japan.

What do you think of all that?

[*English*]

Mr. Tom De Nardi: Could you please repeat the question, because I would like to give you a clear and decisive answer? I'm sorry. It's probably the translation, which I'm not getting. I apologize, because my French is not that good.

The Chair: Would you repeat the question, Mr. Martel, so that Mr. De Nardi can answer effectively?

[*Translation*]

Mr. Richard Martel: All right.

As a result of these trade agreements, it seems that Canada is frequently at a disadvantage in relation to other markets. That's the case for dairy farmers and processors. Once the agreements are signed, it looks like the reciprocity is universal. The standards are different. When Canada tries to export certain products to other countries, it can't because they don't meet the standards. European countries, however, have no trouble exporting their products to Canada. People often say that Canada is backed into a corner because of the quotas.

According to you, Canada is at a huge disadvantage. What happens during the negotiations? Is the sector consulted?

[*English*]

Mr. Tom De Nardi: I can't speak to the negotiations between Global Affairs and their European counterparts. What I can tell you is that we do have access, in this country, for about 30 million kilos of EU product, most of which comes as specialty cheeses, but there are some commodity-based products. That's the access they have to our market. I'm not sure what access we have to their market or the access we gave up in order to have access in pork or whatnot.

At the end of the day, I think you might be drilling down to the fact that the most advantaged sector is the dairy manufacturers, the big processors. They're the ones who get the most licence and they're the ones who control most of the imported cheese quota in this country.

Whether it's CETA, with 50% of the 15 million kilos, or whether it's the CUSMA, with almost 100%.... That one broke. It was an 80-20 rule, whereby 80% went to the processors and 20% came to the distributors.

What ended up happening is that the U.S. challenged that. Then Global Affairs said, “Okay, we'll have it your way.” In the spirit of the agreement, instead of some of it coming to distributors to deal with the breadth and depth of the manufacturers in the U.S., like many of the small manufacturers, they said, “No, have it your way” and they removed the 20%. Now it's the more you sell, the more you get.

For example, sir, I got 10,000 kilos of butter from the U.S. and about 13,000 kilos of cheese, which I used to buy from many small producers in the United States. After Canada dug in its heels on its ruling, I now have 900 kilos of butter and about 2,000 kilos of specialty cheese to bring in.

The Canadian manufacturers, I'll tell you, sir, have plants in the U.S. What they'll end up doing is bringing their commodity-based products from the U.S. into their Canadian plants with all of that CUSMA licence. There, their product cost is half, and they get to sell it for the same price in Canada. You tell me if that's the spirit of the agreement. Of course our trading partners are up in arms.

I would say to you, sir, that it was the same with TPP, but CUSMA is the best example. The United States is challenging that one more time.

I hope I've answered your question; I don't know if I understood it correctly.

● (1605)

[*Translation*]

Mr. Richard Martel: Yes, thank you.

Mr. Volpe, what you said about the auto sector was fascinating. According to you, Canada's environment is different from Japan's with respect to the applicable taxes. Japan isn't all that interested in the car market. The negotiations take place, but certain details seem to be lacking once the agreements are signed.

What do you think, Mr. Volpe?

Mr. Flavio Volpe: Thank you for your question.

[*English*]

The information is there. I think specifically on the TPP initial negotiations, I think it was the decision of the negotiating team—the government at the time—that there were priorities other than protecting vehicle access in exchange for gains in other sectors. I think it was the same with the government that closed it.

I think what's really important to understand is that while we agreed to disagree with the government on what the threat was from Japan.... We also had the Japanese investment here. Toyota and Honda were extremely invested in the Canadian market and were making a million cars a year, which was half of our production. There were some advantages there that kind of balanced things off. However, we included Vietnam in the CPTPP, which the government dismissed at the time because Vietnam and Malaysia, for example, were just parts suppliers like Canada. There was a balance with Japan, but they weren't worried about the Vietnamese threat. Here we are now, five years later, and the Vietnamese make cars and import them to Canada, tariff-free in part, because of the deal we signed that didn't see any emerging threat or consider it to be a risk for the market share of Canadian producers.

VinFast makes great vehicles. They are competitive and they look good. They're designed by Pininfarina, which is Ferrari's designer. They are priced competitively against Tesla, the market leader. They are sold directly, past distributor agreements, in places like shopping centres in Toronto.

When we get a chance to review the CPTPP, I think the first thing I would look at is the balance of cars made in Canada and sold in Japan. I'll tell you there will be none, or 300 or 400, versus maybe 150,000 here. Then look at the new Vietnamese threat. There will be zero going from Canada to Vietnam and there will be a good cohort of cars sold by VinFast here.

I think that should be a case study lesson for the next time we renegotiate CPTPP or we dismiss the potential of other trading partners emerging to compete with us in one of the most important sectors in this economy.

The Chair: Thank you very much.

Mr. Virani, go ahead, please, for six minutes.

Mr. Arif Virani (Parkdale—High Park, Lib.): Thank you.

First of all, I want to say thank you to all of the witnesses who are here in person, and Flavio, it's good to see you online.

I want to start with Ms. Bradbury, actually.

Thank you for your service as past trade commissioner. It's a really important service to Canadian entities for what we do on exports around the planet.

You mentioned the empowerment of women generally in the entrepreneurial space. You talked about some very important programs. You highlighted Quebec and the child care program. As you well know, we are patterning a national program on Quebec's very successful model. We're hoping to see the same sort of results replicated in the other nine provinces and three territories around the country. I want to ask you to comment on that.

As well as commenting on that, could you comment on one other aspect that you raised? It was this issue about how non-tariff trade barriers apply to women who are predominantly small-sized entrepreneurs and how that dovetails or not with the women entrepreneurship strategy.

That's a big policy that we've rolled out over the last few years. It's almost $7 billion of investments. It has several heads. One of the heads of that investment deals specifically with the pursuit of market opportunities abroad through market strategy and promoting business advisory services, etc.

Do you have any concrete suggestions about what we need to do with respect to the women entrepreneurship strategy to empower women entrepreneurs to both export more and also overcome non-tariff trade barriers as they exist as impediments?

Could you comment on both of those?

● (1610)

Ms. Nathalie Bradbury: First of all, with regard to the broader government policy framework outside of trade, this is something that.... There's the example of child care. This has been very well noted. Canada's often a world leader in promoting women in trade and women in the economy. At one of the recent events I was attended, OWIT UK—actually, it was the U.K. Department for Business & Trade, I think—they mentioned that child care is something that they are really pushing forward, and this is coming from a Conservative government.

Other countries have also understood the importance of national programs such as child care. They also look at other types of government policies and industry initiatives that can move things forward. In other countries, gender-based violence is a big issue, and there are all sorts of issues, so these government policies....

It's interesting, because foreign trade negotiations that have a progressive chapter—a gender and trade chapter or an inclusive trade chapter, broadly—often lead to progressive reforms taking place in other parts of the government policy framework generally. That's just a quick overview of that aspect.

In terms of NTBs affecting women primarily at the small side of the spectrum, in terms of working with the women entrepreneurship strategy, a key part is trade. It's such a wonderful strategy and it covers so much. Again, other countries look enviously at Canada and what we've accomplished here.

Non-tariff barriers encompass so many different areas, and one of them is intellectual property. In the field of textiles, for example, in traditional areas like in indigenous groups, women are the owners. They are the creators of intellectual property, of the designs, the textile designs, and there are even the genetic resources—medical herbs and that kind of thing. There's understanding that they need to be helped, so WIPO—the World Intellectual Property Organization—has set up programs to assist women indigenous groups to assist them to become more entrepreneurial, to understand the value of their intellectual property and to set up training. WIPO does things for women in these countries.

I don't know to what extent in Canada we assist women owners. I don't know if the indigenous peoples of Canada can benefit from WIPO. I think it's strictly for developing countries. This is an example to show that maybe developed countries, if they don't have their own strategies, may be not be at a disadvantage, but they can't also benefit, so there's the idea of replicating some of the programs at the UN level.

Another one would be SheTrades, which is a combination between UNCTAD and the International Trade Centre for developing countries to teach women entrepreneurs from these places how to engage. They are also also finding them mentors, teaching them programs, teaching them confidence building and assertiveness training so that when they're with a bank, they don't sound like a huge risk because they don't sound as if they don't believe in their products or in their strategies. It's that kind of thing.

Working on these things requires a combination of government policies, industry initiatives and support from international organizations. We have to work together to move forward and to—

● (1615)

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

Ms. Nathalie Bradbury: —help small business to then navigate the complex regulatory environment, such as non-tariff barriers.

Mr. Arif Virani: Thank you.

The Chair: Thank you very much.

We'll go to Madame Vignola, please. Welcome to the committee.

[*Translation*]

Mrs. Julie Vignola (Beauport—Limoilou, BQ): Thank you, Madam Chair.

When CETA was negotiated, Canada wasn't able to anticipate the impact of Europe's non-tariff barriers or how they would affect Canada's agri-food exports, namely beef. I gather that you are in an especially tough spot right now, Mr. De Nardi.

Mr. Trew and Mr. De Nardi, here are my three questions.

How do you explain the fact that Canada wasn't able to anticipate those repercussions?

What should Canada have done to avoid finding itself in a situation where the benefits expected to flow from the agreements simply didn't materialize because of non-tariff barriers?

If Canada were looking for ways to eliminate or reduce the European Union's non-tariff barriers, what should the priorities be?

Mr. Stuart Trew: Thank you for your questions.

[*English*]

I'll try to answer as well as I can.

I think you raised some very important questions about what the government's intentions were in the negotiations. What was the strategy? Was it appropriate? Did we get an outcome that we maybe didn't anticipate?

I don't know with respect to beef. I only go by the stories that everyone can hear about Canada's beef producers being disappointed with the access they received. Could we have predicted this going in? I think probably. This is one of the longest-standing issues Canada has with the European Union with respect to the acceptability standards that are adopted for the production of beef here and within the European Union.

Again, there are multiple domestic interests in the European Union. There are very strong interests and very strong consumer preferences with respect to certain things, such as the use of antibiotics in raising cattle.

Could we have anticipated it? I think probably we could have. Could we have had a better result? I don't know. Given how bad the result was for the sector, did we give up things in other areas that maybe we didn't have to? Maybe. I think this is a question for the government in terms of its satisfaction with the outcome it got.

Going back to what I was saying about the CETA committees, there is still dispute settlement. If Canada has an issue with any of these matters in the European Union, they can take it to dispute settlement or they can take it to the committees. There's a diplomatic cost to that, and that would obviously factor into any decision. However, it's not as if we don't have options in CETA to raise these matters. If you look at some of the CETA committee work, you see that all Canada talks about at the agriculture committee and the SPS committee is beef.

It's not like Canada is not bringing this up again and again. We don't get a lot of information about those committees, though, and maybe there is a bigger role that this trade committee could play in peering into some of those meetings that are happening at the bilateral level. You might find some answers there about what's happening.

[*Translation*]

Mrs. Julie Vignola: Mr. De Nardi, what are your thoughts?

[*English*]

Mr. Tom De Nardi: I'm not going to pretend to be a trade expert in these areas, but I will say what I heard as negotiations were going forth. Under the Conservative government, the CETA was started, to my understanding. It was concluded by the Liberal government, the government of the day, and I'm no partisan either way. This is not the point.

However, what i can tell you is that if Europeans are not living up to their commitment of importing our beef or perhaps even pork, I think we need to ask ourselves what the product is that they want. This is supposed to be a customer-driven system, a customer-based system, right? If you don't have something they want today, then at least the market is there and you need to create something they want. It's supply and demand, a very simple thing. It's basic economics. It's no use trying to sell the Europeans something they don't want.

With regard to cheese, I can speak a little bit about this. I can tell you that at the onset, when the manufacturers in Europe found out that the manufacturers in Canada—the biggest oligopolies in the world, as far as they were concerned—were going to get licence, they had a cow. Pardon the pun. They were very upset. I know this because I deal with a lot of manufacturers.

This was not the spirit at the table. This was a last-second “gotcha” sort of thing: “By the way, the manufacturers are getting 50%.” Why would you say that? How would you like to sell to your competitor in a different market? You don't want to be doing that; you want the broad breadth and depth of the marketplace so you can go find a whole vast array of different customers and not be dependent on the big oligopolies that control 80% of the milk in this country.

They have something that we want, which are fine cheeses, for the most part, out of Europe. If we have to give them back something, it's up to us to decide what is good as far as beef or pork is concerned. We have to.... They're the customer, right?

If this is where we're going with this type of thing, I can tell you that we didn't exactly play fair ball either. They were shocked. They capitulated, but they were shocked. I know this for a fact.

I hope I've answered your question.

● (1620)

The Chair: The time is up. I've been trying to make sure that the witnesses have an opportunity and make sure that the translation is clear.

Mr. Cannings, you are next, please.

Mr. Richard Cannings (South Okanagan—West Kootenay, NDP): Thank you, and thank you, everyone, for being here today.

It's all very interesting and somewhat complicated. I'm kind of new on this file, so I'm learning a lot.

I want to start with Mr. Volpe to try to figure out exactly what the auto parts manufacturers want. It sort of plays into what Mr. De Nardi just said about producing something that the customer wants.

When I was a kid, we didn't have any cars, or I assume even parts, here in Canada from Japan. Then we had a crisis with gas prices, and suddenly Toyota, Nissan and Honda were making small fuel-efficient cars, which were very, very popular in the seventies. It seems to me, from my uneducated eye, that they used that beachhead to develop a broad impact into the North American market.

It seems that you consider it as a non-tariff barrier, that because we produce big heavy cars that aren't fuel-efficient, we are being cheated somehow by the Japanese. I assume, yes, they are non-tariff barriers, but perhaps we should be looking at that and making something that the Japanese market wants.

It's like California doubling down on emission standards in the seventies because of smog. They made those standards, and the North American market capitulated because California was a big customer.

I'm wondering if you could comment on that. Maybe I'm off base, but I'm trying to understand this.

Mr. Flavio Volpe: Thank you to the honourable member for dating himself.

When I was a kid, there were big cars here. The big cars were American and the smaller cars were Japanese. The Japanese took proper, full advantage of a hole in the market for what we needed, especially with the spike in the price of fuel.

We use the Japanese or the Europeans. They develop vehicle size and fuel standards in part because of the cost of fuel. It's also in part because of the size of the roads in those markets. In Europe there's a displacement charge that starts at two litres of displacement. If you go to Europe for whatever reason and you rent a car, you'll notice that almost everything starts as two litres or under. Everything else is a luxury tax that gets borne by the owner every year.

I won't tread over the criticism that we should make things that are more attractive to the Europeans and the Japanese. I don't know if I agree or disagree. Those are certainly arguments that have been made over the years. Those products are made that way because of the way the roads are and the price of fuel. The reason we have bigger cars here is that we have cheaper fuel and bigger roads.

What I'm merely saying is that the position of our organization, certainly for domestic producers here, is to be awake to that when you make trade negotiations and say, “Oh, well, we have access to the European market” or “We have access to the Japanese market.” That's despite the fact that a lot of what's happening in the automotive sector is on global platforms that are designed to more homogeneous customer preferences.

The reality of what their production is geared towards is that the Japanese have a market of five million vehicles a year, but they make nine million. They need to export. In Canada we make two million cars a year and we buy two million cars a year. It's a balance. They got the better deal in TPP. We didn't make a free trade arrangement with CETA. There's a quota there. Certainly I would have been saying the same thing if we had conceded local content requirements in exchange for the reduction of, or at least the addressing of, non-tariff barriers.

We don't make decisions in Toronto, Ottawa, Calgary, Montreal or Vancouver on what those cars look like. In this country, we supply those decisions as made by Detroit, Tokyo and now, increasingly, the Germans. Canadian interests don't control the design, engineering and size of vehicles, and Japanese interests do. They have a much stronger hand. The Europeans have a much stronger hand. The Koreans have a much stronger hand.

In the trade agreements we made with each of those regions, we lowered the domestic content requirement to sell a car tariff-free and we did not address the barriers to entry. It wasn't the death knell in any way for the Canadian market, but it did concede a whole bunch of market space to imports. Now we have EV mandates that are proposed, and certainly will be confirmed this year, that require a certain percentage of domestic sales in Canada to be EVs; otherwise, those companies will face a $20,000 fine for each vehicle that is not compliant. Well, a lot of those companies are in TPP or CETA countries that will meet those targets by importing vehicles to sell to Canadians because it's easier and more profitable than to do a short production run here and have Canadians build them and have Canadians supply parts to them.

We need to be careful. At least we need to be informed—

● (1625)

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

We'll go to Mr. Baldinelli for five minutes, please.

Mr. Tony Baldinelli (Niagara Falls, CPC): Thank you, Madam Chair.

Thank you to the witnesses for being with us this afternoon.

I'd like to begin with Mr. De Nardi.

You talked about the trade agreements that have been reached: CETA, WTO, CPTPP and CUSMA. Under those agreements, if I understand correctly, Canada has agreed to a combined 10% market access when all of those agreements are fully implemented.

It's not so much that the argument deals with what market access is. It's how that quota is then distributed to the manufacturers and the producers. My understanding—and you've raised the concerns—is that you have these large manufacturers in Canada that have operations in the United States and Europe. They're international. They're actually getting a double advantage from these agreements, leaving small producers such as yourself out in the cold.

You've talked to the government. You've raised these concerns. You've asked for changes. You've spoken to Global Affairs. You've spoken to the minister's office. You've written to them. What have their responses been to you? What actions are they taking to address these concerns for small manufacturers? As you know, in my community I have a small producer-manufacturer, Roman Cheese Products, that sells lasagna, gnocchi and ricotta cheese throughout the country.

How do you respond to that?

Mr. Tom De Nardi: First of all, we're in kind of the distributor class. I just organized that, but we're still on the small side of stuff.

Yes, it's manufacturers versus distributors, and yes, the very large manufacturers are an oligopoly in this country. There's no question. The biggest dairy processors get the most on the CUSMA and TPP side, the lion's share of everything. They are entitled to import quota and so are the distributors, but it works on volume. For Mondo Foods, if I sell a million kilos of product—my combined volume—and someone like the very largest manufacturer sells hundreds of millions of kilos, they get the 99.9% and I get the 0.1%.

That's how it works on CUSMA, which has changed. It used to be an 80-20 rule, but Canada dug in its heels. They changed the agreement, and now we're in a fight with the United States. I don't know how that's going to end, but we'll see how that goes.

It's the same thing with the TPP, which is still intact, in that there is some sharing between the manufacturers and the distributors. For those pools, it's just manufacturers and distributors. The CETA is a different thing. The CETA is the coveted one, right? It's the coveted one because of European cheese, which has always been coveted and wanted by many people in Canada. It has a high demand. Initially, it was only supposed to be distributors and retailers. There are lots of studies. I go back to the 1992 inquiry into the allocation of import quotas as tabled in Parliament in 1992. We've been talking about it since then. I appeared here—yes, we did—in talking about the fair allocation and how it should be, but they got 50% of everything.

For Mondo Foods and this whole threshold thing, it's one set of rules for the manufacturers, between the large and the small—and I'm not begrudging them—but there is a completely different set of rules for distributors like me and the retailers. This moving target, not knowing where we're going to be from year to year, has killed my business, as I've testified.

What does Global Affairs say to get to here? They won't talk to me anymore, not the senior staff. There have been many emails upon emails and conversations that start off very nice, so either they're incapable or they're indifferent. It's one of the two. They're incapable because they don't have the power to do it, or they're just indifferent and they just don't care.

As a matter of fact, I'm going to recite a line that the people of Global Affairs told me. This is the senior management: “Tom, there are winners and losers in this game, and you're on the wrong side of the fence.” Well, tell that to the bank to pay the mortgage after you've just built a business.

That's unacceptable. They won't talk to me. They won't correspond with me—not the director, the deputy director or the senior trade policy analyst—and I've been part of their solutions for so many years. They've come to me so often to participate in their studies, Madam Chair.

● (1630)

Mr. Tony Baldinelli: That is totally disappointing to hear.

As our leader likes to say, on this side we should be the servants, not the masters. We should be listening to the input of all those businesses that exist here in Canada on what's better for our sector. There seems to be.... There need to be changes on this end with regard to how that quota is allocated.

We've had before us at this committee an organization called Tree of Life. They bring in specialty cream from the U.K. for high tea and so on. As such, they said that for a nearly two-year period, Tree of Life was unable to bring cream into the Canadian market despite there being no domestic supply, which came at the expense of their thousands of customers.

How does that happen? If there's no domestic supply, how is it that they're not able to get quota to bring that in to service their market and maintain their business so that they continue to exist? There need to be some changes here. Have you spoken to the minister directly on this? Have you asked to speak with her office?

Mr. Tom De Nardi: Madam Chair, I would love to speak to the minister directly. I absolutely invite that. I would fly to Ottawa from the Northwest Territories to speak to our minister.

If I may, Madam Chair, I would be happy if they would just go back more or less to how CETA allocation thresholds started.

Mr. Tony Baldinelli: Then we're not talking about access here; it's about the allocation—

The Chair: We have Mr. Miao, please, for five minutes.

Mr. Wilson Miao (Richmond Centre, Lib.): Thank you to all of the witnesses for being here today.

I will keep it very simple here because trade is very important, not just to any country but to Canada as well. We hear about problems.

Mr. De Nardi, you've mentioned a few.

I think I'd like to open this question to all of the witnesses on the floor. What do each of you see as the top problem in our current non-tariff trade barriers in existing trade agreements and what kinds of suggestions or recommendations would each of you suggest to us as a committee to take into consideration for any future negotiations with these agreements?

Maybe I can start with Ms. Bradbury.

● (1635)

Ms. Nathalie Bradbury: Women, of course, are 51% of the population. Women are found everywhere. Women are the top consumers. Global studies have found that women allocate 90% of their personal income to their household, their children, their home and that kind of thing, while men, according to the study, allocate 35% of their revenue to that, so women play a very important role in society and in the economy.

Anything we can do to make it easier for women to be either workers or employees or hopefully go up the value chain would help.

I mentioned earlier the initiatives at the international level with the World Intellectual Property Organization, so there's working more closely there. Working in partnership, I think, is the solution. All of the non-tariff barriers are very onerous.

Any solutions that come through with partnerships.... Also, some large corporations get it, just like Mary Ng's major strategy gets it. I can explain large corporations later in my next question, I guess.

Mr. Wilson Miao: Thank you.

Go ahead, Mr. De Nardi, please.

Mr. Tom De Nardi: Madam Chair, I think the top problem is that the allocations, as far as the agreements are concerned, are heavily weighted towards the very largest players in the industry. That's the top problem.

The solution is that you need to keep, I think, the spirit of what those negotiations were about, and if you have a set of rules.... The solution is that if you have a set of rules, you have to stay pretty close to what the set of rules were at the beginning. We've changed them or let them drift a couple of times now.

Mr. Wilson Miao: Thank you.

Go ahead, Mr. Trew.

Mr. Stuart Trew: In keeping with the spirit of my presentation, I would just say that I can't think of one worst or most important NTB that Canada should be focused on right now. I think they all relate to very specific contexts and very specific sectors, and they should be dealt with that way.

To me, one of the problems with Canadian trade policy is that it tries to to deal with all these very complicated specific issues with a one-hammer approach, which is to make the technical barriers to trade chapters stricter and stricter on government and hope that it has an effect. History shows that it hasn't had an effect. All these issues we're talking about are decades-old issues that no Canadian trade agreement has been able to solve so far.

I think different solutions are needed. That's what I would say, but if I could say one—and you've already dealt with this—it would probably be the U.S. laws on trade remedies. That's a different topic, one that I know the committee has already dealt with.

Mr. Wilson Miao: Thank you.

It's over to you online, Mr. Volpe.

Mr. Flavio Volpe: I would just say one thing. I think that we need to recognize that an industrial policy in new regions makes it possible for surprise players to take our market share if we don't have a reciprocal upside. I talked about the Vietnamese, but who would have known five years ago that Turkey would have a company called Togg that is going to sell vehicles around the world?

Unless we have a domestic carmaker, I think we need to approach current and future trade agreements with countries that have domestic carmakers a little more thoughtfully.

Mr. Wilson Miao: Thank you.

The Chair: Thank you very much.

Madame Vignola, you have the floor.

[*Translation*]

Mrs. Julie Vignola: Thank you, Madam Chair.

Canada botched things up when it came to the details and impact of what it was about to sign. Canada is either a naive negotiator, a bad negotiator or a terrible analyst of the markets it was hoping to gain, or all three.

Mr. Trew and Mr. De Nardi, would you say that's a fair assessment or an oversimplification?

I want to make sure I understood what you said and summarized it accurately.

● (1640)

[*English*]

Mr. Tom De Nardi: I don't know whether I'm qualified to answer that question and I don't think I'm going to give you the answer you want.

I would simply say that in any market, you have to understand what the customer wants. If the Canadian negotiators at the time didn't understand the type of beef or pork the Europeans wanted, well, I suppose and suggest to you that they didn't do their homework.

May I touch on something from before?

I would like to tell you that the New Zealanders and the TPP countries are equally as disappointed in the draw of a lot of the products they signed on for—mozz, cheddar.... The allocation we gave them has never been filled. There are literally hundreds of thousands of kilograms at the end of the year. I'm sure they're just as disappointed and probably asking themselves the exact same question you just asked me.

I don't know whether I've answered it enough for you. I am sorry. I cannot be more specific.

[*Translation*]

Mrs. Julie Vignola: Thank you.

You said Canada had some homework to do and needed to perform better. That's obviously just as true for our farmers and manufacturers as it is for our distributors.

Mr. Trew, did I capture what you said correctly?

Mr. Stuart Trew: Thank you for your question.

[*English*]

I don't know the answer to that question either. You have a bunch of answers, and they all sound like they could make sense.

Just to reiterate, there are consumer preferences involved here as well. The Europeans know what kind of beef they like and don't like and the production methods they like and don't like. This has very much to do with consumer preferences more than with Canadian negotiating strategy and tactics.

Power is also at play here. We're a much smaller country than the EU.

The Chair: Thank you very much. I think you all did a very good job of answering those questions.

Mr. Cannings, you have two and a half minutes.

Mr. Richard Cannings: Okay.

I'll go back to Mr. De Nardi briefly because of what he said about New Zealand and cheddar allocations. It's so that I can understand what they're upset about and why.

Is it something to do with their negotiations, or is it just the way we're acting? That's where I was confused.

Mr. Tom De Nardi: Every country, with the best of good faith, went into the negotiations and agreements. Canada agreed to give the TPP countries a certain access to our market for products such as mozzarella, cheddar, butter and this sort of thing. That quota is never filled. Canadian consumers, or probably the manufacturers, distributors, and everyone who has that quota.... It's available. You can get as much as you want, but our market, for whatever reason, is not digging it. Whether it's hard to work with or whatever it is, there's something about the product our marketplace does not appreciate. There's a lot of quota left over every single year. It is not filled.

I'm sure the TPP countries, in particular New Zealand, are saying, “Oh, I came into this negotiation thinking you would take all of this cheese, because look at the access you gave me. However, it's not being used.” They may be feeling what Canadians are feeling on the beef side of things.

That was my only point. Have I made that...?

Mr. Richard Cannings: I guess so. I just wondered why that isn't happening. Is the price not right? I go to New Zealand regularly, and the cheese tastes great.

Mr. Tom De Nardi: Yes. It could be for a number of reasons.

Price probably wouldn't be dealing with it. Pricing is an issue. New Zealand is a commodity player. They produce some of the lowest low-cost quality product in the world. It comes across that some of it is frozen. It doesn't quite react the same. Sometimes it's the price. Sometimes it's spending a lot of time on the ship and maybe frozen and thawed. It's just not living up to the standards.

● (1645)

Mr. Richard Cannings: Thank you.

The Chair: Mr. Seeback, you have five minutes.

Mr. Kyle Seeback (Dufferin—Caledon, CPC): Thank you, Madam Chair.

I want to ask some questions of Mr. Volpe first.

Mr. Kingston came to the committee to talk about autos, obviously. One thing I'm curious about is this: Would disunity in regulations constitute a non-tariff barrier?

In the example Mr. Kingston gave, he said, “we must maintain regulatory alignment with the United States”, because that's where most of our autos go for export. He was talking about Canadian EV standards and clean fuel standards somewhat decoupling from tailpipe emissions standards or regulations in the United States.

I don't know whether you know a lot about that or whether this is an emerging potential non-tariff barrier that we have with our largest trading partner.

Mr. Flavio Volpe: Thanks for the question.

Brian and I coordinate on this because I think we all have the same interest. It is extremely important for 100% regulatory alignment with Washington in the automotive sector. I say “Washington” because sometimes we look at Sacramento and we say that we like what's happening with the California Air Resources Board. We think it's a little bit more aggressive. They appear to be putting together a coalition of states that represent about 40% of the market, and it's the highest standard.

We all work in a business. Cars and parts work in a single-digit EBITDA world. That's by making one vehicle platform and one type of part for one configuration to sell all over North America. While it may be attractive to create a bit of an island so that you can provide a narrative in Canada—a leadership narrative, noble as it is—it does put Canadian manufacturing at a disadvantage, because what will happen, which we've seen happen specifically, is that companies will either have to create a “subnational jurisdiction only” product or they'll pull the product.

Mr. Kyle Seeback: Do we seem to be aligning a little bit more with Sacramento than with Washington? Is that the sense that you're hinting at a little bit?

Mr. Flavio Volpe: Canada is leaning that way, and we warned not to, because I think it will hurt our manufacturing footprint.

Mr. Kyle Seeback: Okay, thanks very much.

Mr. De Nardi, with respect for cheese importers, it seems to me that the non-tariff barrier is being created by the Government of Canada in terms of how they're allocating the way TRQs come into the country; it's all going to producers, and how you move around is non-transparent.

What would be the solution to that here in Canada? How would we fix this to create certainty for importers like yourselves and all other importers across the country?

Mr. Tom De Nardi: With regard to CETA, without blowing the whole system up and taking manufacturers completely out of the equation—let's just say that we stay where we are at the moment—we could at least be going back to a set of rules that we consider to be fair and equitable.

You had a set of rules with regard to large and small pools. They're moving around due to unintended consequences. I think we we really need to go back to where the spirit of it was at the very beginning and to make it transparent. For a company like mine, if you know that the threshold's around a million kilograms, you make the decision as a business owner. It's in your hands whether you're going to sell more and then lose that quota—that's up to you—or stay below that, not sell as much, maybe charge a bit more, make more money and have that quota for yourself. That's what I would say.

Right now, my business is in the hands of Global Affairs. Somehow it doesn't make sense. It's never a good thing when the Government of Canada is running your business.

As far as the other categories are concerned, I think you have to adopt something similar to what you did with CETA, if that's the way we want to keep this. In that scenario there's a split, a share, between distributors and manufacturers, if indeed that's the road we want to go down. Right now it's very heavily advantaged towards the manufacturers, as I pointed out before.

● (1650)

Mr. Kyle Seeback: Would you suggest that it would be more equitable if it were a more equitable distribution?

Mr. Tom De Nardi: Yes, it would be an equitable 50-50 distribution between distributors and manufacturers. You can throw the retailers in there too if you want to.

Mr. Kyle Seeback: What's the allocation right now?

Mr. Tom De Nardi: In which category, please, sir?

Mr. Kyle Seeback: Sorry. With respect to the importation, how much are the producers getting and how much are the importers getting?

Mr. Tom De Nardi: It's different for each of them. With regard to CETA, 50% goes to manufacturers and 50% goes to distributors and retailers, of which there are four pools. I expressed what happened to me going from the small pool to the large pool. That has to be fixed. That has to be reorganized due to this unintended consequence.

The first category has three players, with manufacturers at 50% and distributors and retailers in another category at 50%. That's CETA.

With CUSMA, it's distributors and manufacturers only—no retailers. Right now, under CUSMA, the more you sell, the more you get, so Mondo Foods gets nothing relative to those massive dairies that pump millions of litres of milk through. They get everything. We get nothing.

The TPP is a little bit different. There is a mechanism there whereby there's a share, so if you apply and you're a distributor, you get a one-piece fair share based on the number of applicants you get. It's not the best, but it's not terrible, and that's for both butter and cheese.

The Chair: I'm sorry, Mr. De Nardi. I didn't want to cut you off at all. I hope you got your points across.

Now we'll go to Mr. Arya, please.

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

Mr. De Nardi, this study is about non-tariff trade barriers in international agreements. Just quickly, what is the status of trade barriers within Canada in terms of trading between provinces? Is that a big issue that you face there?

Mr. Tom De Nardi: With regard to imports, no, it's not.

Mr. Chandra Arya: I mean with regard to trade between, say, Quebec, Ontario and British Columbia, within Canada.

Mr. Tom De Nardi: You know that we have supply management in this country, sir, and that every province has a certain slug of milk, if you will. Most of that milk is concentrated in Quebec and Ontario, then B.C. and then Alberta, and the Prairies practically have nothing as far as domestic milk production is concerned.

In terms of milk and where the farmers are.... By the way, my father was a farmer, so I support farmers.

I don't know if I've answered the question, but that's—

Mr. Chandra Arya: That's okay. Thank you.

Ms. Bradbury, I don't know which countries you worked in as a trade commissioner, but when there are non-tariff barriers, what's the best way to deal with them? Is it through dispute mechanisms available in the free trade agreements or through direct negotiations at, say, the ministerial level? What's the best way to address those things?

Ms. Nathalie Bradbury: With non-tariff barriers, as my colleague Stuart was saying, there are positive aspects to these entities and there are less positive aspects. In a lot of ways, it's best to work within the system. For intellectual property rights, it's best to work within the system to help smaller producers and indigenous producers, etc., learn how the system works and make it work to their benefit.

Counterfeit, for example, is a huge problem. It's now up to 2% to 3% of international trade, which is pretty incredible, really. That affects a lot of indigenous producers. By working within the system, you can make it work to your benefit.

I don't want to get into the whole argument about—

Mr. Chandra Arya: Thank you.

My next question, Madam Chair, is for Mr. Volpe.

You mentioned the barriers we face in Japan and Vietnam. Are those barriers common to all countries exporting to Japan and Vietnam for the same products, whether the export is from Canada to Japan or from the U.S. to Japan?

● (1655)

Mr. Flavio Volpe: No, but there is a mix. European regulations look a little bit like the Japanese ones. You'll see a lot of product similarities, in that what's built and sold in Europe is a little bit more akin to what sells in Japan, and it's the same between Korea and Japan, but for North American markets with origins from any of the three North American countries, it's the same non-tariff barrier.

Mr. Chandra Arya: To go back to these non-tariff barriers, I'll ask the same question. Again, are the dispute mechanisms available in the agreements the best way, or is it the interactions with the governments concerned? Which is the best way to deal with them?

Mr. Flavio Volpe: In the CPTPP, there is no mechanism. When we finally signed it—it was negotiated under one government and signed under another—we said there were side letters. I said those side letters were worthless then, and it really hasn't changed now. We've just got to be smarter.

Mr. Chandra Arya: My question for Mr. Trew is the same thing.

Whenever countries bring in some non-tariff barriers, it may be that they apply to all exports to that country, to all imports to that country from different exporters. Is it best to join hands with other similar countries and address that, or is it one on one? When a Canadian export gets barriers selling to Japan or some other country, is a bilateral mechanism for dealing with it the best?

Mr. Stuart Trew: It's case by case, I'm assuming.

In some instances, it does make a lot of sense to go through the WTO. I mentioned the notice process of the technical barriers to trade committee. Frequently countries will band together when there's a measure introduced somewhere else that they don't like—exporters in common, for example—but in some cases it makes a lot of sense to do it bilaterally. You might want to keep things more trusting, maybe, in the Canada-U.S. or Canada-Mexico context, for example.

The Chair: Thank you very much.

Thank you to the witnesses.

Mr. De Nardi, I cut you off because we had gone over the time, but if you want to finish that third point you were going to make, I'll pass it over to you for a minute.

Mr. Tom De Nardi: I believe it had to do with trade barriers across the country.

The only point is that we have supply management in this country, and we're not getting rid of it any time soon, I would suspect, because there are too many dairy farmers across the country with small farms.

What I'd like to point out is that you have literally hundreds, if not thousands, of dairy farms across the country, but you have very, very few manufacturers, fewer than 50, and 80% of that milk is controlled by three or four companies.

The Chair: Thank you.

Thank you very much to all of the witnesses. We very much appreciated your testimony.

We will suspend because we have to go in camera.

[*Proceedings continue in camera*]