



25 May 2018

To the members of the Standing Committee on International Trade,

Attention: Chair: Hon. Mark Eyking, Vice-Chairs: Dean Allison and Trace Ramsey. and Members: Colin Carrie, Sukh Dhaliwal, Peter Fonseca, Pam Goldsmith-Jones, Randy Hoback, Linda Lapointe, Hon. Andrew Leslie, Karen Ludwig, Kyle Peterson

Re: COMMENT for the Standing Committee on International Trade Hearing regarding the POTENTIAL CANADA–MERCOSUR FREE TRADE AGREEMENT

Thank you for seeking Canadian opinions on this important and exciting potential partnership between Canada and the Mercosur member countries. Hopefully, we not so late that we can't offer advice with the benefit of our years of international business experience.

I attended the April 19th session of the Standing Committee on International Trade Hearing regarding the POTENTIAL CANADA–MERCOSUR FREE TRADE AGREEMENT which featured testimony from Ms. Paola Saad, Vice President of the Brazil Canada Chamber of Commerce (BCCC), of which we are members, and Mr. Joseph Galimberti, President of the Canadian Steel Producers. In light of the questions and comments that were made I think we can offer more information about a potential relationship and support of Ms. Saad's comments.

We are excited about the prospect of Free Trade agreement between Canada and the Mercosur countries, but we want to stress how important it is to have our eyes open to understand that Canadian objectives are articulated and understood. There are many expert parties who can comment on the government philosophies, business cultures and national psyches of the Mercosur member countries. It is our hope that the Government of Canada negotiators will take advantage of all of them. At MELLOHAWK Logistics we ship international cargo every day. We hear the opinions of on-the-ground Canadian international importers and exporters all the time, but there is a surprising lack of information and understanding of what opportunities free trade agreements actually create.

Our experience with CETA has shown a genuine spike in imports of commercial cargo from Europe to Canada and to a lesser extent Exports to Europe. Although we are an exporting nation it seems many Canadian businesses do not understand the benefits of exporting. EDC has excellent products to help guarantee payment, but growth has been slower than we want. The Trade Commissioner Service, BDC and, even, ACOA are excellent resources that I really feel are under-appreciated and under-used. There is a gap between the message of the government, the purpose of the treaty, the tools we have at our disposal and the expectations of business. I am not talking about large companies that already understand international business and have a team ready to capitalize on the relaxing of rules as stated in new treaties. I am also not talking about large companies that have determined treaties don't impact them one way or another. I am talking about the small to medium sized companies that could also take



advantage of wider market opportunities that new free trade treaties bring. On the Importing side our clients are increasing their real dollar profits with the reduction of tariffs on many goods and that is genuinely helping their bottom line. But, again, growth is slow and new companies coming on board are very slow. Mercosur represents a new opportunity, but it could just as easily fizzle and mean nothing in the public imagination, and the marketplace.

Fanfare vs Fizzle

Two slogans sum up the current identities of Canada and the member countries of Mercosur in the public imagination. Our catchy Toronto Raptors sports slogan, "We the North" asserts an image of unified identity. It is both timid and forceful, in a "take us seriously ... please" kind of way. Theirs is: "*Nosso norte é o sul*" (Our North is South) which is much more confrontational. These slogans each in their way proclaim that both Canada and the Mercosur bloc are looking to forge their destiny on their own terms. They are looking to themselves for solutions. Neither of them is looking at the other (although they are both looking over their shoulders and otherwise) at the United States. The House of Commons' Standing Committee on International Trade's willingness to examine the Potential Benefit of a Canada-Mercosur Agreement is an exciting step to get both parties to look at each other and to work together and head in the same direction.

This is not the first time we have seen this. In 2011 Abina Dann, Canada's former outgoing Consul General to Brazil, made a farewell tour across Canada to try to generate enthusiasm for Canadian commercial enterprises of all sizes to look at the then still glowing Brazilian market for their exports. She was warmly received in the Canadian way. And not a damn thing happened. Canadian businesses are slow to export anywhere. And Brazil is very far away.

Now, seven years later we have a new opportunity with this government's stated priority of free-trade with the Mercosur members. We have excellent and keen representatives in Ambassador Rick Savonne, Consul Generals Evelyne Coulombe and Stéphane Larue, in Brazil. These individuals have shown that Canada can make business happen while advancing Canadian values of inclusive growth, trade and innovation. And although the economic and political landscapes have changed dramatically, one thing that Abby Dann was 100% correct about, is that there is an urgency. The faster we act, the sooner we prosper. And now we have another unique advantage of an actual political will to explore free trade with Brazil and all the other Mercosur members. I was deeply impressed by the members of all parties on this committee. They were thoughtful and informed. But they need to continue to talk to experienced experts. There many factors in play with a trade agreement with these countries.

What we see

We at MELLOHAWK Logistics are 100% in support of a free-trade agreement between Canada and the Mercosur members. We see it as a win-win and a chance for progress, change and economic and social benefit for all. MELLOHAWK Logistics is an international shipping company and we ship to and from all

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the countries in this discussion. What we see every day is a microcosm of the current trade picture. The goods we see leaving Canada to South America are: machine parts, technology, broadcasting equipment, chemical reagents, cosmetics, oil & gas and drilling equipment, but these are from what I would call a handful of companies. The goods coming back to Canada are: frozen processed food, tech equipment, manufactured goods for the diaspora, pharma, fine woods. We see ten times more imports than exports.

Mining, oil and gas, forestry and commodities are the big industries. And although they are fraught with social, environmental and global volatility, they aren't going away. There is just too much shared opportunity among Canada and all the member countries. Free trade is clearly an advantage for the big players whether they admit it or not. However, these industry sectors are very volatile. It is often feast or famine. We can mitigate these effects by renewed emphasis on the manufacturing sector. The news is always bad about the manufacturing sector, but the truth is the industry is huge, representing more than 10% of Canada's GDP (<https://www.ic.gc.ca/eic/site/mfg-fab.nsf/eng/home>). According to Matthew Wilson, SVP, Policy and Government Relations, CME-MEC, manufacturing accounts for "two-thirds of Canada's total exports, and for \$1.3 billion in exports directly to the Mercosur countries." And manufacturers and their supply chain vendors come in all shapes and sizes.

The SME Benefit

So how do we mitigate the effects of big enterprises? Enter the little guy. SMEs and MSMEs play a critical role in the supply chains of the most dynamic manufacturing sectors, such as aerospace, pharmaceutical supply chains, oil & gas, machinery, food technology, petrochemical, life sciences and more. Despite the mergers of various distribution organizations, there is still plenty of opportunity for SME's in the Canadian supply chain. The speed and versatility of niche players means there is always a market. The biggest Brazilian multinationals and corporations hire or subcontract nearly 20,000 micro enterprises & SMEs in their respective supply chains. One third of Brazilian procurement is made from SMEs. Almost 8 million micro and SMEs exist in Brazil. 30% of Brazilian procurement is made from SMEs. In Brazil MSMEs represent more than 90% of business and over half of all domestic jobs. They're present in all segments of the economy and participate in virtually all economic activities. Brazilians are entrepreneurial. According to Ademar Seabra Jr. at the Brazilian consulate in Toronto from the 1738 Brazilian business that exported to Canada in 2016, only four were big business, with sales over \$ 100 million, and 1549 from this total encompasses SMEs that sold less than \$1 million each to Canada. But this trade is hampered by Brazilian bureaucracy. This must change. A free trade agreement could help.

The inconsistent US government trade policy is an advantage for Canada, but we need to remember that the US business community is not inconsistent. It is smart to the point of wily, and it is always there as competition. We have a unique and timely window to promote our Canadian agenda and our Canadian relationships. Evelyne Coulombe was quoted in the CCBC Magazine this month talking about the multifaceted nature of Brazilian trade. She is right. And the nature of Mercosur is adding even more facets. Here are some of our observations of the other Mercosur members in very broad terms:

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With Argentina our experience has not been positive although it is improving. Argentines are proud and annoyed. They've had a bad rap for almost two decades and many Canadian companies have refused to deal with them because they just can't get paid. Many politicians on both sides have tried to change that image (especially lately with many visits from senior bureaucrats) and we have seen some success. But it has been very small steps. A free trade agreement (and an improvement in Argentine monetary policy) could change that.

The entrepreneurial spirit is alive and well in Uruguay and Paraguay. Paraguay has been very small in terms of shipping value but very easy to deal with. We know the reputation of shoddy knock-offs and lack of compliance, but we think there is lots of potential there. And we can't do anything if we are not in the game. Uruguay is cautiously but steadily opening up. And it is our view that Uruguay would like nothing more than to look beyond the countries on its borders.

The controversies of Bolivia and Venezuela are difficult. But that should not stop us from exporting the best of our global tolerance to help influence those countries and improve the social situations in both countries. Perhaps this is where a real multilateral approach can create multilateral mutually beneficial engagement. Inclusively. For all of those who say no to trade (for environmental, social and political reasons, for what ever the reason), you can't win if you don't play. You can't change anything if you don't play.

We see the movement of goods, information, money and people as key. Canada is the top recipient country of Brazilians studying abroad in English as a second language (ESL) studies which promotes Canadian values of tolerance and doing good and strength through diversity. Let's expand this to all the Mercosur countries. These member countries see Canada as a haven for their children.

In the trade missions we have participated in the **Canada Brand** has been remarkable. We are safe, respected, honourable. We need to work this brand with our eyes open to our advantage. By this I mean, good for us is good for all. I want to stress the need to promote the benefits, practical applications, our processes and strategies to the populations of all the countries. Diversifying the marketplace stabilizes our economies. But Canadians are not getting the message. So yes, let's get on with the negotiations. And yes, let's start at home, sharing with Canadians the potential for business and social improvement. We believe good, fair, free trade can lead to exciting new benefits for Canada and the Mercosur bloc. We look forward to what the future brings.



Peter Hawkins

Managing Director, MELLOHAWK Logistics Inc.



Arnon Melo,

President, MELLOHAWK Logistics Inc.



Who we are

My company MELLOHAWK Logistics Inc. is an international freight forwarder and multiple award winner for service, civic engagement and volunteerism in our 16-plus years of business. We are members of the Canadian International Freight Forwarders Association (CIFFA) and our president and co-owner Arnon MELO sits on the CIFFA National Board of Directors. We are a member of the Brasil Canada Chamber of Commerce (BCCC) and the Federation of Canadian Brazilian Business (FCBB) and the Canadian Gay & Lesbian Chamber of Commerce (CGLCC). We are also a member of FIATA, the international freight transportation association. Arnon is Chair of the official Professional Advisory Committee (PAC) for the International Business Program at Seneca College and he sits on the Board of Directors of the Peel Halton Workplace Development Group. He is also an elected volunteer of the *Conselho de Cidadania de Toronto* (CONCID), the Brazilian Citizenship Council of Toronto.

I, Peter Hawkins, am the other co-owner and Managing Director of MELLOHAWK Logistics. I am Chair of the Professional Advisory Committee (PAC) for the International Business Program at the Pilon School of Business at Sheridan College, a member of the Peel-Halton Local Employment Planning Council (LEPC), the Peel Halton Workforce Central Planning Table (CPT), and I am a volunteer mentor with Acces Employment helping new comers from all over the world establish their careers in Canada. Every day, in both our business and our volunteerism, we deal with the business communities of the Mercosur countries. We (and our team) have decades of international business experience.