



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

44th PARLIAMENT, 1st SESSION

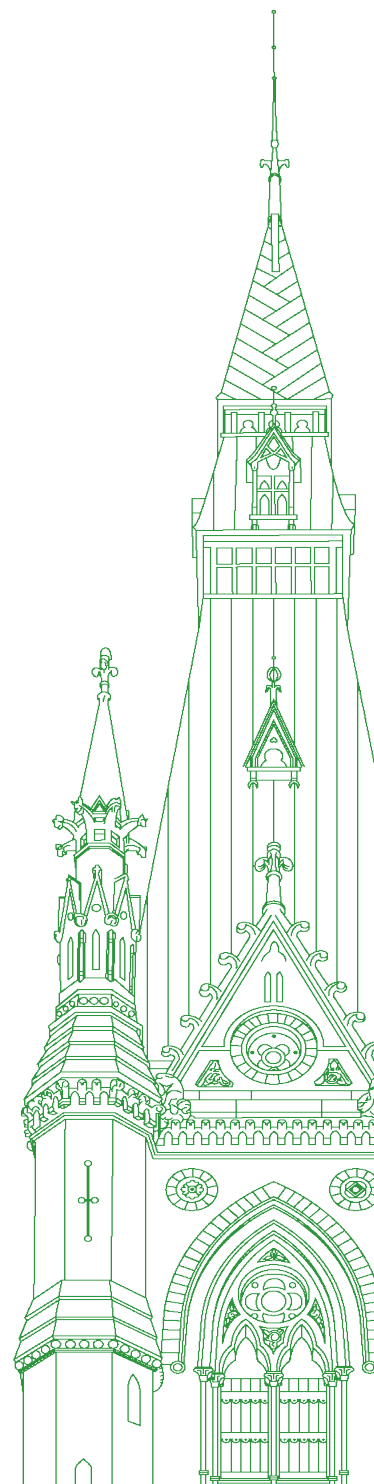
Standing Committee on International Trade

EVIDENCE

NUMBER 061

Monday, May 1, 2023

Chair: The Honourable Judy A. Sgro



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• (1105)

[English]

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

This is meeting number 61 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. Members are attending in person in the room, and remotely by using the Zoom application.

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

Please wait until I recognize you by name before speaking. When speaking, please speak slowly and clearly. Those participating by video conference can click on the microphone icon to activate their mikes, and please mute yourself when you are not speaking. With regard to interpretation, those on Zoom have a 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'll give a reminder that all comments should 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. We appreciate your patience and understanding.

Please note that during the meeting, it's not permitted to take pictures in the room or take screenshots on Zoom. Should any technical issues arise, please advise me, and we will suspend in order to ensure that all members can participate fully.

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

Today, from the Canadian Chamber of Commerce, we have Michael Harvey, vice-president, policy and international; from the Canadian Nuclear Association, we have George Christidis, vice-president, government relations and international affairs; from Global Automakers of Canada, we have David Adams, president and chief executive officer, by video conference; and from the Tree of Life, we have Lisa MacNeil, president.

Welcome to all of you on this rainy, miserable Monday. I hope you all bring a smile and some happiness to our outlook on today's schedule.

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

Mr. Harvey, I invite you to begin with an opening statement of up to five minutes, please.

[Translation]

Mr. Michael Harvey (Vice-President, Policy and International, Canadian Chamber of Commerce): Good morning.

I would like to thank the members of the Standing Committee on International Trade for the opportunity to share my views on non-tariff barriers in international trade agreements.

For nearly two years, I have been the Vice-President, Policy and International for the Canadian Chamber of Commerce. We represent more than 400 members, including local, provincial and territorial chambers of commerce, and about 100 member associations, for a total of 200,000 businesses.

I will make most of my remarks in English, but I will answer questions in French if I am asked in that language.

[English]

Madam Chair, I have been involved in international trade discussions from private sector, government and industry perspectives for more than 25 years. I will limit my comments today to a more strategic level, as I am not a specialized trade lawyer with deep technical experience.

That said, many companies we represent are facing specific issues in different countries, and we have informed our members they can make written submissions to you for this study.

As committee members are aware, non-tariff barriers are obstacles to trade that are not in the form of tariffs. Common examples are quotas, technical regulations and licensing requirements. These barriers can be challenging for businesses, and I do not believe they will ever totally be eliminated. There are often legitimate reasons for technical regulations and licensing requirements, and businesses constantly manage them. What we seek is that these regulatory requirements not become discriminatory trade barriers.

I recently participated virtually in a panel that was organized in Brussels by the Canada EU Trade and Investment Association. I learned that under CETA, regulatory co-operation has been key to solving disputes. CETA represents a third-generation trade agreement, one that aims to create deep economic and trade links by focusing on barriers to trade beyond tariffs.

CETA has a complex system of regulatory co-operation with a long list of dialogues and committees dealing with specific areas of regulatory co-operation, as well as a general regulatory co-operation forum. I am not a specialist, but I learned that a number of disputes are being solved through these mechanisms. I was told that often the EU regulatory authorities simply need to better understand how the Canadian product is meeting the goals of the EU regulation, if not the letter of the law or the way the law has been applied in the past.

That said, we should not be naive. Sometimes these non-tariff barriers are largely an excuse to try to keep Canadian goods out of a market. When that is the case, Canada needs to expend political capital to push for barriers to be lifted.

This political capital does not always need to be at the highest level. We do not want our bilateral relationships to be hostage to specific disputes. However, our trade commissioners need to constantly push to call out when non-tariff barriers are being used unfairly, and work to ensure regulatory authorities prioritize meetings with Canadian regulators who are able to explain how our products meet the spirit of local requirements, taking away any excuses that may be used by local regulators to prevent market access.

Dispute settlement mechanisms can often also be a key factor when seeking redress. Sometimes what regulators need is an external referee who takes the burden of decision-making off their shoulders. It is easy for a regulator to be captured by local industry interests, and it can be very strategic for Canada to obtain dispute settlement mechanisms in our trade agreements.

The success of dispute settlement mechanisms in investment protection is well established. I can underline, from my Latin American experience, that dispute settlement mechanisms are essential when governments change and new administrations seek to overlook the commitments made by their predecessors. This principle can be usefully applied to regulatory disputes.

• (1110)

[Translation]

I would like to end my comments by noting that we are living in difficult times with respect to the international commitments of various countries. Think of Russia's illegal invasion of Ukraine or the challenge to the international rules-based order posed by the Chinese government.

Unfortunately, even the United States, the leader of the international system set up in the post-war era, refuses to fully implement decisions that are unfavourable to it. A recent example is the decision of the panel established under the Canada-U.S.-Mexico Agreement on the domestic origin of cars. Another example is the United States' use of the so-called national security test to defend its steel and aluminum tariffs at the World Trade Organization.

While these examples underscore the magnitude of the challenge, Canada must do its utmost to protect the international trading system of today and develop the international trading system of the future. We will do so in part by finding solutions to non-tariff barriers.

I commend the members of the Committee for taking the initiative of studying the issue, with a view to proposing possible solutions.

Thank you.

[English]

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

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

Mr. George Christidis (Vice-President, Government Relations and International Affairs, Canadian Nuclear Association): Thank you, Madam Chair.

Thank you very much to all the members here for the opportunity to speak with you today and appear before the committee.

On behalf of the Canadian Nuclear Association, first I'd like to acknowledge we're on the historical territory of the Algonquin.

On behalf of the nuclear industry, I'd really like to thank the committee again for this opportunity.

Our membership represents about 100 companies across Canada, which employ about 76,000 Canadians directly and indirectly in uranium mining and exploration, fuel processing, electricity generation and production and advancement of nuclear medicine.

Canada is a leading exporting country in terms of uranium, and with its CANDU technology, has been a tier 1 nuclear country for over 60 years. Today, nuclear energy produces about 20% of Canada's non-emitting electricity, including 63% in Ontario and 30% in New Brunswick. Canada is one of the top producers and exporters of uranium, providing steady, high-quality jobs to northern and indigenous communities in Saskatchewan.

Over the past decade, the Canadian nuclear industry has showcased its world-class expertise with the refurbishment of the CANDU reactors by Ontario Power Generation and Bruce Power, with these projects being on time and on budget. It's really creating a strong foothold for the industry as it looks into the future, which includes small modular reactors.

In terms of building on this success, working in co-operation with the provinces—the provinces being Saskatchewan, Ontario, New Brunswick and Alberta—and the federal government, there's been a wide and recognized role in terms of the opportunity Canada has around small modular reactors. This includes OPG's decision to build an SMR at its Darlington plant by 2030, potentially followed by a plant in Saskatchewan. This is enabling opportunities in eastern Europe. New Brunswick's efforts with ARC Clean Technology and Moltex Energy aim to create a hub in New Brunswick, which itself is creating opportunities internationally.

The federal government has made recent investments in nuclear energy in the last budget, and we fully acknowledge this. The Prime Minister, the Deputy Prime Minister and key ministers such as Minister Wilkinson and Guilbeault have made clear statements that nuclear energy needs to be part of the efforts to fight the climate crisis, as well as to increase energy security for Canada and its partners. We fully support these initiatives.

The CNA believes that the Canadian industry is a model and it is at a crossroads in the sense of the significant opportunities that now exist for nuclear technologies on the international stage. For example, as nations are dealing with the energy crisis or climate crisis and energy security concerns, nuclear technologies have been identified as part of the solutions to those issues.

However, the nuclear industry has a unique set of requirements. Along with recommending that obviously international trade agreements are positive for the industry, there needs to be a set of requirements and obligations under international and domestic laws for trade to enable trade in the nuclear industry. For example, the nuclear industry requires nuclear co-operation agreements between Canada and the intended countries in order to take advantage of those opportunities. Therefore, as we are looking at the opportunity around Canada's international trade, we are looking at nuclear co-operation agreement processes to be well funded and supported by the Canadian government in order for those opportunities to be enabled.

There are other countries that are also looking at the international opportunities around nuclear energy, including the United States, France, the United Kingdom and Japan, which are all looking at providing or augmenting their capabilities in nuclear expertise and nuclear energy to meet the growing demand for the technologies overseas.

Hence, in the context of existing and new trade agreements, we make the following recommendations.

The first is to include nuclear in any clean energy or green definitions within international trade agreements as a way of signalling the inclusion of nuclear technologies.

Second, we would encourage the continued alignment between the international trade agreements that Canada signs and its own nuclear co-operation agreement processes, making sure the departments are well resourced to take advantage of these growing markets we're expecting.

We also look at the clear inclusion of nuclear in the financial models, whether it's the Export Development Corporation or the Canadian Commercial Corporation, to engender the opportunity to

export Canadian capabilities abroad. The financial models are there, but they need to be much more explicitly stated.

We're also looking at continually supporting efforts by the regulators, CNSC, and we encourage them to continue the good work they're doing in looking at the opportunities to harmonize internationally with some of these new technologies that the regulatory regimes are engendering and with the opportunities around nuclear technologies abroad.

• (1115)

Thank you.

The Chair: Thank you very much.

We'll go on to Mr. Adams, please.

Mr. David Adams (President and Chief Executive Officer, Global Automakers of Canada): Madam Chair and committee members, thank you very much for the opportunity to appear today on behalf of the 15 members of the Global Automakers of Canada to discuss the important topic of non-tariff barriers to trade under Canada's international trade agreements.

A fundamental tenet of the Global Automakers of Canada has been its long-standing support for transparent, open, rules-based trade in automotive goods.

Let me begin by stating that Canada's automotive industry is a product of trade agreements, from the 1965 Automotive Products Trade Agreement, or Auto Pact, with the United States through to the CUSMA of 2020. While the Canada-Korea FTA, the CETA and the CPTPP facilitated some automotive trade, it should be understood that Canada's automotive industry was built on the premise of supporting an integrated North American automotive market and is reliant on barrier-free access to that market. For all five manufacturers of vehicles in Canada, the market for their production is almost exclusively North America. The Canadian manufacturing entities of both American and Japanese companies were established in Canada via trade agreements and trade policy dating back more than 50 years.

The intent of North American automotive trade policy was to produce vehicles in factories on either side of the 49th parallel and for both markets to take advantage of the economies of scale that arise from longer production runs. Thus, whether we are talking about Toyota or General Motors, roughly 85% of Canadian vehicle production is exported almost exclusively to the United States. Therefore, the non-tariff barriers this committee should be concerning itself with are those related to access to the U.S. market, as far as the automotive sector is concerned.

While manufacturers have flirted with the idea of using facilities in Canada as export platforms to countries overseas, the reality is that those markets are generally served by localized production from the same Japanese and American automakers that are operating in Canada. The vehicles built in Canada by any auto manufacturer are designed to suit the needs and proclivities of North American consumers.

With respect to Canada's broader automotive sector, what assures the success of the Canadian automotive parts manufacturing sector is its proximity to Canadian-based vehicle manufacturers and, to a certain extent, those in the United States. While it was pivotal when Honda and Toyota established vehicle manufacturing facilities in Canada in the late 1980s, the untold story is the hundreds of parts manufacturers that also followed them to Canada to support vehicle production. The "build where you sell" orientation of both Toyota and Honda, as well as most of our other GAC members, has led to the establishment of vehicle manufacturing facilities in the CUS-MA region to service the North American automotive market. By point of reference, in 2022 only 1.3% of Honda's sales in Canada were built outside of North America. For Toyota, that number was 18.9%.

Few Canadians would appreciate that Toyota Motor Manufacturing Canada is Canada's largest vehicle producer and last year produced more vehicles in Canada than Ford and General Motors combined. Honda Canada, the association's other manufacturing member, was the third-largest vehicle producer in the country last year.

As we have observed over the last three to five years, the automotive industry has become increasingly regionalized in nature, owing primarily to geopolitical concerns. We have all been witness to the tools of industrial policy being applied to further accelerate and codify country-specific or region-specific automotive or automotive parts production, such that industrial policy seemingly trumps trade policy on any given day. Canada needs to be vigilant in this regard, especially with respect to the practices of the United States, while also ensuring that it has clean hands in not emulating these similar practices.

In conclusion, the Canadian automotive industry exists to service the United States. In addition to continuing to ensure access to that market, we need to be constantly vigilant with respect to non-tariff barriers in that relationship, whether they arise in the form of different standards, labelling provisions or the use of subsidies, etc.

I would be pleased to answer questions from committee members.

Thank you very much.

• (1120)

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

Ms. MacNeil, please go ahead for up to five minutes.

Ms. Lisa MacNeil (President, Tree of Life): Thank you, Madam Chair.

Members of the committee, good morning. My name is Lisa MacNeil, and I'm the president of Tree of Life Canada.

While Tree of Life Canada is one of the largest distributors of specialty and natural foods in Canada, I come to you today as the importer of British clotted and double creams. Traditionally served as part of an afternoon tea alongside scones and jam, these specialty creams are sold in tea shops and retail stores across Canada. All told, we supply these creams to roughly 2,000 SMEs.

I am here to provide the real-world perspective on how certain non-tariff barriers imposed by the government affect small to medium-sized Canadian businesses, our customers and ourselves. I will also offer some recommendations as to how the government could proactively address these issues in current and future agreements.

The specialty creams we distribute from our U.K. supplier are unique. They are prepared in a dedicated glass bottling plant using a proprietary production process that yields export-ready creams with a long shelf life and a fat content just below butter.

Despite the fact there are no similar products produced in Canada or in any country with which Canada has trade agreements, Tree of Life Canada has faced many unnecessary and burdensome barriers while trying to import these specialty creams.

For years, we were nearly denied outright access to the Canadian market simply because the products did not fit naturally and neatly into any of the categories across the cream quotas. As a result, our harrowing and completely avoidable experience has played out across several quotas.

First, Tree of Life Canada has been denied access to the WTO specialty creams quota since 2016. This quota uses a tiered system that prioritizes cans of thick cream with a fat percentage 20% lower than clotted cream. Any unused quota, which hasn't happened since 2016, is given to glass jars.

From 2016 to 2019, we were able to depend on a supplementary cream permit process, which is granted at the discretion of the minister. However, Global Affairs Canada and the minister abruptly decided to refuse our application in 2019 and encouraged us to look for a domestic producer, which doesn't exist, because it's such a niche product and therefore costly to produce on a small scale.

When there's a demonstrated and steady consumer demand, you would expect that obtaining permission to import the product would be relatively simple. It's been anything but.

From 2019 to 2021, we were unable to bring in any of these products tariff-free, which caused a dramatic disruption to our customers. We've since been able to secure temporary permits through the supplementary import process, but this method of access provides little room for business planning and growth and could be taken away at any time at the discretion of the minister.

Because we regularly run out of this imported cream, we have to turn away customers and Canadians have to go without the product for absolutely no good policy reason. While some claim that the CPTPP will fix all market access issues with regard to Canada-U.K. trade, this access is not the miracle that is being portrayed. This is a result of the allocation and administration policy chosen by Canada.

Indeed, for the CPTPP cream quota, distributors like us would get less than 10% of the overall cream quota access. If that doesn't change, we would be importing far less than we even do today.

The government can avoid these many pitfalls by revisiting its approach to quota administration and allocation in existing and future trade agreements. The comprehensive review of the allocation and administration of tariff rate quotas offers Canada the opportunity to align its quota allocation and administration policy with both its trade obligations as well as Minister Ng's mandate to ensure that trade benefits SMEs across Canada. However, for various reasons, the TRQ review, which began in 2019, has yet to be concluded. We are hoping that some of these issues will be addressed when the review finally resumes.

Thank you, and I look forward to your questions.

• (1125)

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

We'll move to the committee for questions.

Mr. Seeback, please go ahead for six minutes.

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

Mr. Harvey, when you gave your opening statement, you talked about chamber members being concerned about some specific non-tariff barriers. You mentioned a bit of that in your opening statement.

Are there any specific ones you would want to raise with the committee today from a specific industry sector you're hearing from?

Mr. Michael Harvey: Thank you for the question, but I don't think I'm here today to represent just some of them, because frankly, there are so many that I would be picking and choosing a bit too much.

I could mention that I was preparing myself to appear at a meeting in Brussels a couple of weeks ago. As soon as I put on LinkedIn that I was going to be appearing before a committee in Brussels, people started reaching out to me, mentioning different things. One specifically, without getting into the exact company, was somebody who made mining equipment—somebody I knew from a past life in the mining industry—who was saying that the EU legislation on safety regulations was preventing their equipment from going easily into the EU. As a Canadian who has worked in the mining industry,

I think it's quite obvious that Canadian-made mining equipment has to be meeting the same standards. It's strictly a non-tariff barrier that needs to be worked through in these discussion groups.

That's the case for almost everything. When you're talking about people of good faith who are blocking your product, it's really a question of getting into these regulatory co-operation mechanisms so you can talk through the issue and get to the proper result. That's as long as what we're talking about are people of good faith who are blocking something because they don't have an exact understanding of it. If you're talking about a situation in which people aren't acting in good faith and are just trying to block your product, that's when I think political capital needs to be expended.

Mr. Kyle Seeback: I agree.

I know you don't want to get into each and every person who has been in touch with you, but I suggest that you reach out to those folks and suggest they reach out to the committee, either through written submissions or by requesting to appear. To me, it's great to talk about the generalities of non-tariff barriers—you gave a great summary of that—but I think the specific examples give the committee something to work with and to advise the government on, so I would ask you to do that.

You mentioned robust dispute settlement mechanisms as a way to resolve these things. Do you have any additional comments on that? As I look around the world and see the challenges with getting disputes resolved at the WTO, I think we have to be able to resolve disputes within trade agreements more expeditiously.

If you have some more in-depth comments that you would like to make about those challenges, and perhaps suggest, within a particular trade agreement, the dispute resolution mechanisms that are working really well, maybe you could comment as well on whether you know of some that aren't working as well as they could.

• (1130)

Mr. Michael Harvey: I think at the end of the day, the dispute settlement mechanisms in international trade law do not work in the same way that the dispute settlement mechanism does in domestic law.

I know you have litigated cases in the past as a lawyer, and I did motions 30 years ago, when I was starting. In a domestic court, you have a judge and the judge decides, and that's it, right? You can appeal, but there are no situations of a policy not being applied because there's a lack of political will, etc. It's very difficult, though it also exists a bit.

I think the world right now is unfortunately going, in general, in the direction of not applying the rules. Even the United States, as I mentioned, has had decisions that were made against it over the last year, and they are just not following through. That's something we're always going to have to deal with. However, I think what you try to do is institutionalize your dispute as much as possible, to give you something to hang your argument on that can maybe help overcome a certain amount of political resistance.

With regard to my Latin American experience in investment disputes, my last job was with a gold mining company in Mexico for seven years. In the past few years, there have been several investment disputes in which the companies in question have obtained arbitral awards. That's for a lot more money than your average trade dispute. In a big trade dispute, an arbitral award can be something that forces the local government to stick to their national commitments.

On specific trade agreements, I would say that the CETA appears to be the best, because it creates all of these regulatory co-operation mechanisms. It's a long, hard slog to get through those regulatory co-operation mechanisms, but frankly, we're talking about a group of advanced industrialized democracies that are much more willing than countries in a lot of the world to talk through these issues with us. The CETA, I would say, is top of class, but it's still early days. It takes a long time for these things to play out.

Mr. Kyle Seeback: I want to ask Ms. MacNeil a question.

On the challenges you have had, I would say it seems to be a non-tariff barrier that's existing within Canada. How often and for how long have you tried to resolve that dispute? Maybe it's not a dispute, but how long have you tried to resolve the issue with the government?

Ms. Lisa MacNeil: We've been working for a long time to resolve the issue with the government.

I'd like to say the biggest impact we're faced with right now, with the trade barriers, is loss of business and sales. A great example of that would be how we're not able to sell into food service due to the tight volume restrictions imposed by Global Affairs Canada. Places like the Château Laurier, which is a Fairmont hotel, can't buy from us, because we're simply not able to guarantee them supply on a frequent basis.

From a barrier perspective, our largest barrier is being forced into the supplemental cream quota process since 2016. We've talked to the government about this. It's bad for business. It's a bureaucratic process. There's uncertainty from year to year as to whether we're going to be able to import clotted creams.

I would end with this: Imagine telling the customers you've been selling clotted cream to for over 20 years that you're not sure if you're going to be able to get them any next year. There are lots of conversations.

Mr. Kyle Seeback: If I were the minister of international trade, what would the fix be?

The Chair: I'm sorry, Mr. Seeback, but you're out of time.

Ms. Lisa MacNeil: Fix allocation.

The Chair: We have Mr. Virani for up to six minutes.

Mr. Arif Virani (Parkdale—High Park, Lib.): Thank you very much, Madam Chair.

I want to say thank you to all the witnesses for appearing. It's very informative and helpful for this discussion.

I want to direct my first set of questions to George Christidis and David Adams.

I'm quite taken by the initiatives happening in the nuclear sector. George, you and I have discussed this in the past. In budget 2023 there are obviously some major shifts occurring. You see clean electricity generation tax credits of 15% that apply to both large and small modular reactors. You also see a clean-tech manufacturing tax credit of up to 30% that applies to nuclear energy equipment and a commitment to extend the reduced tax rates for zero-emission tech manufacturers. It was broadened out by three years. The broadening out also subsumes nuclear equipment within it. We heard what the Prime Minister said at a U of O conference just last week here in Ottawa about needing more nuclear. We had Chrystia Freeland at the Pickering plant. These are all steps in the right direction.

For George's and David's benefit, when VW was here and made that very massive announcement, I also heard that the cleanliness of the Ontario grid is the reason they're locating their first-ever electric battery manufacturing plant outside Europe in Ontario. It's 90% non-emitting right now.

Could you comment, George, on the signals in the budget, and how you feel about those?

David, could you wade into the perspective on what a clean grid—one that's also being cleaned by nuclear—means for the next set of investments from a future VW, in terms of attracting investment into the country?

It's over to the two of you. If I could ask you for about 60 to 80 seconds each, that would be great.

• (1135)

Mr. George Christidis: I'll take it. I'll start.

Obviously, the federal budget tabled by the Deputy Prime Minister was very significant in terms of setting the stage for continued growth and the acceleration of growth in the nuclear industry in Canada—as you pointed out—in areas like the investment tax credit and the inclusions. We see it as a very positive signal by the Prime Minister domestically, along with the international signals that are there, as you pointed out, in the recent statement issued by President Biden and Prime Minister Trudeau and the recent G7 and G5 ministerial meetings, as well as the energy ministers' meetings in Japan, which Minister Wilkinson attended.

There's a significant signal occurring that nuclear will have to be part of the solution to meeting the climate crisis and increased concerns about energy security in key markets such as eastern Europe, where you already have Romania, which is a CANDU country. We're fully engaged there. That type of opportunity is real and there for Canada. Other countries are mobilizing, of course, to try to take advantage of these opportunities.

In terms of VW, I can't speak to that deal particularly, other than what I've read in the press. It's certainly very true that clean energy will become a fundamental point for any investments moving forward across various different sectors. We're seeing this domestically, where the natural resource sectors are looking at, for example, very small reactors and how those could be applicable in the development and export of resources abroad. We're also seeing it with large industrial users looking at technologies—small modular reactors, as well as potentially large reactors—in various different ways that will increase the ability to provide clean energy that's also reliable.

One thing I can say is this: Different markets in Europe, for example, had learned certain lessons when they did not take a multi-technology approach. They have left themselves vulnerable, and their industrial base has had to adjust accordingly. They've seen emissions go up. In the experience of Germany, which made certain decisions, they've seen a significant increase in emissions and they have also experienced energy insecurity, so from that perspective—

Mr. Arif Virani: Thank you for that, George.

If I can, I'll turn to David to ask him to comment on that VW deal specifically and the cleanliness of the Ontario grid.

Mr. David Adams: I can echo George's comments about the provisions in the budget as far as investment tax credits are concerned.

To your specific questions about the importance of green electricity, I think it's important to the whole green supply chain, including green steel that will be produced in Hamilton. Clean electricity and all those things are important factors as we enter an investment climate that has some significant ESG concerns baked into it, and I think this will only become increasingly important as we move further into the future.

• (1140)

Mr. Arif Virani: Thank you, Madam Chair. Do I...?

The Chair: No. I'm sorry. You have 14 seconds remaining.

We'll go to Mr. Savard-Tremblay for six minutes, please.

[Translation]

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

I would like to thank all of the witnesses for their presentations and greet my colleagues.

Mr. Harvey, good morning and thank you for being with us. We are familiar with the great mess that was the Comprehensive Economic and Trade Agreement between Canada and the European Union, where negotiators or the political class had explained to Quebecers that there would be setbacks in certain sectors, but that in exchange, there would be more opportunities in the European market. We now know that Ottawa had not anticipated the non-tariff barriers. That's what we're finding out today.

The European Union uses these non-tariff barriers in part to address civil society aspirations, such as environmental concerns, among others. On its website, Global Affairs Canada explains that Canada must be able to pursue its objectives “while adopting regulations in the public interest in the least trade restrictive manner”, in other words, balancing policies that are good for the public with requirements for openness to trade.

Do you feel that this balance has been struck as far as Canada is concerned?

Mr. Michael Harvey: I don't know if the balance is there, but trade has increased between Canada and the European Union in recent years. That is positive. The Canada-EU Regulatory Cooperation Forum can help find a way forward when there are disputes.

Mr. Simon-Pierre Savard-Tremblay: So it would allow us to align domestic regulations so that there are not too many disparities between countries, for example in their level of environmental regulation. If one country has more than another, we need to balance that out.

Mr. Michael Harvey: No, I don't think it is. It's more about sorting out misunderstandings between countries that have similar regulations, but disagree about whether one country's system works to the other's standards. More importantly, it allows them to discuss and explain to each other how to prevent completely legitimate principles, such as environmental regulation, from being a backdoor way to prevent access to products and services.

Mr. Simon-Pierre Savard-Tremblay: We are an export economy and your membership includes both Canadian and foreign investors. So you are in a position to speak for everyone. How does Canada compare to its trading partners in terms of balancing its domestic policies and its trade obligations?

Mr. Michael Harvey: As Ms. MacNeil has shown, sometimes we use our systems in such a way that it causes problems for companies here, whether we use them correctly or not. We have to keep that in mind when we are in other countries. When I was a diplomat and I was abroad, I would sometimes comment on local systems, and people would ask me if I thought we were treated better in Canada. There needs to be a balance, and this forum exists to help find ways to resolve this issue.

Mr. Simon-Pierre Savard-Tremblay: Currently, even though trade with the European Union has increased, some people have told us about significant non-tariff barriers. Can you give us any examples? You gave the example of environmental measures that are legitimate, but that can also, in a hidden way, favour domestic companies to the detriment of Canadian or Quebec-based businesses. Do you have any other examples?

Mr. Michael Harvey: The Canadian Cattlemen's Association has been talking about this a lot recently. However, I don't generally like to get into the details of certain disputes which I am not as familiar with as members from other associations who may appear before this committee.

Mr. Simon-Pierre Savard-Tremblay: That's fine.

Canada is currently holding discussions with India and the Association of South-East Asian Nations countries to pave the way for trade agreements. I assume you support these negotiations. Correct me if I'm wrong, but you're seeing a lot of challenges and a lot of opportunities there as well.

That being said, we know that there are human rights abuses in these countries and regions. It's been documented by Amnesty International, among other groups. We've had witnesses here at the committee who have told us about the Philippines and Malaysia, and about human rights and environmental rights violations. One of the things we heard about is the production of palm oil, which may represent an opportunity for many of your members and many of the companies you represent. However, the operating conditions there can be catastrophic and disastrous on many levels.

In your view, would Canada be justified in also having non-tariff barriers to prevent lower-cost products manufactured under those types of conditions from competing with our own products?

• (1145)

Mr. Michael Harvey: I would just like to point out that we are not against non-tariff barriers, because it is perfectly legitimate to legislate and regulate labour and environmental conditions. However, we do not want this to be a hidden way of preventing access to products that represent the same environmental, social and other standards. As a general rule, we believe that it is better to enter into discussions with these countries and we believe that the freedom to trade will lead to improved working conditions with regard to the environment.

[English]

The Chair: Thank you very much.

We'll go on to Mr. Cannings for six minutes, please.

Mr. Richard Cannings (South Okanagan—West Kootenay, NDP): Thank you to the witnesses who are here before us today.

I'd like to start with Mr. Harvey.

Some of the most egregious non-tariff trade barriers we face in Canada, the things that really affect our economy most, are of our own making. There are interprovincial non-tariff trade barriers. I know that we are talking about international ones here, but just for my riding, we have trade barriers on the transportation of wine across provincial boundaries. There are regulations around labour laws and transportation in general.

I'm wondering if this is a problem when we go to the international stage and demand fixes. Is this something that other countries and agencies can throw back at us, saying that maybe we should work on our own problems in our own backyard first? It seems that we haven't taken care of this in Canada.

Mr. Michael Harvey: Everybody in the world is living in a glass house on these issues. At the chamber, you'll hear my boss, Perrin Beatty, talking a lot about interprovincial trade barriers and the need to improve our regulatory system inside the country. Obviously we have a lot that we can do, and every time you show that you live in a glass house, you invite somebody else to throw a stone.

Mr. Richard Cannings: Getting back to some of the conversations around the dispute settlements and when these regulations—which are perhaps set up for good reason, whether for environmental reasons or labour issues—are used in a discriminatory fashion, what are the best? You mentioned the CETA mechanisms as being some of the best. What makes them better than the other mechanisms we have available to us?

Mr. Michael Harvey: Partly it's the institutional nature of having committees or councils where the two sides meet to talk through issues in a way that allows them to come to a solution, but in part it's just the fact that the EU members and Canada, as advanced industrial democracies, are maybe better able to talk things through. It can be more difficult with countries that have systems that are a lot different from ours.

Mr. Richard Cannings: These are basically state-to-state dispute mechanisms, or—

Mr. Michael Harvey: In the CETA, you often bring regulatory authorities from Canada and regulatory authorities from the EU together to talk through disputes. Of course, there's no such thing as a Canadian regulatory authority; they're all over the map. What's important is for our diplomats on the ground to look at each dispute to see who are the right people in the EU and who are the right people in Canada and push to have those meetings to talk through disputes.

Mr. Richard Cannings: If I have two minutes, I'll go to Ms. MacNeil to talk about clotted cream. I never thought I'd be debating about clotted cream in the House of Commons when I began this job.

Be that as it may, you mentioned some of the challenges you've had with the WTO. You mentioned CPTPP and how the U.K. becoming part of that won't solve your problems. Is there some way we can work to fix that?

Let's take the CPTPP as an example. Obviously some mechanism has been proposed. Is there a way we can alter that at this juncture to give you some relief there?

• (1150)

Ms. Lisa MacNeil: Absolutely. I think the best solution for us would be to fix allocations. The challenge with the CPTPP is first of all that the accession's probably not going to happen until 2025, so we're talking about something that's a couple of years out. The allocation method today is disastrous for us, because I think there are 56,000 kilos that would be allowed for distributors that we would share equally. As a result of that, we wouldn't be able to bring in as much clotted and double cream compared to what we are even able to do today with the supplementary process.

Mr. Richard Cannings: Right, and with the WTO, is—

Ms. Lisa MacNeil: Well, the WTO is a challenge because it's a two-tiered quota system and we've been pushed out of tier two since 2016. Tier one quota is the cans. Picture a can; you can pour it. In the way the WTO quota is allocated, it's anything that's 10% cream or above. I don't know about you, but I don't think we want to be pouring 10% creamers on our scones with jam. It's a challenge that it's such a broad category, and we're this niche product that simply doesn't fit properly.

Mr. Richard Cannings: I know nothing about the WTO, really. I'm new on this committee. Maybe you could explain how that could possibly be changed. Who has to make those decisions? Is it a Canadian decision?

Ms. Lisa MacNeil: It's the Canadian government that decides on the allocation.

Mr. Richard Cannings: Okay. Well, that makes it easier, hopefully. We just have to pressure the government to...

Ms. Lisa MacNeil: I would say that we hope the government continues quickly with this TRQ review so that the allocation method can be fixed.

The Chair: Thank you very much.

We will go to Mr. Carrie for five minutes.

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

Buenos días, Señor Harvey. Cómo estás?

I was looking through your bio, and you've done a lot of work in Latin America. You probably have some insight on Mercosur and where we're moving in that regard.

During your questioning with Mr. Seebach, you mentioned some irritants with regard to mining. I was wondering if you have any other examples you could give to the committee from what you're getting through your LinkedIn or Twitter feeds.

Mr. Michael Harvey: In Mexico in particular, there have been the issues with the Canadian energy sector. I won't speak for companies, but they've been in the media.

ATCO gave back a pipeline, basically, to the Mexican authorities after an arbitration award. TC Energy Canada came to a very good agreement with the Mexican authorities and made new investments in Mexico, but the fact that these companies had an investment treaty that allowed them to get arbitral awards, or to get almost to the point of getting an arbitral award that the Mexican government knew was going to happen, gave them something to negotiate with, a big bargaining chip. If it were otherwise, the Mexican government would just change their rules on energy in favour of their state company, CFE, in a way that was very detrimental to those Canadian companies' interests. The arbitration possibility was huge for them in settling that.

Mr. Colin Carrie: I think that illustrates how important it is to get these things right.

Keeping with the theme of energy, Mr. Christidis, you mentioned the opportunities with small and medium reactors and the potential for Canada for export, and we have the uranium. I was wondering if we have a regulatory harmonization for nuclear energy in the CETA, the CUSMA and the CPTPP. Is there a regulatory harmonization there yet?

Mr. George Christidis: No. That really wouldn't be the environment that I believe that these discussions would occur in. I think the CNSC has done a super job in terms of President Velshi having discussions at the IAEA in Vienna, where the international regulators come together and talk about their issues. Our message, quite frankly, is just to continue that.

In terms of the international trade agreements, it's really important in the definitions, particularly in relation to clean or green energy, to have a consistency in the inclusion, not only from a Canadian perspective but internationally as well, which we're seeing. We're seeing this trend actually occur, and to some extent it will facilitate those opportunities for the Canadian nuclear industry in uranium, the large reactors like CANDU and the SMRs.

Even in terms of the nuclear waste, I must state that Canada is seen as a leader in terms of what it's projected to do or how our Nuclear Waste Management Organization is managing the discussions around nuclear waste. All of those opportunities in terms of learning from Canada and accessing its services are there; it's just that the processes have to be ready and resourced to take advantage of those opportunities.

• (1155)

Mr. Colin Carrie: Are they harmonized yet? I was wondering if it has been done yet, because I know we signed these agreements in the last few years. You mentioned Germany. I was just thinking of how easy would it be for Canada to sell into Germany.

Mr. George Christidis: Germany is not interested in acquiring nuclear technologies, but in terms of the regulatory discussions, those are being driven by the CNSC in those international arenas, particularly at the IAEA, another collaboration that it's undertaking. As I said, it's going very well. They're doing very good work. It's just making sure that this is a component of the effort.

In terms of Germany itself, their decision not to continue with nuclear operations has, quite frankly, led to a significant increase in emissions, an increased dependency on coal, and to some extent dieselization in terms of energy security, which is of course impacting Europe. That's really a European question and it's really a German question, but you are seeing within the European Union this debate emerging in countries such as France, or in eastern Europe Romania, which is looking at refurbishing and building new CANDU reactors. It's causing an internal debate in terms of how they increase their energy security and meet climate goals when a core economy like Germany has gone the other way. That's a real issue.

Mr. Colin Carrie: I think I missed it, but are the definitions agreed upon in the agreements we already have, or do we still have a way to go?

The reason I'm asking is that I know we're looking at trade with India and even the U.K., and I know how important it is if the government doesn't address the trade agreements we have as we move forward with these new ones. If we don't get it done, how problematic is that going to be?

Mr. George Christidis: Including nuclear in the definition of clean and green is occurring, and in the announcement of this federal budget, the government indicated that's an area they're going to be looking at as well, but there is again this international trend. You mentioned the U.K., which is clearly including nuclear in its green definitions, and there's the EU, which has also modified its taxonomy to sort of enable it. It's certainly moving in the right direction. We're just encouraging it to do so in accelerating—

Mr. Colin Carrie: But it's not there yet, right?

Mr. George Christidis: It's not there yet.

Mr. Colin Carrie: I just wanted to clarify that.

The Chair: I'm sorry, Mr. Carrie; your time is up.

Go ahead, Mr. Arya, for five minutes.

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

Mr. Harvey, you did touch a bit on the current national order. Globalization, as we knew it during the last several decades, is on its way down. The former cheerleaders of international trade investment countries are now practising friendshoring protectionism, and that is leading to lots of non-tariff barriers. Canadian exports, obviously, always face these non-tariff barriers. For example, the beef exports to Japan and South Korea faced the age of the cattle problem and those types of cuts, and even Japan was putting some restrictions on frozen beef exports.

I'm glad you have a background in mining. Non-tariff barriers being imposed by countries like Tanzania through banning or limiting the exports of gold and copper concentrates and insisting on domestic processing. In DRC, I believe, the second-biggest cobalt

mine was shut down, again by non-tariff barriers, by insisting on domestic processing.

Indonesia, with which we are now discussing a free trade agreement, has now banned the export of raw nickel ore, and it is also imposing an export tax of up to 10%, if I'm not wrong, and insisting on domestic content and domestic processing.

Before I come back to you with a specific question, I have a question for Mr. Christidis, who is not only the vice-president of the Canadian Nuclear Association but also my boss, because he's my constituent.

George, we are negotiating a trade agreement with India. India is a big market for the Canadian nuclear industry. It's not just the uranium; potentially, there's a huge market for the SMRs, the small modular reactors.

Now that the negotiations are going on with India, I have two questions specifically and quickly.

Has the Canadian negotiating team consulted you on what's happening with the negotiations with India?

Number two, do you see any non-tariff barriers coming up from India for the nuclear exports, maybe for SMRs, in terms of the domestic content requirements? It already has certain non-tariff barriers for pulse exports to India. Similarly, do you foresee anything from India there?

• (1200)

Mr. George Christidis: Thank you for the question.

With regard to India specifically, we're obviously quite aware that certain discussions are occurring. We've had much more robust conversations, particularly with regard to eastern European countries, which are particularly interested in Canadian knowledge and know-how.

To that extent, India, for us, is an interesting market, of course. It has a very robust nuclear ecosystem on its own. What we're finding is a lot more interest in some of the eastern European countries, particularly countries like Poland and such.

Mr. Chandra Arya: George, I have limited time. Has our international trade team contacted the Canadian Nuclear Association on the current ongoing negotiations?

Mr. George Christidis: Have we been contacted directly? I'm not familiar with that, no.

Mr. Chandra Arya: Do you foresee any specific non-tariff barriers for exports to India from your industry?

Mr. George Christidis: There would be questions we would have. We're particularly interested, obviously, in the supply chain for uranium export and other technologies that we would be able to support.

Mr. Chandra Arya: I only have one minute left.

Mr. Harvey, specifically on Indonesia, they are banning the export of nickel ore. My friend Mr. Savard-Tremblay mentioned the palm oil production there.

With your background in mining and your knowledge of international trade, do you think this increase in non-tariff barriers in terms of insisting on local processing and local content will affect the Canadian mining industry?

Mr. Michael Harvey: What I'd say is that the Canadian mining industry can work through those barriers more effectively if we have institutionalized processes that generally come in the context of trade agreements, which gives you something to hang your hat on when you try to solve a dispute. It could be regulatory co-operation groups or it could be arbitration-type possibilities. Institutionalizing the dialogue through our trade agreements will allow our companies to have a better chance of getting what they need.

The Chair: Thank you very much.

We'll now go to Monsieur Savard-Tremblay, please.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Mr. Adams, I seem to recall that your organization, if not you yourself, appeared before the committee as part of our study of the U.S. Inflation Reduction Act. The United States introduced a lot of incentives. I think we are seeing a very ostentatious display of non-tariff barriers, including tax credits.

Representations made to U.S. actors may have had a positive effect with regard to some tax credits, but not to others. In your opinion, are there any that remain? We talked about the 45X tax credit, which is only applicable to batteries produced in the United States. Do you think Ottawa should continue to make representations to the U.S. Congress to extend these provisions to all of North America?

Mr. David Adams: Thank you very much for the question.

[English]

It's a good one. I think what Canada needs to be doing is ensuring that they're continuing to dialogue with the Americans in terms of the subsidies that the U.S. has implemented under the IRA. It was pivotal.

As an association, it was our recommendation to the federal government that to the extent possible, in order to benefit from foreign direct investment in the areas of batteries, electric vehicle production and whatnot, Canada has to find a way to strategically match the subsidies and whatnot that the U.S. is implementing.

We should make no mistake: These are provisions that are, as I think we all know, intended to try to get all the capacity for battery manufacturing and production within the United States.

• (1205)

The Chair: Thank you very much.

We'll go on to Mr. Cannings for two and a half minutes, please.

Mr. Richard Cannings: Thank you.

I'm going to turn back to Mr. Harvey again, because he has this background in the mining sector.

You mentioned some disputes involving investments. When I hear of international disputes with Canadian mining companies abroad, they often seem to centre around taxes, local taxation and countries trying to get some benefit from those mines in their own country. I don't know the details of most of those, obviously, but I have heard of situations of Canadian mining companies abroad opening a post office box in Luxembourg, for instance, and then work it so that their tax is in Luxembourg, not in Canada or in Mongolia or wherever they are actually working. The people in Mongolia don't get any money and the people in Canada don't get any tax benefits.

I wonder if you would consider those to be non-tariff barriers. How do Canadian companies working abroad decide where they're going to pay their taxes and whether they pay taxes in a fair way or not?

Mr. Michael Harvey: The tax regime in every country is different. I can assure you that in the countries where we work, we definitely pay taxes.

What often happens in the mining industry is that the decision to invest is made at a point where the risk related to the investment is very high. Agreements are reached about what the level of taxation will be for the operation. The operation then becomes an electoral issue, in that the opposition may complain that the government in power is not extracting the right amount of taxation from the company, or the government looks at the risk analysis, which is quite different after the mine has already been built and is producing from how it was before the mine was built, when the risk was much higher. Alternatively, quite simply, the local authorities decide that more tax should be coming, maybe because the price of the mineral has changed.

Dispute settlement around these taxation issues is often related to what commitments were made and whether the commitments are being upheld.

Mr. Richard Cannings: Thank you.

The Chair: Thank you very much.

We'll go on 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 today.

I'm going to begin with Ms. MacNeil.

I'd like to start by reading into the record a letter of request that you had put in to appear here. In that letter, you wrote:

...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 our thousands of customers. Tree of Life was finally granted supplemental cream TRQ in 2021, after a lengthy, costly and administratively burdensome process.

As my colleague had referenced earlier, it seems that the non-tariff barrier facing your operations is more on the regulatory administrative issue around the TRQs here from the Canadian government.

How do we fix it?

You talked about a TRQ review that started in 2019. Can you provide some of your suggestions on how we can go about fixing that?

Who have you spoken to in the government? Have you spoken to departmental officials? Have you spoken to the minister's office?

Ms. Lisa MacNeil: Thank you.

There were lot of questions in there.

I'll start with the solutions. It really is about the administration. It's about the allocation and fixing the allocation.

First, I'll go to the CPTPP and the fact that only 10% of the allocation is given to distributors. Our recommendation would be that we triple that so that when we're able to use the CPTPP in 2025, distributors will have the ability to actually import enough product to help in the Canadian market.

From a WTO perspective, I would say that changing the two-tiered system to one would allow a separation for those high-fat-content creams that I talked about. The cream that we're importing from the U.K. has a 55% fat content, just below butter. We're in the same TRQ as the 10% cream that we're pouring into our coffee. It's too broad a range. If we could tighten that up, it would be great.

Then it's just about ensuring that the TRQ review resumes in short order and that the allocation method is fixed.

In answer to your second question, yes, many folks have been gracious enough to take our meetings and listen to our story of being an orphan among the dairy quota category.

• (1210)

Mr. Tony Baldinelli: Thank you.

In terms of that allocation, the Canadian government takes that approach on the division of the allocation. They negotiate the market access, and then it's up to the federal government to then determine—

Ms. Lisa MacNeil: They determine how it's allocated, absolutely. It's 100% the Canadian government's decision.

Mr. Tony Baldinelli: Thank you for that.

I'll go to Mr. Harvey.

You had mentioned earlier about steel and aluminum and CUSMA. Currently there is a 70% North American content provision. Melt-and-pour provisions apply to the steel, but not to the aluminum.

In my riding, I have a General Motors powertrain division that makes engines with aluminum heads. They have to compete and they're using Canadian aluminum for that. In Mexico, they don't have those same requirements because of that.

Is that a deterrent or a barrier that they may face? Mexico could be bringing in scrap aluminum—ingots from China—to create the automotive engines that they're creating.

Mr. Michael Harvey: It could be.

What I referred to specifically wasn't CUSMA in this case; it was a recent WTO decision. The United States had said it implemented its quotas because of national security reasons. You might remember that from President Trump. The WTO basically said no, and the United States just responded that it's a national security issue, so the WTO has nothing to say about the matter.

To that I would say that in a broad sense, it's always better when we have these dispute settlement mechanisms of the kind we have in the WTO. That doesn't mean it's necessarily solved, because countries might not implement—

Mr. Tony Baldinelli: That wasn't my question.

My question revolved around CUSMA and the 70% North American content. The melt and pour extends to steel, but it doesn't extend to aluminum. By not including that, there are ways for Mexico to get around some of the provisions and therefore use China-based ingots for aluminum, whereas a GM facility in North America has to use North American-produced aluminum. In fact, their costs are a little higher than they are for those engines it has to compete against that come from Mexico.

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

Do you want to give a brief answer, Mr. Harvey?

Mr. Michael Harvey: I don't have much. I mean, obviously that's a question for the negotiation inside CUSMA. To the extent that there are disputes, it's better that we have mechanisms of the kind we do inside CUSMA.

The Chair: Thank you very much.

Mr. Sheehan, you have five minutes, please.

Mr. Terry Sheehan (Sault Ste. Marie, Lib.): It's a good segue: section 232 tariffs.

I represent Sault Ste. Marie, where Algoma Steel is located. Certainly those section 232 tariffs are an example of something that was made up, quite frankly. We were never a national security threat to the United States. When I wake up in the morning, I look out my bedroom window and I see the United States. There's a little river in between us. I don't see any gunships in there. There's no barbed wire. It's not mined. We are integrated.

I'm glad that we're studying these non trade-related barriers, these little trick shots that are used by different countries. I remember that when I was in Sir James Dunn high school in Sault Ste. Marie, the then trade minister Jim Kelleher talked about these barriers. It was very interesting to hear that as a teenager. He pointed out that sometimes what the United States will do—and other countries do this as well—is they'll pick on say, a vaccine that we're using on swine or pigs. He used that as an example. They say, “Well, we haven't tested it” or “We have not completely finished our testing”, and it allows them the time to keep the swine out of the United States. There are all these little tricks and such.

Recently we had the Minister of Transport in Sault Ste. Marie and we had a round table. At it, there were our large employers, like Algoma Steel and Tenaris, and Rory Ring, who is the head of the Chamber of Commerce for Sault Ste. Marie. We had a really good discussion. Because we're a border town, we always talk about transportation. We spent a lot of time talking about a national transportation strategy, which is identified in budget 2023. There was a lot of discussion about the importance of that.

Through you, Madam Chair, to our presenter, I would like to get your perspective on how important a national trade transportation strategy is, and what should be in it, in your opinion, to help alleviate some of these pressures and issues related to trade for Canada.

• (1215)

Mr. Michael Harvey: Sure. In a broad sense, we've argued regularly that the way Canada can most contribute to international peace and security in these quite unstable times is to be able to export more. We talk a lot about food, fuel, fertilizer, critical minerals. A lot of the time what Canada needs to do is to make decisions inside Canada to be able to export our products to the world and contribute to international peace and security—not just the peace and security of our allies like the United States, but also the countries of western Europe and countries like Japan and South Korea.

I was with Mr. Beatty two weeks ago now, in Japan at the B7 summit, where we were talking a lot about G7 solidarity. Mr. Beatty insisted that from our perspective, Canada can do more in terms of stepping up and exporting more of these products that our allies need. A lot of that is to get rid of some internal barriers, some things inside our country that are preventing us from reaching our full potential in that sense.

Mr. Terry Sheehan: It's very important that we have the opportunity to get not just our critical minerals but our various finished products to market with any value added that we can.

Thank you for that, Mr. Harvey.

I'm going to switch to George, from the nuclear folks.

Recently I had a meeting with the Power Workers' Union. They were talking about nuclear power, obviously, and what's in budget 2023, and how important it is for this government to recognize the importance of nuclear power in this whole mix of decarbonizing our economy.

On the same kind of thought process, Algoma Steel is where it is because of hydro and a lot of green energy. The province is going to hook us up into the power grid in particular as we go forward.

During that conversation, I also mentioned about the opportunities—and I'm going to talk about northern Ontario—for the small nuclear reactors, in particular some of the developments that are happening throughout northern Ontario, as well as indigenous communities that are looking for sources of power.

Could you comment on opportunities in northern Ontario, in particular with indigenous communities, around tapping into these small nuclear reactors?

Mr. George Christidis: Yes, absolutely.

I think the opportunity for northern communities and indigenous communities in northern Ontario but also beyond will be on what makes sense for them, right? They'll be taking a look at multiple technologies. One might be a very small reactor, and there are some that will be coming onto the market that could be applicable to them. If they are interested, there will be hydro opportunities. There will be renewable opportunities. Whatever it is, the whole point is that on this suite of technologies that will be available to communities, they can then decide what's best for them. That's the most important thing.

In terms of technology and small modular reactors, there are very small reactors of about five megawatts, 10 megawatts and 50 megawatts that are being looked at. Whether it's for small communities or remote communities or resource development opportunities, whether it's mining or oil sands development, a number of applications could come from those.

Those are being looked at with a slightly longer time frame. For example, Ontario Power Generation is building one at Darlington in 2030 that will enable on-grid opportunities in Saskatchewan. Synthos in Poland is actually looking at that. Again, that's a bit of a larger reactor, but some of those very small reactors could be applicable to northern communities, indigenous communities or the resource development sector, based on their technology needs and what's best for them.

That's ultimately our view.

• (1220)

The Chair: Thank you very much.

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

[Translation]

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

I would also like to thank the witnesses for being here today.

Mr. Harvey, you talked a lot about the importance of engaging in discussions and improving communication. If we have a trade deal and we find out along the way that it's not what we originally intended, could we be more proactive in trying to fix it, if the discussions were better and more up-to-date?

Mr. Michael Harvey: I would say yes. It is better to have a less than perfect agreement than no agreement at all. It's through discussion that you work out the problems in order to get to what you want. So it's better to have an agreement that frames disputes than to have disputes without an agreement.

Mr. Richard Martel: Would you say that the government could be more proactive in the area of trade to correct this type of situation?

Mr. Michael Harvey: You can always be more proactive. It's a question of how you use your resources and the energy you put into it.

Mr. Richard Martel: In terms of the trade balance, will the fact that our exports are going down and our imports are going up have a big impact on upcoming negotiations or on our non-tariff barriers? If I'm not mistaken, our exports have fallen since January. So will the negotiations have to be conducted differently?

Mr. Michael Harvey: That will depend on which negotiations are involved. Normally, we do not seek to achieve a perfect balance between imports and exports with any given country. Indeed, in the global trading system, we sometimes want to import more here or export more there. We don't necessarily seek a perfect balance with every country.

Mr. Richard Martel: Thank you, Mr. Harvey.

Mr. Christidis, I would like to talk about the social acceptability of nuclear energy. Nuclear energy is a clean energy. However, we are reluctant to accept projects related to this energy. People probably aren't properly informed about it. I would like to know what you think about this issue.

[English]

Mr. George Christidis: I think that's a little bit of a dated view of where the public is. I think you're seeing a significant increase in wanting to learn about how technologies like nuclear will address issues like the climate crisis. It's really this transformation of the realization that emissions need to be reduced, and therefore all technologies are having to relook at this.

You could look at a number of jurisdictions around the world. Whether it's the evolution of the inclusion of nuclear energy here in Canada, which was very explicit and very supported in the last federal budget, and also in the United States by the Biden administration, and in the U.K., France and Japan, everyone knows the history in terms of the technologies. Therefore, the inclusion of these technologies as part of a solution to those issues is really driving much more renewed interest in understanding and in looking at nuclear, which is transforming in increased support.

The Chair: You have 40 seconds.

[Translation]

Mr. Richard Martel: You say that when agreements are negotiated, for example with regard to nuclear, there have to be requirements. Specifically, what requirements should be in place?

[English]

Mr. George Christidis: Yes, fundamentally, the message is—and I'll say it very quickly—the recognition that nuclear has an environmental benefit and an energy security benefit.

If you look at the world now, with the relationship vis-à-vis what's happened in Ukraine, this will intensify. There will be a lot more interest in having nuclear technologies as part of the solution. Therefore, trade agreements in general need to embed common definitions like “clean” and “green”, for example, that would include nuclear. That's across the board.

In parallel, because we require non-proliferation agreements, we need nuclear co-operation agreements, and the processes of government need to be resourced to enable those types of agreements to proceed. The government has done a very good job in doing that.

We just need to be ready to maximize the opportunities as they present themselves.

• (1225)

The Chair: Thank you very much.

We'll move on to Ms. Dhillon for five minutes.

Ms. Anju Dhillon (Dorval—Lachine—LaSalle, Lib.): Thank you, Madam Chair.

Thank you to our witnesses for being here today.

Currently, Canada exports the majority of its mined uranium, around 75%. Could a potential Canada-Asia free trade agreement open new export opportunities by removing non-tariff trade barriers?

Mr. George Christidis: Canada is one of the top uranium producers and exporters. Therefore, there would be high interest in the industry to facilitate exporting more of the product. Yes, I think there's an opportunity in international trade discussions for robust discussions to be included, which they already are. The government supports that. I think there is a realization that there's a unique opportunity. Canadian nuclear uranium is now being seen in the context of displacing other resources, such as those from Russia, etc.

That is now a unique opportunity.

Ms. Anju Dhillon: Are opportunities emerging to keep more of Canada's uranium at home through the development of medical isotopes? Do you expect opportunities to grow?

Mr. George Christidis: Yes, medical isotopes are obviously very important. Ontario Power Generation and Bruce Power, etc., are producing isotopes from CANDU reactors. They're used for medical purposes.

Yes, that is a unique product that will have international opportunities.

Ms. Anju Dhillon: Are there any particular countries or regions where non-tariff trade barriers are particularly common or challenging for Canadian businesses?

Anyone can answer that question.

If so, what are some of the specific issues that arise in those countries or regions when it comes to that?

Mr. George Christidis: From a Canadian nuclear perspective, given they are nuclear technologies, you need nuclear co-operation agreements in place between Canada and those respective markets. Geopolitics will play a significant role in some of those discussions, whether it's about exporting more uranium or about nuclear technologies like CANDU, etc. We recognize that the government has to include nuclear as robustly as possible in its efforts, as part of its international trade program, as a way to address some of those issues of climate and energy security.

Ms. Anju Dhillon: Do you want to add anything?

Mr. Michael Harvey: This would give me the opportunity to answer something I don't think I did earlier. It is about Mercosur.

I have a lot of experience in that region. I lived four years in Brazil and I worked a lot in Argentina over the years. It's not easy negotiating with Mercosur, but if we are able to get to a trade agreement that includes good regulatory co-operation, I think it is a context where we could improve the situation in terms of non-tariff trade barriers there.

The Chair: Mr. Adams, I believe you had your hand up. You wanted to contribute to that conversation. Please go ahead.

Mr. David Adams: Yes, I did.

Very quickly, with respect to the automotive industry, I think it's very important that we keep something in mind in terms of trade barriers.

I think we are all aware of what happened with the Inflation Reduction Act. At least at first blush, we worked through it, but EVs that will be built in Canada were originally excluded from the tax credit in the United States. That's been rectified, but there are still other challenges we need to work through.

Ms. Anju Dhillon: Thank you, Mr. Adams, for adding that. I'd like to continue with you.

As we all know, Canada exports the vast majority of its manufactured vehicles to the U.S.

CUSMA came into force in Canada in July 2020. Can you tell us what benefits this free trade agreement provided to the auto sector, both overall and specifically in relation to the removal of non-tariff barriers?

• (1230)

Mr. David Adams: I think the biggest benefit that it provided to Canada was continued access to the U.S. market. As I said in my opening remarks, having that access to the American market is pivotal for the survival of the Canadian auto manufacturing sector, because 85% of our production goes to the United States.

The other benefits that arose from the CUSMA trade agreement were some of the provisions that.... If you look at it for Canada and the United States, the increased content provisions ensure that more work will be done, principally in the United States, but Canada is also a beneficiary of that.

The Chair: Thank you very much.

We'll go to Monsieur Savard-Tremblay for two and a half minutes, please.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Mr. Adams, negotiations are or will be underway with India, the Association of South-East Asian Nations and the United Kingdom. What non-tariff barriers do you think should be looked at closely or removed so that Canadian companies can benefit from the shift towards the electrification of transportation that seems to be underway around the world?

[English]

Mr. David Adams: I would respond in reference to my earlier comments in my opening remarks, which is that the manufacturing

we have in Canada, whether it's parts or vehicle manufacturing.... Vehicle manufacturing is principally oriented around the United States, so we need to ensure that we don't have any regulatory barriers or non-tariff barriers with the United States. Likewise, our parts manufacturers are oriented around vehicle manufacturing in Canada.

I think the best thing we can do is create an environment in Canada for foreign direct investment. At this point—and it's always been the case with the Canadian automotive industry—it's not as much a platform to export to other jurisdictions as it is to service the integrated North American marketplace.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: You talk about the integrated North American market. I asked you earlier what things should be looked at more closely in relation to the U.S. Inflation Reduction Act. Do you think we should be looking at putting in place the same type of measures in Canada? I'm not necessarily talking about emulating the U.S., but about creating an environment that might be attractive for business.

[English]

Mr. David Adams: I think Canada needs to seek out areas where it has a competitive advantage.

As we've talked about already, and as the committee heard today, some of those competitive advantages are in the areas of clean electricity. We have an abundance of critical minerals. Our real challenge is going to be getting those critical minerals out of the ground and processed so that we are able to utilize them in battery manufacturing and whatnot in Canada.

The more we can continue to ensure that our policies, regulations and rules are aligned with those in the United States with respect to the automotive industry, the better off we'll be.

I think one of the shortfalls of.... If NAFTA had been a success....

We didn't have very regular dialogue with the United States, and that became apparent in our CUSMA negotiations, so I would encourage that ongoing regular dialogue with our U.S. colleagues as well.

The Chair: Thank you very much.

We'll go to Mr. Cannings for two and a half minutes, please.

Mr. Richard Cannings: Thank you.

I'll turn to Mr. Adams as well to get some more detail on what the important non-tariff trade barriers facing the automotive manufacturers are.

You mentioned different standards and labelling. I wonder if you could provide some more detail on which of those are important and how they affect us here in Canada.

Mr. David Adams: I think the Inflation Reduction Act has proven to be a good example.

I mentioned the tax credit situation a moment ago. We were able, through negotiation and discussion with the Americans, to ensure that Canadian-built EVs would be included as part of the tax credit. I think what we fail to realize is that with the provisions of the IRA, unless we did something in Canada, there was going to be very minimal battery investment or electric vehicle investment in Canada because of the subsidies that were put on the table by the United States. I think that the subsidies, investment credits and investment mechanisms are all potentially non-tariff barriers to trade that we need to ensure that we're cognizant of and work to address. I think the government did probably as good a job as it could with the recent federal budget in ensuring that investments like the one that Volkswagen made won't be the last investment of that type in Canada.

• (1235)

Mr. Richard Cannings: Thank you very much.

The Chair: We now go to Mr. Carrie for five minutes.

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

Mr. Harvey, I think you mentioned in your opening that as long as people are not in bad faith and are in good faith when they're negotiating and working these things through....

I was wondering if you could comment on the national security test that's sometimes being used by different countries. My colleague brought up the steel and aluminum tariffs that were put on Canada. At the time, I didn't think we should have had that happen. The Americans were asking, because we build defence products together, that Canadian foundries have unique stamps so that they knew the steel and aluminum was coming from Canada, because there was a dumping by Turkey and China.

Mr. Adams talked about the importance of regular dialogue. I think it's being proactive.

I wonder if you could comment on how countries restrict access to their markets by using this national security test. Do you see it as a legitimate thing that we should be looking at, especially with our defence allies like the United States?

Mr. Michael Harvey: I would say that sometimes it's legitimate and sometimes it's not.

We have national security reasons for not letting certain investments into our country. We have a national security reason for not allowing certain products into our country or into our technological systems.

Then sometimes it's totally incorrect. The case in the U.S. a few years ago, I think, was an egregious case of not having a national security reason for preventing Canadian steel from going into the country. Agreements like CUSMA allow us to work through those disputes in a lot more productive way. Let's be thankful that we have these agreements to work through these things rather than doing them in thin air.

Mr. Colin Carrie: Mr. Seeback, I think, has a question.

Mr. Kyle Seeback: I'm just going to ask Mr. Harvey again.

When you started, you said you were in Brussels when you first announced that you were going to be coming to testify about this issue.

In your role, do you hear from other countries that there are a lot of non-tariff barriers to bringing goods into Canada, or are we the innocent in this? Is it mostly Canadian companies that are having difficulty with non-tariff barriers?

Mr. Michael Harvey: I think the nature of my role is that people come to me to complain about non-tariff barriers abroad and not about non-tariff barriers in Canada. Ms. MacNeil is talking about a non-tariff barrier in Canada, but people don't come to me for that. To be frank, every once in a while they do, and I say that it's not my job to work on those issues. I'm in an unbalanced situation.

As a former Canadian diplomat, I can tell you that people bring it up with you when there's a barrier in Canada that they don't like.

Mr. Kyle Seeback: I know this is a hard question to answer, but would you say in your experience that it's more Canadians dealing with non-tariff barriers abroad than foreign countries or businesses having to deal with similar things in Canada?

I know it's a hard question.

Mr. Michael Harvey: It comes and goes. It comes and goes.

What I would say is that I have generally been paid to look after the interests of Canadians abroad and have fought for those interests. Sometimes people had counter-arguments when I brought up the Canadian position, and I had to bring those counter-arguments back to my headquarters and say that they might have a point.

The Chair: Mr. Adams wanted to contribute to that question.

Mr. David Adams: Thank you, Madam Chair, and thank you, Mr. Seeback.

I think the only comment I wanted to make there is that I know, in terms of irritants for vehicles coming into Canada, that the luxury tax has been flagged by my European members as being problematic, especially given the CETA that we've signed, so I would flag that for your consideration.

• (1240)

Mr. Kyle Seeback: Thank you very much.

The Chair: We'll go to Mr. Miao, please.

Mr. Wilson Miao (Richmond Centre, Lib.): Thank you, Madam Chair, and thank you to all of the witnesses for appearing today.

I'd like to direct my questions, through the chair, to Mr. Adams online.

In your opening remarks, you mentioned the trade of vehicles globally. How do you stay informed and updated on the new and changing non-tariff trade barriers when exporting vehicles, and have you used the trade commissioner service for registering any of the trade barriers?

Mr. David Adams: As I mentioned earlier, primarily I try to keep track of any non-tariff trade barriers between Canada and the United States, because 85% of the production of our manufacturing members—Toyota, Honda and any of the five manufacturers in Canada—goes into that jurisdiction, so keeping track of what's going on in the United States is of concern.

Then also, on the other side of the house, as I just mentioned a moment ago, I do get flags from time to time from some of our membership who are experiencing challenges in potentially bringing vehicles into Canada. We're not really utilizing the trade commissioner service as much as perhaps we could.

Mr. Wilson Miao: Thank you.

Madam Chair, I think my colleague online, Arif, has more questions to ask. I will share my time with him. Thank you.

The Chair: Go ahead, Mr. Virani.

Mr. Arif Virani: Thank you very much, Mr. Miao.

I'm going to turn back to Mr. Christidis.

My colleague, Terry Sheehan, has been asking you a bit about northern and remote communities. I'll tell you that one thing we hear a lot about—and rightly so—is fossil fuel subsidies and bringing them to an end. One thing we're faced with is mobile diesel engines that provide power where there's no other source available for remote communities, which are often indigenous.

I appreciate your point that whatever happens in those communities has to be done on the terms indigenous people want and agree to. They have to lead it. That's critical in terms of reconciliation—

The Chair: Excuse me, Mr. Virani. I'm sorry.

I just have to put a halt here for a second. The bells are ringing. It's the 30-minute bell. Is the wish of the committee to continue until one o'clock and then adjourn? Normally, we would still have sufficient time to get to the House or vote on our app here. Is there unanimous consent to continue with the meeting?

Am I getting yeses from everybody? I'm going to learn to say that if I don't hear a no, I'm going with yes.

Some hon. members: Agreed.

The Chair: Thank you very much.

Mr. Virani, it's back over to you for two minutes and 54 seconds.

Mr. Arif Virani: Mr. Christidis, what I was saying was that whatever happens in remote communities where there are indigenous people staying obviously needs to be done on their terms and led by the indigenous communities who are there. However, if the SMR potential is realized, would it not be a way of both curing the argument about fossil fuel subsidies—because SMRs would be a non-emitting source of energy—and also addressing the acute energy needs of some isolated locations in Canada? Could you comment on that?

Mr. George Christidis: Yes, indeed.

The very small reactors would provide an opportunity for those indigenous and northern communities to have a non-emitting, clean technology that would be able to displace diesel, and with the car-

bon pricing and the costs associated with emissions, as it were, placed on diesel, it would be an opportunity to transform away from those energy sources for sure.

Mr. Arif Virani: If I could just stay with you in this last little bit, you mentioned Romania a couple of times. They're already a CANDU client. They want more reactors.

Do you see non-tariff trade barriers that we can remove to enhance our ability to export Canadian nuclear expertise so that it exemplifies and accentuates this great Canadian industry, great Canadian technology and great Canadian know-how?

Mr. George Christidis: It's really an opportunity to make sure that in the nuclear energy space.... Nuclear exports do require state involvement and state promotion, which of course the Canadian government has done, but we need to continue those efforts.

Coordinating working with like-minded countries, in the case of Romania and other eastern European countries, will be very much about energy security and making sure the financial models are in place that would help support that export, which in the end supports the Canadian supply chain in Canada but also enables these countries to have a very long-term relationship with countries like Canada that obviously meets their climate and energy security goals. A country like Romania is looking for that type of financial modelling that would be supportive of their goals.

• (1245)

Mr. Arif Virani: Thank you very much, Mr. Christidis.

Madam Chair, I have nothing further. Thanks.

The Chair: Mr. Martel, you have five minutes, please.

[Translation]

Mr. Richard Martel: Thank you, Madam Chair.

Mr. Harvey, I was looking at a Statistics Canada study this week. In the 2019 study, Statistics Canada says that non-tariff barriers are the main source of trade friction between Canada and the United States. For each of Canada's sectors, what are the most significant non-tariff barriers affecting exports to the U.S., and what is the estimated total economic cost to each sector?

Mr. Michael Harvey: I did not prepare enough to provide you with those kinds of statistics by industry sector, but we all know of industries where things became complicated. Lumber, among others, is an issue we've talked about for several decades, and steel has recently come up as an issue as well.

I would go back to what I said at the beginning of my remarks, that it's normal to have non-tariff barriers. Where trade agreements can be really helpful is to frame the discussions and allow Canadian companies that are encountering problems to come before a committee, a panel or a council to help them find a solution and to resolve their dispute. However, it's not perfect. Some disputes have never been resolved and we hope that we can resolve them one day.

Mr. Richard Martel: It's because we're trying to be perfect. That's why we are asking questions.

The Canada-U.S.-Mexico Agreement, the Comprehensive Economic and Trade Agreement, and the Comprehensive and Progressive Trans-Pacific Partnership Agreement still have several trade irritants. Has anything been done to address them, or has absolutely nothing been done?

Mr. Michael Harvey: Those issues are often addressed by regulatory cooperation boards or councils. I mentioned Europe, where I was a virtual participant at the meeting in Brussels. Under the Canada-Europe agreement, the Regulatory Cooperation Council allows regulators from both countries, or more accurately from both systems since Europe is more than one country, to come to a common understanding of certain disputes, which helps to resolve them. It's about separating, prioritizing and focusing on the resolution of disputes, where there is an opportunity to resolve them.

Mr. Richard Martel: As I understand it, it's important to address these irritants now, because later on we're going to have new trade agreements, including between Canada and India.

Mr. Michael Harvey: I think the agreements have improved. The Canada-EU agreement, which is a recent agreement, is much better than the previous ones. We have learned over time. In the case of India, negotiations will certainly be difficult and I think we should try to focus on regulatory cooperation.

Mr. Richard Martel: Thank you, Mr. Harvey.

[English]

The Chair: Thank you very much.

Mr. Sheehan, you have five minutes.

Mr. Terry Sheehan: Thank you very much.

Thank you to all our presenters who are here this afternoon for this really important testimony.

As I alluded to, I ran out of time a bit. I wanted to stick with steel, of course, but not just steel. I wanted to talk about the whole up-and-down supply chain as it relates to the auto industry. For our friend from the auto industry who is online, could you describe this?

We really were ahead of the Americans, quite frankly, from 2015 on, in our efforts to decarbonize the economy. You've seen recently the investments of the steel industry in Sault Ste. Marie at Algoma. That is really going to make a huge difference. It's going to anchor Algoma Steel in Sault Ste. Marie for generations. We're calling it "generational funding". The steelworkers are going around and saying, "Hey, if my grandkid wants to be a steelworker, he or she, if they choose it, they can."

It's also taking a million cars off the road, or the equivalent thereof. It's pretty significant, but then we're seeing a lot of things happening with the recent announcement with the Volkswagen EV batteries. We're seeing a lot of focus on the unlocking of even more of the minerals needed for the industry.

Through you, Madam Chair, to our presenter, could you talk about these non-trade barriers and how, if they target one area of that supply chain, that could upset the whole apple cart?

There are many pieces of that supply chain that I've been talking to. I talked a little bit about the transportation stuff. Please also speak a bit about unlocking even more critical minerals and that potential.

• (1250)

Mr. David Adams: Madam Chair and Mr. Sheehan, thanks very much for the question. I appreciate it.

You highlight a key point. I think it's a point that's hit home to everybody in every industry. I think what happened in the auto industry during COVID showed the fragility of the global supply chain and the importance of having control over our global supply chain. As we do more so-called friendshoring and as we repatriate some of the manufacturing and our supply chains back to our North American region, I think that provides security, but it also comes at a cost, which tends to mean increased prices to consumers as well.

As I said, we've seen non-tariff barriers potentially applied through the Inflation Reduction Act to try to ensure that battery production for electric vehicles is done in the United States. We need to continue to be vigilant and take the appropriate action to ensure that we maintain some of that here in Canada.

In terms of other non-tariff barriers, with respect to our supply chain, I think the biggest challenge for elements that go into that electric vehicle supply chain that can't be sourced domestically at the moment are other jurisdictions realizing the value of those critical minerals and potentially putting export controls on those critical minerals as well. That only introduces more vulnerabilities into the supply chain.

I'm not sure that I've answered your question exactly, but I'll leave it there for now. If you have a rejoinder, I'm happy to try to answer that.

Mr. Terry Sheehan: I'll go back to Michael.

You were talking about meeting Mr. Beatty in Japan. I'm also the co-chair of the Canada-Japan Inter-Parliamentary Group. I had the opportunity to meet with him last week, and we were talking about things. How important is that relationship with Japan to the Canadian economy?

I look at Kitimat, for example. I think they're at about 15% of a \$40-billion investment. It's about unlocking that potential. How important is Japan to unlocking the investment that they have in some of these critical minerals?

That's to you, Michael.

Mr. Michael Harvey: I'd say it's tremendously important.

It was very interesting to be in Japan, speaking with the Japanese and trying to understand their perspective on the events in the world. They were explaining to us some of their difficulties in terms of importing natural gas, since they got their natural gas from Russia. It's become much more difficult. There's the fact that they're right next to China and that their economies are very much interlocked. For them, energy in particular is a big national security issue.

They look at Canada as a friendly democratic country that can provide them with energy and as a country with a higher ethical profile and better environmental profile. They would just love for us to produce more and for them to be able to purchase from us rather than from others who create some national security issues for them.

Mr. Terry Sheehan: That's why I thought it was really outstanding that they joined us in sanctioning Russia, knowing how isolated

they are with China and North Korea, and then with Russia being right there too. They put on those important sanctions to end this unjust war.

Mr. Michael Harvey: Absolutely.

Quite a bit of their gas was coming from islands that they've owned at certain periods in history. They're close.

Mr. Terry Sheehan: Those are the northern territories, yes, for sure.

Thank you.

The Chair: Thank you very much.

The budget for this study that we are doing has been circulated to the committee. The clerk has passed it to everybody. I assume everybody's supportive of it?

A voice: Yes.

The Chair: Thank you very much to the witnesses.

I will adjourn the meeting and we can go to vote.

The meeting is adjourned.

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