

Intelligence MEMOS



From: Colin Busby, William B.P. Robson, and Daniel Schwanen
To: Canadian Trade Watchers
Date: July 9, 2025
Re: **PLAYING WITH TRADE TALK FIRE ON SUPPLY MANAGEMENT**

After climbing down on the digital services tax, Canada is back at the table with the United States to negotiate the two countries' trade relationship. Unfortunately, Canadian negotiators have a fresh problem to deal with: the recent passage of a bill through Parliament that protects supply management.

The narrative of Canada as a free-trading country, focused on preserving its position in the North American market and enhancing its links abroad, took a huge hit with the passage of Bill C-202. This legislation, just like a prior bill that died when Parliament was prorogued, prevents the Minister of Foreign Affairs from making commitments in trade negotiations that would increase the quotas for duty-free imports of dairy and other supply-managed products, or lower the prohibitive tariffs that apply to imports above those amounts.

Bill C-202 was a private member's bill, put forward by Bloc Québécois Leader Yves-François Blanchet. Notwithstanding its origins, it whistled through the House and Senate with near unanimous support. Some senators, familiar with the earlier bill, voiced reservations. Senator Paula Simons, for instance, mentioned the different context of negotiating with President Donald Trump today versus back in 2023 when Bill C-282 – the original bill that died with the prior Parliament – was being studied, and how the current president would likely perceive this as a provocation.

She [noted](#) that: “[The bill] would not only hamstring and hamper the ability of our negotiators to get the best possible deal for Canadian exporters and importers at CUSMA [renewal], but it would undercut Canada's position as an international champion of free trade around the world. ... This will hurt us not just in trade negotiations with the United States and Mexico, but with all our future negotiations and trade deals with Europe, Asia, Latin America and the Indo Pacific.”

Prime Minister Mark Carney, during the election campaign, argued that a law restricting trade negotiators on supply management was unneeded. “It's not necessary to make laws for negotiating positions,” he told a Radio-Canada interviewer. Now, despite these warnings, Parliament has passed such a law.

Donald Trump has often complained that supply management is a major irritant, and for good reason. Canada imposes extremely high tariffs – more than 300 percent, in some cases – for imports of dairy, poultry and egg products above a certain tariff-free quota. We also impede imports in the tariff-free quota limit with administrative barriers, such as requiring all potential imports to go through Canadian processors, rather than allowing sales to consumers – barriers that our trading partners have successfully fought in trade tribunals. Naturally, it is harder for Canadian negotiators and our Prime Minister to complain about tariffs on Canadian exports such as steel, aluminum and auto products, when we levy hefty ones on select imports to our country.

Or perhaps we can work around it. The law applies to the Minister of Foreign Affairs, and by consequence trade negotiators. It does not apply to our own domestic decisions. Canadian governments retain the full power to reform supply management for domestic goals, such as consumer price reduction, and the C.D. Howe Institute has long [argued](#) for [doing so](#).

Reforming supply management is not something that must be done via commitments to international trade partners, which is what Bill C-202 seeks to block. The bill also does not prevent discussions with trade partners, the results of which could lead to changes implemented, for the sake of argument, by Agriculture Canada and the Canada Border Services Agency, and not via trade agreements.

For Canadians who thought economic stagnation and Mr. Trump's threats would prompt more growth-friendly policies from the new federal government, Bill C-202 was a harsh dose of political reality. The bill flew through both chambers right when Canada is seemingly making headway in discussions with the United States, and restarting discussions with other trade partners. Whatever Canadians may think of Mr. Trump's approach, Canada must negotiate with the United States. Charting a path around C-202 to begin reforming supply management would likely go some way to making progress in the talks.

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