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## **Standing Committee on International Trade**

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**EVIDENCE**

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**Chair**

**The Honourable Rob Merrifield**



## Standing Committee on International Trade

Tuesday, October 25, 2011

• (1100)

[English]

**The Chair (Hon. Rob Merrifield (Yellowhead, CPC)):** We'd like to call the meeting to order. We'll ask members to take their seats.

This morning, pursuant Standing Order 108(2), we are commencing our study of the trade relationship with Brazil.

We have with us, from the Department of Foreign Affairs and International Trade, Neil Reeder, director general, Latin America and Caribbean. Susan Harper is on our schedule, and I believe she is a little late and will be coming in around noon, or something like that. Then we have Don McDougall.

Thank you for being here.

I understand, Mr. Reeder, that you're going to start us off with a bit of a presentation, and then we'll open it up for questions and answers. The floor is yours, sir.

**Mr. Neil Reeder (Director General, Latin America and Caribbean, Department of Foreign Affairs and International Trade):** Thank you very much, Mr. Chairman, and members of the committee. It's a pleasure to be back with you today.

I'm joined by Mr. Don McDougall, deputy director, trade policy negotiations division at Foreign Affairs, and we expect to be joined a little later by Susan Harper. Susan is our director general, trade controls and technical barriers bureau.

We look forward to our exchange with you today and responding to your questions.

[Translation]

I will make a few comments in English and French. I would be happy to answer your questions in the official language of your choice.

I am delighted that the committee continues its study of the Canada-Brazil commercial relationship. The committee's September 2009 report *Exploring Enhanced Commercial Relations with Brazil* provided very useful analysis and recommendations related to strengthening this commercial relationship—a priority for Canada under the Americas Strategy and the Global Commerce Strategy, including recommending the initiation of exploratory discussions on the possibility of a free trade agreement or an economic cooperation agreement with Mercosur.

Brazil is an economic powerhouse by almost any measure. The size of Brazil's economy has surpassed that of Canada, and the

International Monetary Fund expects that Brazil will be the 6<sup>th</sup> largest economy globally by the end of this year.

In 2010, Brazil was Canada's 10<sup>th</sup> largest merchandise trading partner globally. Bilateral merchandise trade with Brazil totalled almost \$6 billion in 2010, an increase of 11% compared to the 2008 data available when the committee studied this topic in 2009, and a 38% increase since 2005.

[English]

Investment is the bigger story. In 2010, Brazil was the eighth largest source of foreign direct investment in Canada, with \$13.5 billion invested in our country, primarily in the mining sector, cement, and the brewery beverage sector. Brazil was the 11th largest recipient of Canadian direct investment abroad, with a total Canadian investment of nearly \$10 billion in Brazil. We currently have 400 Canadian companies active in Brazil, with over 50 in the mining sector.

Brazil was also the highest tourism growth market for Canada last year. Brazilians, according to the Canadian Tourism Commission, are the highest per day spenders among those who visit our country.

The number of students from Brazil coming to Canada has also increased. We have over 80 bilateral academic agreements between the two countries, and currently we are receiving over 17,000 students from Brazil each year, both full-time and part-time. They contribute almost \$70 million to the Canadian economy. Canada is currently the number one destination for Brazilians who study foreign languages abroad for less than six months. We have 15,000 part-time language students from Brazil in Canada each year.

The Canada-Brazil relationship has seen major progress in recent years, achieving a new level of maturity and positive engagement.

The re-launch in October 2009, after a 10-year hiatus, of the Canada-Brazil Joint Economic and Trade Council, JETC, was a turning point in underscoring our mutual desire to reinforce our bilateral commercial relationship. This mechanism provides an excellent forum for dialogue and has resulted in a number of new initiatives. The next annual meeting is scheduled for December 1 in Brasilia with DFAIT's Deputy Minister, Mr. Louis Lévesque, heading the Canadian delegation.

Other important mechanisms include the Consultative Committee on Agriculture, the Canada-Brazil Joint Committee for Cooperation on S&T and Innovation, and the OECD's aircraft sector understanding on aircraft export financing.

In June of this year, International Trade Minister Fast led a successful trade mission to Brazil in the context of a booming Brazil infrastructure sector, spurred by opportunities associated with Brazil's hosting of the FIFA World Cup in 2014 and the Summer Olympics in 2016, as well as the Brazilian government's ambitious \$800 billion infrastructure investment program. Minister Fast expressed the desire to deepen our economic ties and integrate our global value chains to increase our mutual global competitiveness.

Following up on this committee's recommendation in your 2009 report, Minister Fast also announced the launch of exploratory trade discussions with the Mercosur countries. These include Argentina, Brazil, Paraguay, and Uruguay—four countries with a combined population of 245 million people and a combined GDP of \$2.6 trillion.

A positive first meeting was held from May 31 to June 1 of this year in Ottawa, and a constructive second round occurred earlier this month in Uruguay. Officials continue to exchange technical information regarding the approach Canada and Mercosur take in their respective negotiations. Don is here with me to handle any questions that might come up in that respect.

I should say that we've also expanded our commercial footprint in Brazil. Since your report, we have added two new trade offices in Porto Alegre and Recife. We've also increased our trade staff in our consulates generals in Sao Paulo and Rio de Janeiro.

Only two months after Minister Fast's visit, Prime Minister Harper visited Brasilia and Sao Paulo from August 7 to 9 of this year, accompanied by an unprecedented delegation of four ministers, and members of the business community. He was accompanied by Ministers Baird, Fast, Ambrose, and Ablonczy. During this official visit, the Prime Minister also visited Colombia, Costa Rica, and Honduras.

● (1105)

The Prime Minister's visit amply demonstrated the priority that Canada attaches to its relations with Brazil. He and Brazil's new president, Dilma Rousseff, agreed that, despite the existing commercial dynamic, we had significant unrealized commercial potential.

A number of important new initiatives were announced during the visit, and I'd like to list some of them briefly. There is the creation of a Canada-Brazil CEO business forum. Scotiabank president Rick Waugh was designated by the Prime Minister as Canada's co-chair, and the Brazilian president of the Vale mining group was the designated co-chair on the part of Brazil. A Canada-Brazil strategic partnership dialogue at the foreign minister level was also announced, and we expect Brazil's foreign minister in Canada to meet with Minister Baird in the second half, or even the first half, of next year. Agreements were also announced on air transport, to facilitate air transport and social security. Two memoranda of understanding were announced in relation to Olympic Games cooperation and international development cooperation. There is

also a new science and technology action plan focused on innovation. An energy dialogue will be pursued between the two countries, who are both major energy producers. Canada also announced the opening of three new visa application centres in Brazil, which will pre-screen applicants' documents to ensure that we provide speedy visa service to legitimate business travellers, tourists, and students. We also announced an agreement during the Prime Minister's visit to negotiate a defence cooperation agreement between the two countries and to initiate or explore the possibility of a space cooperation dialogue between the space agencies of the two countries.

● (1110)

[*Translation*]

These two high-level visits (within two months of each other) sent a strong message to Brazilians. Expectations are now high in terms of follow-up and work to sustain and strengthen the engagement. As always, we welcome this committee's views and recommendations with regards to our work towards the development of a strong and dynamic relationship between Canada and Brazil, for the benefit of our businesses, our citizens and our economies.

Thank you, Mr. Chair.

[*English*]

I'd be very pleased to answer any questions you may have.

Thank you.

**The Chair:** Thank you very much for your presentation.

We'll now move to questions and answers.

We'll ask Mr. Chisholm to lead us off. The floor is yours, sir.

**Mr. Robert Chisholm (Dartmouth—Cole Harbour, NDP):** Thank you, Mr. Chairman.

I will begin with a question and if there's time, I will pass it on to my colleague, Mr. Ravignat.

Thank you very much for being here to talk to us about what I think could be characterized as a very exciting but also a very challenging opportunity. There are all kinds of issues around Brazil, not just with the history, with Bombardier and other issues. There is the complexity of their tax system. They're fairly protectionist, with a six percent tax on foreign capital, and so on and so forth. There's also their tie with the Mercosur trade alliance, which is pretty significant. I understand that Mr. McDougall could talk to that.

I would like to have some understanding of what our realistic hope is of moving this file forward any time in the near future.

**Mr. Neil Reeder:** I may ask Don to respond on that point, but let me just say that we appreciate the potential. We are realizing significant gains in the relationship with Brazil, there's no question, given the investment numbers, the trade numbers, the infrastructure, and oil and gas opportunities. You can go down the list.

So we're very positive about this relationship, but we also recognize, as you mentioned, that Brazil's is a challenging domestic environment to work in. If you look at the red tape, the regulatory requirements, the time needed to set up a business, it's not that easy. Even the Brazilians will recognize that they have to undertake certain reforms to make the country more attractive for investment in trade. But we are making good progress.

I think what's even more important is that we're taking this relationship to a very different and much more positive level, because, as you mentioned, we've had rocky times in the past with Brazil, particularly in the aerospace sector and some of the consular cases we've had with the country.

We still have differences with Brazil. If you look at the international agenda, there will be foreign policy areas in which we don't see eye to eye. But I think both governments and countries want to move forward and deal with difficult issues in one sector without contaminating the larger picture, moving forward with this wonderful potential that we see with a country that's a priority for us under both the Americas strategy and the global commerce strategy—and one that we're spending a great deal of energy on.

So we've moved beyond the disputes of the past. Some of these may come back from time to time, but I think the potential is enormous.

Don, do you want to add to that?

•(1115)

**Mr. Don McDougall (Deputy Lead, Mercosur Trade Discussions, Department of Foreign Affairs and International Trade):** I'm not sure whether you were asking specifically whether we'd be able to move forward with a free trade agreement with Brazil.

**Mr. Robert Chisholm:** This is a country that seems to have a pretty clear idea of who it is and what it is and how it wants to do things. It has made a pretty significant commitment to multilateral trade in its region.

I understand that you've had some initial meetings with that trade group, but I would like you to comment on how realistic it is that we will make much headway on a bilateral deal with Brazil.

**Mr. Don McDougall:** Sure. First I'll touch on the point you raised about their relationship with Mercosur, because that's important to the approach we're taking with them.

Mercosur is a customs union, and they will only negotiate free trade agreements as a bloc. If you're going to negotiate a free trade agreement with Brazil, you have to negotiate with Brazil, Argentina, Uruguay, and Paraguay. So we're in discussions with all four, but as you point out, there are a lot of open questions about how serious they are about free trade.

I think it's clear that there's a lot of economic opportunity, but we are really in the early stages now of feeling out how interested they are, what they would be interested in doing, and the type of approach

they might consider taking. We're really in the early days and are having some technical exchanges, but it's a little early to speculate about the likelihood of launching a full-fledged negotiation.

**Mr. Robert Chisholm:** Thank you, Mr. Chair.

**The Chair:** Mr. Ravnat.

**Mr. Mathieu Ravnat (Pontiac, NDP):** How much time do I have?

**The Chair:** You have a minute and a half, time for one quick question and one quick answer. How's that?

[*Translation*]

**Mr. Mathieu Ravnat:** With respect to Mr. Chisholm's question, when we talk about negotiating for free trade agreements, considering all the problems that Brazil has with internal trade, what should Canada be requiring to make sure that there is a favourable context for Canadian companies in Brazil?

**Mr. Don McDougall:** We usually try to conclude an overall agreement that touches on the investment, protection of investors, exchange of goods and services, as well as public procurement. We explore with them the possibility of doing something that deals with all these issues. But as we explained, there are only some technical exchanges at the moment.

[*English*]

**The Chair:** Okay, thank you very much.

Mr. Keddy, the floor is yours.

**Mr. Gerald Keddy (South Shore—St. Margaret's, CPC):** Thank you, Mr. Chairman, and welcome to the witnesses.

I'm going to be splitting my time with Mr. Holder, so I'm going to try to save some time for him.

This is a very exciting discussion here this morning. I was in Brazil, both in Rio and Sao Paulo, two years ago, and the Brazilian economy was booming even in these difficult times. They have some challenges, which we all recognize, especially on security and crime.

There is one thing that wasn't mentioned here. He did mention the FIFA soccer championship coming up, and the Olympics in 2016, but there's a huge investment being made in Brazil in their offshore oil field. We know they're expecting to spend \$200 billion in the next, I think, two decades in the offshore. They can't produce the pipe. They can't buy the pipe. They can't put the pipelines in. They can't supply the rigs. They know this is a tremendous investment and there's a great opportunity there for Canadian expertise in the oil industry, both upstream and downstream.

Could you touch on that and the potential of that type of development and investment by Canadian companies for encouraging and promoting trade between Canada and Brazil? How can that help with things like trying to negotiate a closer trading agreement, whether a free trade agreement or whatever context it takes?

• (1120)

**Mr. Neil Reeder:** You're quite right, sir. The opportunity in the offshore oil and gas sector is significant, and what we'll be trying to do now is to marry up Canadian technology with the opportunity in Brazil. In the case of the Maritimes, I know that the Atlantic Canada governments are now looking at a trade strategy for Brazil specifically, encompassing opportunities for oil and gas sales of Canadian services. So this is a very exciting area. We obviously have extensive deep water experience in Nova Scotia and Newfoundland that we can share with the Government of Brazil. The petroleum facility in Brazil is essentially managed by the government, so this becomes, in part, a government-to-government conversation. Their procurement expectations to develop these very deep water deposits are in the billions and billions of dollars and, from what we're seeing, the estimates of the realized potential of that are quite significant.

So this is a very exciting opportunity for us, where, again, we have an opportunity to marry our expertise with what Brazil needs. So part of the conversation during these official visits to Rio, where this industry is based, was very much looking at opportunities in that sector.

And I think at the federal level we're now going to try to develop a follow-on mission that would look at oil and gas opportunities in Brazil, and also to work with our colleagues in the provinces because of the interest in Atlantic Canada in expanding its trade relationship with Brazil.

**Mr. Gerald Keddy:** Thank you.

**The Chair:** Okay, Mr. Holder.

**Mr. Ed Holder (London West, CPC):** Thank you very much.

I'd like to thank our guests for attending today.

I had the unique opportunity back in June 2009 to travel to Brazil with this committee to see first hand its vastness. It's an incredible country, and for those who have not yet had the opportunity, I encourage you to go.

We talk about emerging nations. Frankly, Brazil has emerged. To me there's no question about that. It has challenges, including some severe challenges, but as an economic powerhouse it has clearly emerged. I think that some of the statistics you provided, Mr. Reeder, support this comment that it is a country that has emerged.

Having said that, it has its challenges, in terms of the huge poverty that is obviously still there. They have some very big differences between the well off and the not well off. It would strike me that having a good middle class would not hurt them at all. It's certainly not for me to tell them about their affairs, but that would concern us all, that is, their huge poverty levels.

I've always believed—and this is part of my passion for being on this trade committee—that if you want to increase lifestyles and standards of living you trade with them, you give people opportunities, you develop a middle class through that process.

I'd like to carry on from some of Mr. Chisholm's comments and perhaps some of Mr. Keddy's.

I'm not sure if this is a question for you, Mr. Reeder, or Mr. McDougall, but in terms of the prospects of a Mercosur FTA, when I was there two years ago, it struck me that the prospect of having an agreement with Mercosur was going to be very challenging. It wouldn't stop us from doing a variety of side agreements and various agreements that you've cited, Mr. Reeder, but I'm wondering from an end-game standpoint—and you can put a date on the end, if you wish—if you see this as fulfilling.... When the Prime Minister was there and we signed a number of agreements, I am not sure if the end-game is just to fulfill those various agreements? Were these signed with the notion in mind that at some point a connection or a more formal FTA with Mercosur is possible?

I'll stop there and allow you to respond, please.

• (1125)

**Mr. Don McDougall:** Thank you.

We're engaging with Mercosur in good faith, with absolutely every intention of looking into the possibility of launching free trade negotiations. That said, I think a number of people have pointed out the challenges, and it's clear that there are some. We don't know yet whether we will even be able to launch a negotiation, much less conclude one. But at this stage of the game, we're absolutely exploring the possibility of, and doing some real due diligence on, the question.

**Mr. Ed Holder:** Let me stop you there and ask the following question. It was rather interesting when I was there and speaking parliamentarian to parliamentarian about wanting to enhance our economic activity between the countries, they clearly said yes.

So I will ask you quickly, when you're there, do you ask these folks the straight-on question, can we do this deal? You might be a little more diplomatic than I am when it comes to these things, but I had a sense from the candour I received in return was that Brazil didn't think it was going to be practical to do the four-country agreement at the time, but they said we should continue to enhance our relationship with Brazil.

Do you just go straight on with them and ask, can we do this deal? How do you approach that?

**The Chair:** I'd like a quick response, if we can.

**Mr. Don McDougall:** I'll give you a quick answer. I think you made an important point that the free trade agreement is really one option in a very large tool kit. We've got a lot of other things going on. It's not by any means the only thing happening in the bilateral relationship.

We try to have as frank conversations as we can, while recognizing that we're not always talking to the person who can make that decision. At our level, we're mostly seeking to fill out the picture as best we can. I think sometimes those conversations have to happen at other levels.

**The Chair:** Thank you.

Mr. Easter, the floor is yours.

**Hon. Wayne Easter (Malpeque, Lib.):** Thank you, Mr. Chair.

Welcome, gentlemen.

I don't think there's any question about Brazil having tremendous potential over the long term, albeit probably with a lot of complications in the medium- and short-terms.

You mentioned in your remarks that Minister Fast led a successful mission to Brazil. In what sense was it? Did he sign any agreements or was it just a nice chat?

**Mr. Neil Reeder:** Well, at least one agreement has been signed, and I can provide further details, sir. There was a road infrastructure lighting agreement that was signed as a direct result of that visit and further conversations during the Prime Minister's visit. We follow up directly with the companies that took part, both in Ottawa and also through our embassy and our consulates there. We don't see these visits as one-offs. We may have news to announce at the conclusion of the visit, but we also follow up with the companies to ensure they're getting support.

Their position, as you know, is that it opens doors. It gives them opportunities; it gets them talking to the right people; it shows the Government of Canada's stamp of approval for closer business ties with Brazil. And in many economies, that's very important in itself.

But in this instance, I know at least of one deal that came as a direct result—in fact, it was a company from the Maritimes.... But I could give you more precise details on this separately, if you like, sir.

**Hon. Wayne Easter:** Okay, thank you.

My concern is that what we seem to be seeing from this particular minister is that if he visits a place, it ends up in the success category, while at the same time he seems to be surprised and disappointed

when we're cut out of the American market in a number of areas or when we face a new fee. Anyway, I just make that point.

One of the biggest complaints that I get from the agricultural community is about Brazilian beef coming into Canada and undermining our beef producers. Now, I do find it a little difficult in this area, because I actually defend the government in this case. I don't believe there's a huge amount of Brazilian beef coming in. I don't believe the government has authorized any import permits over and above the global arrangement we have. But could you expand on that, because we really need to know the facts.

Is there an increase in Brazilian beef? Has the government approved any import certificates to do that, over and above the normal global arrangement? Or can you answer it?

• (1130)

**Mr. Don McDougall:** I don't have a lot of statistics with me on beef imports from Brazil. I'm not sure that we have a quota system for the import of beef, so I'm not sure. But in terms of certificates, it may be more on the phytosanitary requirement side of things. I know we've had some issues with meat from Brazil, in terms of foot and mouth disease and things like that.

**Hon. Wayne Easter:** I wonder, Mr. Chair, if you could get back to us on that, because it is a contentious point. There are only certain conditions on which the government is supposed to authorize import permits for most countries around the world, and I don't think they have. So could you get us the figures on that and the conditions surrounding it. I ask because when beef prices go down, producers will be calling, saying that the government shouldn't be allowing Brazilian beef in—and I don't believe that's the case.

The other question I had is on the Mercosur agreement. I understand what you said, that we have to negotiate with the four countries. Where are the Americans at? Do they have any agreement? Are they negotiating any agreements? What is our gateway, as a country, into the South American market? Is there one given country that gives us a gateway? Or is it Mercosur? What is it?

**Mr. Don McDougall:** On the first question, I don't believe the U. S. has an agreement with any of the countries. They're certainly not currently in negotiations with Mercosur. Mercosur is in negotiations with the European Union and a number of other partners, but the U. S. isn't present there.

In terms of a gateway to the market, or at least in terms of our free trade agreements, we don't necessarily use any particular country as a gateway to the overall market, because our agreements are all bilateral. We have access duty free to a number of countries now—Peru, Colombia, Costa Rica, Chile, and some others to come soon—but those are all bilateral agreements. With Mercosur you could conceivably see a product entering that market as a customs union, and then having access to the four countries. But, again, it would still be subject to duty if that product left the Mercosur region and went elsewhere.

**The Chair:** I'll allow a brief question.

**Hon. Wayne Easter:** How do they come to an agreement on Mercosur? I've been involved in the previous GATT discussions, and Brazil has always been a heavy player at the WTO in opposing Canada's supply management. When they're dealing with four countries in the Mercosur, how do they come to a decision on whether they go with an agreement or not? Do you know? Do they have to approve it in their countries as well as within the group, or is it just a group approval?

**Mr. Don McDougall:** The decision on whether to launch an agreement is a national decision. So they would each make a national decision. Then once all four had agreed to move ahead, the Mercosur decision would essentially be made.

• (1135)

**The Chair:** Thank you.

Go ahead.

**Mr. Neil Reeder:** I want to be clear on South America. We have free trade agreements now with Columbia, Peru, and Chile, and we're negotiating or discussing with the Mercosur four, those being Argentina, Brazil, Paraguay, and Uruguay. I would say in looking at our export posture vis-à-vis Mercosur that about 96% of our exports go to Brazil and Argentina within the four. And 99% of our imports from Mercosur are from Brazil and Argentina, so those are the dominant players.

**The Chair:** Thank you.

Mr. Cannan, the floor is yours.

**Mr. Ron Cannan (Kelowna—Lake Country, CPC):** Thank you, Chair, and my thanks to you gentlemen for the opportunity to learn a bit more about Brazil.

I traveled there with my wife in the 1990s to volunteer at an orphanage, and I spent some time in Portalegre, so it's good to see that we have some embassy representation there. It's a coastal community, very vibrant with lots of opportunity.

I looked at a Library of Parliament report from April 1, 2004. It says that the Brazilian and Mercosur partners approached the Government of Canada to propose the launch of a free trade negotiation, with the goal of finalizing the agreement by July 2005. The Hon. Jim Peterson, who was the minister, expressed Canada's reciprocal interest.

Here we are in 2011. Nothing ever happened then. Were you involved back in 2005?

**Mr. Don McDougall:** I wasn't personally involved, but I have some history.

**Mr. Ron Cannan:** I'm wondering why it stalled? It has been six years. It has been a priority, and they haven't been able to get it across the goal line.

**Mr. Don McDougall:** There were a number of challenges. The interests at that time didn't align well enough for the conclusion of a negotiation. We never launched full-fledged negotiations with Mercosur. We were in discussions with them as part of the negotiations for the Free Trade Area of the Americas. When those negotiations stalled, we tried to proceed with some bilateral discussions with Mercosur. When the Free Trade Area of the Americas negotiations were put on hold more formally, then the negotiations with Mercosur ceased as well.

**Mr. Ron Cannan:** Prime Minister Harper has now made this a priority, and I hope Minister Fast can move forward on it.

I have one other question on Mercosur before I move on. Is Venezuela still trying to get involved in that partnership? We met with the former Brazilian ambassador for lunch, and that was his comment last year.

**Mr. Neil Reeder:** As far as I understand it right now, Paraguay is the last country in Mercosur that has to endorse Venezuela's accession. They have to formally endorse this through their congress or their senate, and that hasn't happened. I believe Venezuela has observer status within Mercosur, but it is not formally a member until each of the congresses of the other four countries provides its accord.

**Mr. Ron Cannan:** They could create some problems, if they're part of Mercosur as well.

What Canadian businesses would really benefit from expanding trade with Brazil?

**Mr. Don McDougall:** Currently some of our key exports to Brazil are fertilizers, coal, newsprint, and gas turbines.

I think you could expect to see those expand if we were able to get a comprehensive trade agreement. But it's obviously a very large market with important demand for industrial goods like automotive ones, as well. It would clearly depend on the type of agreement that was reached. At this point it's a little difficult to know exactly what the outcome would be.

• (1140)

**Mr. Ron Cannan:** Can you expand on some of the other opportunities for Canadian companies other than for power?

Minister Fast said that the mission was very successful. There were 19 Canadian companies in the delegation, and my understanding was that it was very successful. You mentioned that you followed up on these. So what are some of the future opportunities for these businesses?

**Mr. Neil Reeder:** I think infrastructure, sir, is one of the big ones now.

As Don says, which sectors would be impacted by free or freer trade depends on the nature of their discussions. The opportunity we see is infrastructure, in particular, and oil and gas. You can go across a range of sectors where you've got this economy in full expansion, an economy that hasn't been affected by the economic downturn. Inflation is a challenge, but the GDP growth numbers are still significant.

As this country rises in the international environment, we want to catch the wave ourselves and benefit across the board. We're seeing good numbers, but we also believe that we have to do a better job in informing Canadian companies of the opportunities there as well.

There is a lot of interest in the Asia-Pacific region, once people move beyond the United States. There is interest in Latin America, and the Caribbean, yes, but I think with Brazil that we have to make a special effort to bring people to those opportunities.

**Mr. Ron Cannan:** I have one final comment.

You mentioned the FIFA World Cup. Being a soccer fan, are there some Canadian business opportunities in infrastructure there?

**Mr. Neil Reeder:** Yes, we're looking for opportunities in subcontracting with larger contractors, for example, for stadium development, roads, lighting, the infrastructure associated with the FIFA activities, but also with the World Cup specifically. The SNC-Lavalins of this world, for example, which are quite active in Brazil, would be able to subcontract opportunities within a larger contract won by a Brazilian company.

We find ourselves head-to-head with Brazil in the engineering sector internationally, because we've both got large and very prominent engineering firms. So in the case of projects being let from within Brazil, we're hoping to come in collaboratively, working with them and providing components to a larger contract. That's the focus right now.

Apart from that and the Olympics, of course, there's this whole infrastructure momentum that we're seeing in that country, because, if you travel to the São Paulo or Rio airports, you will see the roads. These are not exactly at a level that one would expect, given the size of the economy. There are still many challenges, as you know from your own travel.

**Mr. Ron Cannan:** I spent the night in the São Paulo airport. I know it well.

As you said, the soccer stadium needs our western investment. I think its capacity was 150,000; it was phenomenal.

Thank you.

**The Chair:** Thank you very much.

Mr. Ravignat.

[Translation]

**Mr. Mathieu Ravignat:** Thank you for being here.

This is good timing because I just wanted to talk to you about infrastructures. I don't want to talk about SNC-Lavalin and big

companies, but rather about other Canadian companies that would like to break into the Brazilian market.

I saw that last April, the Brazilian ambassador himself admitted with respect to the investment relationship between Brazil and other countries that Brazil still had a lot of problems to resolve and that it still needed international cooperation.

Based on the World Bank's comments in its report *Doing Business 2012*, Brazil is 126<sup>th</sup> in the world when it comes to cross-border trade, behind countries such as Ethiopia, Nicaragua and Bangladesh. Brazil is also 120<sup>th</sup> for awarding construction contracts and 118<sup>th</sup> for carrying out those contracts.

In such a chaotic market, how can Canadian companies do business with Brazil?

**Mr. Neil Reeder:** The advice we give to companies, particularly Quebec companies, is to contact our trade office in Montreal—Canada's regional office in Quebec—to talk about their interests. We also recommend that they contact our embassy and our consulates in Brazil.

I don't want to give specific advice, but I often see that it is better to find a good local ally, a local partner, and not to try to penetrate this complex market, if a person doesn't already have a company there.

It's another thing for SNC-Lavalin, which has 200 or 300 people in Brazil. It's quite a large group in the country. But in the case of small and medium enterprises, it's better to work with us and work with our advisors in Quebec, São Paulo or Rio. That's what they are there for and they can put you in contact with local partners to bid together with Canadian content. Working in that market without support or a local partner is very difficult.

• (1145)

**Mr. Mathieu Ravignat:** Do you think the Brazilian government is making efforts to resolve its internal problems? Does it have a strategy or plan?

**Mr. Neil Reeder:** During the Prime Minister's visit, it was clear that they had to review their investment policies and decrease the bureaucracy to facilitate foreign investment. Actually, it's still fairly complicated. They are aware of the work they need to do, especially in a context where they want to put more emphasis on infrastructures. Still, they need a more open, more positive dynamic to obtain foreign investments.

I think the government realizes this. During Mr. Lula's term, he made a lot of progress in certain sectors, but there is still a lot of work to be done, especially when it comes to the ease of foreign investing, for example.

**Mr. Mathieu Ravnat:** Wouldn't part of the solution be to speak to regional governments and ensure that they are at the table? If ever there are negotiations, do you think these levels of government will be at the table?

**Mr. Neil Reeder:** We haven't really talked about the Brazilian States, but we have very strong ties with some of them. There are 40 million people in the state of São Paulo, so it has a larger population than Canada. It is important to have good ties with the states and to work with them to promote the possibilities at the regional level. We do not necessarily need to focus on the large cities. There is everything, there is room for everything, I think.

[English]

**The Chair:** Thank you very much.

Go ahead, please, Mr. Shipley.

**Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC):** Thank you, Mr. Chair.

Thank you to our witnesses.

I'm interested in following up, because a year or so ago in Argentina—and, actually, part of the discussions that were held in Paraguay—there were issues with Mercosur and its complications and complexities, which I was learning about, and which came with this South American market opportunity.

One of the things I'm wondering about is this. When we were there, we had a number of discussions with a number of Canadian-invested companies there, particularly in agriculture, mining, and oil. We talk about the complexity and the difficulty in maybe getting a free trade agreement, but we've made these very important initial steps in engaging ourselves, particularly with Brazil right now. We've made significant investments in time and resources, with the Prime Minister and the trade minister going there. It takes time to develop trade agreements. Even if we can't reach an agreement, can you talk a little bit about the benefit of just having these types of discussions happening in South America? By just having us there, does that benefit our companies already there in terms of what they might be able to accomplish?

**Mr. Neil Reeder:** Let me just make a couple of remarks, then maybe Don may wish to add.

Beyond where we go with the Mercosur conversation, I think what we want to do is to really build this relationship as the anchor relationship in South America. For all the reasons we've mentioned, we have to be engaged in Brazil. In a way, Brazil is at a tipping point, like China in the 1990s, and just about to take off. That's where Brazil is going, it's clear, and we want to be part of that conversation. We want to have our companies there. But as we saw during the Prime Minister's visit, it's really a whole-of-government relationship and a much larger conversation than just trade and investment.

The wonderful thing about a country like Brazil—which is as big, as important, as a regional international player like Canada—is that there's tremendous scope to go in many directions as Brazil changes and Canada changes. I would point out that this was a country that received \$150 million in CIDA assistance over the years, when it was not a middle-income country. Now we're working with Brazil to develop cooperation in third countries. Now we can share best

practices on aid effectiveness, with Brazil as a donor. Brazil is a major donor in Africa. Brazil has more embassies in Africa than the United Kingdom does. They are all over Africa. So we can have a conversation with them now about shared interests there, on aid cooperation and trade, just as examples.

If you look at the nature of the agreements that we've signed with Brazil, it reflects a much larger, much more intensive relationship that will obviously lead itself to other gains as well in the trade and investment sector. And because we're establishing so many networks and links in that country bilaterally, these will, in turn, rebound well for us and give us opportunities on the trade and investment side.

The other important outcome of that visit was the personal relationship that was developed, because as you know, sir, personal relationships matter. The Prime Minister had very good meetings with the new President of Brazil. She's a very dynamic individual, and comes from an immigrant family that settled in Brazil. She has some very different views from President Lula, and we can already see a strong interest on her part in engaging with us. The personal dynamic is set: the foreign minister is coming here next year, and we expect the President of Brazil to come next year or the year after.

So it's a multiplier effect once you engage with a country like that. We're very encouraged by that.

We didn't mention the Governor General's visit as well. The Prime Minister announced that our Governor General will go to Rio in the spring with a group, which now looks to be 30 Canadian university presidents, as part of the Association of Universities and Community Colleges. He will go to Rio, possibly Brasilia, and elsewhere in the region. So this is really another high-level engagement that can only be of benefit in the longer term.

• (1150)

**The Chair:** We can put you back on if you like, Mr. Côté.

[Translation]

**Mr. Raymond Côté (Beauport—Limoulu, NDP):** Thank you, Mr. Chair.

It's most unfortunate that my colleague, Ron, left. I'm also a fan of soccer, a big supporter of Italy, so *Forza Italia!* I'll consult him to try to form a parliamentary delegation to go down out fans in the soccer stadiums of Brazil. Mr. Chair, I'm used to living dangerously and I've attended a soccer final with Brazilian fans, but I survived.

Mr. McDougall, you made a very interesting observation about free trade that I really liked. You said that it was one of many tools, and not the only one to facilitate trade, if not relationships between countries. The principle of free trade is neither good nor bad; it's simply quite an honourable principle. I don't think it should be a single objective, but simply a way to establish ties.

Along the same lines as my colleague Mathieu, I would say that the disparities in the report *Doing Business* are fairly troubling, as are the ensuing complications. Thanks mainly to my colleague Maxime Bernier, the Minister of State, I was able to see that even though there is a North American free trade agreement, the situation is still very difficult for small businesses, simply because the facilities are not adapted and some red tape remains.

You noted that the offices of trade delegates could be very helpful, but don't you think it should be a priority to do some kind of harmonization, through rebate negotiation, obviously? We still need to provide national protection for our populations and the companies that will do business.

Do you think that some harmonization should be made a priority in an eventual free trade agreement with Brazil or Mercosur so that our businesses do not have to face a significant competitive deficit on the Brazilian market?

• (1155)

**Mr. Don McDougall:** Let's talk about small and medium enterprises and the competitive conditions in Brazil and the Mercosur countries. If one day we had a free trade agreement, we would really like to have certain conditions for the exchange of services and access to the market for all our companies. It wouldn't only be for small and medium enterprises. These conditions would make access more fair for all the companies.

It's difficult in this market because there are a number of conditions, minimum content requirements, for a lot of businesses there. So it's fairly difficult for our businesses. For the moment, it's a good idea, as Mr. Reeder said, for Canadian companies to find a local partner and use our offices in Brazil and in Canada to start to build relationships and find partners.

**Mr. Raymond Côté:** According to the data we have, since the late 1990s, our trade deficit has increased or stayed the same. We are talking mainly about the exchange of services and trade in services. Although we have a surplus of exports, it levels out, dollar-wise.

One thing concerns me. If the conditions of the domestic Brazilian market do not change, the free trade principle will increase this deficit. Do you get what I mean?

**Mr. Don McDougall:** I understand your concern. It's impossible to predict with certainty, now, what type of agreement will be made. But it is in Canada's interest to establish rules about the exchange of goods and services and also about the treatment of Canadian investments, and that these conditions be fair.

[English]

**The Chair:** Thank you very much.

Mr. Shory.

**Mr. Devinder Shory (Calgary Northeast, CPC):** Thank you, Mr. Chair, and thanks to the witnesses also.

I have not been to Brazil yet, but hearing today's witnesses and the questions and answers, I gather that the local challenges there are similar to some of the local challenges in India. The difference I see is that I believe India can independently negotiate and sign any agreement, whereas here we have to deal with the Mercosur.

Considering the global recession and the definite continuing downturn in the U.S.A., it is very, very important for our government to diversify our markets. As you have seen with our ambitious trade agenda, we have been working very hard on this. Listening to all of my colleagues from all parties today, I again gather that we are all interested in expanding our business activities.

As Mr. Cannan mentioned, since 2004 we have shown an interest in, and have seen interest from, Brazil. But it seems that we are still in the process of figuring out whether free trade can be pursued between these two countries.

We all understand that there are all kinds of benefits from international trade, specifically because Canada is a trading nation. But the question on which I'm not yet clear is that with these six or seven years of negotiation that we have pursued, does the department have any hope that in the future we'll have some side agreements or a free trade agreement? Or are we facing the wall again and again?

• (1200)

**Mr. Don McDougall:** Just to clarify that question, were you were talking about Mercosur advancing...?

**Mr. Devinder Shory:** With Mercosur or even Brazil.

**Mr. Don McDougall:** Or Brazil.

Yes, it's a little early to know at this point. But the purpose of our exploratory discussions is to make sure we have a very clear picture before entering into a full-fledged negotiation, because we don't want to commit all of our negotiating resources and time to a lengthy negotiation that's not going to go anywhere.

So we're having these exchanges with Mercosur now in order to know whether we should go into full-fledged negotiations.

**The Chair:** Mr. Reeder.

**Mr. Neil Reeder:** I want to make it clear that the conversation stopped in 2005 and picked up again this year. In fact, we didn't really have a dialogue in that intervening period. I guess our trade people went off in different directions on other priorities. But we weren't trying in those five years to get a deal. There was no conversation.

**Mr. Devinder Shory:** I want to understand whether there is the possibility of side agreements with one of the countries, for example, Brazil? Or do we have to have a deal or negotiations with Mercosur?

**Mr. Don McDougall:** On trade specifically, it would have to be with all Mercosur countries. Because they're a customs union, they negotiate only as a block on free trade agreements. There are some aspects that they can negotiate bilaterally. We have a foreign investment protection and promotion agreement with Argentina and Uruguay. We've had some initial exploratory discussions on investment with Paraguay.

So for investment, for example, it's possible that we could do individual agreements. But for a comprehensive free trade agreement, it would have to be with the group as a whole, which poses some additional challenges because, as a group, they aren't really that clear yet on where they stand in terms of services, in terms of government procurement, and in terms of investment. They're currently having interim Mercosur negotiations on those questions, and so have a difficult time working with third countries to determine how they would treat those in a free trade agreement outside the block.

**Mr. Devinder Shory:** Do I have some time?

**The Chair:** No actually you don't.

Thank you very much.

Mr. Holder.

**Mr. Ed Holder:** Thank you very much again to our guests.

It was compelling, Mr. Reeder, to hear you talk a bit about the CIDA relationship and the support that we had given to Brazil at a time of their greatest need. It reminds me of when I had the privilege of leading the delegation to Peru on behalf of what is now ParlAmericas. We visited a CIDA site where Canada had made some significant investments in an area that had been struck significantly, or badly, by earthquakes. We were rebuilding some specific areas just outside of Lima.

I'd like to talk about this, if you have some background on that CIDA relationship, because I think it is important. I think it is one of the focal points. We have targeted the Americas, certainly, as trade significant to us. And also, within our hemispheric jurisdiction, that just seems to make a lot of sense.

Can you expand a little bit more, if you would, on that CIDA relationship historically? I ask because I think it's important that we get that point out there of why our foreign investment commitment through CIDA really helped to bring us to where we are in our relationship with Brazil. Or, at least, could you try to make that connection.

• (1205)

**Mr. Neil Reeder:** Okay.

I think it's also an example, sir, of changing the channel with Brazil as we move into new areas of cooperation beyond the traditional ones.

In the case of CIDA, in 1968 we started the CIDA programming in Brazil, and according to my numbers, we provided nearly \$200 million in official development assistance to Brazil. Now the Brazil of 1968 was not the Brazil of today. So for a period of about 25 years we have been providing assistance to Brazil.

The focus of that program looked at dealing with extreme poverty, education, and health. In that period, coincidentally—though the figures vary—people today say that under the last two terms of President Lula, between 20 million and 30 million people have moved from extreme poverty to the lower middle class, or from the latter to the middle class, however defined. If you look at per capita income across the country, a significant chunk of people have moved up in the scale to almost middle-income status. This is a figure that President Lula would refer to, and President Rousseff now is pursuing this as well as a priority, because of the extreme poverty we saw in the past, which, in the case of the urban centres, is still there today. But there have been tremendous strides and Canada, through CIDA, was very active as part of that process.

Now we have some programming left over—partnerships and multilateral programs, but small amounts—but the dynamic has changed with Brazil, because they're no longer an ODA-eligible country. We've brought Brazil up. We've helped them eradicate poverty, and along with other donors and the host government, we've moved millions of people up to a lower middle class environment. Now it's an opportunity for us to work with Brazil on exchanging best practices as donors, and also to work with Brazil in third countries.

We've done a bit of work with Brazil in Africa. I come back to that because of their lusophone connection with the Portuguese-speaking countries of Africa. We've had small collaborative projects in Mozambique and Angola. We're wanting to talk to them. I'd rather have CIDA expand on this, because it's not really our responsibility, but we in our department would like to see more cooperation with Brazil in third countries, including in Latin America.

Our hope is that we'll be able to move that into a new element of the relationship. It's one that makes us feel very good because we were part of that effort, through CIDA, of strengthening the economy and moving these people into more prosperous economic situations. And now we can work with that country, going forward, to turn it into an aid donor. It's a big donor. It has an aid agency. It's moving forward. But we want to see that as an area of cooperation, because between CIDA and their aid agency, there's much to talk about. We expect that the director general of CIDA policy will go to Brazil in the coming months to begin that conversation.

**Mr. Ed Holder:** Can you see any correlation, then, between the relationship that Canada has enjoyed with Brazil in terms of its commitments through CIDA and the positive trading relationships that we have today? I'm just trying to get a sense of whether you feel there is some causal connection there.

**Mr. Neil Reeder:** I don't know if we could say so directly, but my experience has been that where we have strong, traditional CIDA programming, it generates tremendous goodwill in the host government towards Canada, in their thinking about Canada and their appreciation for us. And that aid will lead to trade, that aid will lead to investment. I can give personal examples from my own career where a strong CIDA presence left a very strong imprint on a country, disposing that that government to work closely with Canada in the trade and investment sector.

• (1210)

**The Chair:** Thank you very much.

Madame Péclet.

[*Translation*]

**Ms. Ève Péclet (La Pointe-de-l'Île, NDP):** Good afternoon and thank you for being here.

[*English*]

I'm going to ask my question in English.

Brazil is not a member of the WTO Information Technology Agreement, and Canada and Brazil do not have an agreement on patents, meaning Canadian patents are not recognized in Brazil.

Can you talk to me about it? What negotiations are there in that area between Brazil and Canada?

**Mr. Don McDougall:** Regarding the WTO Information Technology Agreement, I guess the question is how it would relate to a bilateral negotiation. The ITA is an agreement under which, essentially, a number of countries have come together and agreed to not charge tariffs on high-tech equipment. There's a specific list of equipment attached to that agreement. We would deal with that in our goods market-access negotiations. We typically seek elimination of tariffs on all non-agricultural products.

I don't know where Brazil would stand on that, particularly with respect to information technology goods, but our position in the negotiations would be that we would seek the elimination of tariffs on all non-agricultural goods.

Generally speaking, in terms of intellectual property, we don't seek a lot of commitments on intellectual property in our trade agreements. We typically affirm the WTO TRIPS Agreement, including its flexibilities as they relate to health and access to medicines. We are open to some cooperation on intellectual property, but we don't typically seek anything that is TRIPS-plus.

**Ms. Ève Péclet:** Brazil is fairly protectionist and has a buy-in-Brazil policy. There's a 6% tax on foreign capital and restrictions on the amount of rural land foreigners can buy and own. Where are your negotiations and what has been said about free trade between Canada and Brazil?

**Mr. Don McDougall:** That is the type of restriction that would be dealt with in the investment chapter. We typically would seek national treatment for investments, subject to certain exclusions. Obviously, the types of commitments that would have to be negotiated with Brazil—

**Ms. Ève Péclet:** That's what I'm asking. What has been said between Canada and Brazil about these negotiations?

**Mr. Don McDougall:** Do you mean about that in particular?

**Ms. Ève Péclet:** Yes.

**Mr. Don McDougall:** At this stage, we're really not into those levels of specifics. Particularly on investment, but even in most topics, it's more a high-level discussion on the type of approach to take, whether they would be interested in discussion, and what types of commitments they would be interested in making. We certainly have not got anywhere near the types of exceptions that we'd be looking for, or anything like that.

**The Chair:** You can have a little more time if you want.

**Ms. Ève Péclet:** Are you negotiating a chapter 11, as we call it in investment disputes.

[*Translation*]

Are you negotiating a dispute resolution mechanism?

You said that your negotiations touch mainly on investments. Are you carrying out this type of negotiation currently?

• (1215)

**Mr. Don McDougall:** I would like to clarify the question. We are not yet in negotiations. But Canada is trying to establish a dispute resolution system for investments, like Chapter 11 of NAFTA or other agreements that Canada has negotiated.

[*English*]

**The Chair:** Thank you very much.

We'll go to Mr. Shory.

**Mr. Devinder Shory:** Thank you once again, Mr. Chair. It's very interesting.

Mr. Reeder, I heard from your comment that there were some negotiations that commenced in 2004, which you said were stopped in 2005. I believe there must be a reason why, whether it was lack of interest or lack of priorities, from the government of the day. But the fact is that the Prime Minister, along with some other ministers, visited that region this year. Also, Minister Fast took 19 companies from the business community with him to Brazil. That visit emphasizes enough, I would say, the interest our government has in expanding its international trade in that region, in Brazil, etc.

I'll come back to my previous question. Of course, for the reasons mentioned before, we all know that our government is very much focused on expanding trade and bilateral relations with other countries in the global market, but the question again becomes: do you think that it is worth pursuing this activity with Brazil? Is our government heading in the right direction—in other words, are we wasting our time?

**Mr. Don McDougall:** I could maybe ask Susan Harper to speak. She is leading the process with Mercosur, but before I do, since we've already had some exchanges on this, I'll respond.

At this stage, we don't feel that we're wasting our time. We think there's an interesting opportunity here. There are some unanswered questions in terms of what Brazil and Mercosur would be interested in pursuing with us, and we have to look at what that would mean in terms of the overall package in an eventual negotiation or agreement. But at this stage, we haven't made a decision at all about whether we would recommend proceeding with a negotiation.

**The Chair:** Thank you.

Ms. Harper, thank you for making it and welcome. If you have anything to add, the floor is yours.

**Ms. Susan Harper (Lead, Mercosur Trade Discussions, Department of Foreign Affairs and International Trade):** I apologize. I had a conflict of interest: we were hosting Rick Hansen at our department and I was the MC. So thank you for allowing me to fulfill that prior commitment.

I think what is clear is the tremendous market and tremendous potential in Brazil and Mercosur, and we've heard about this from the business community for years. If you look at our objectives in the Americas, that's a huge area right in the centre of the Americas. The challenge, of course, will be to see if we can find sufficient interest. And when both sides look at the costs and benefits, will there be a sufficient area of mutual interest that we can proceed with a negotiation? At this point, we're not clear if this particular tool, a trade policy agreement, will be the appropriate tool. I'm sure that Neil has spoken about this already, and we're very clear that there are many tools that we can use to enhance the overall economic and political relationship—we're not confined to one. But this is one in particular and we continue to explore it with the four countries of Mercosur.

Is there a sufficient possibility? We referred to earlier explorations in this regard in 2004 and 2005. That was a different moment for them and for us, as well as globally. So we're very glad to see that those four countries continue to be interested in working with us in partnership, and the big challenge will be to see if there is sufficient interest to move ahead. We just don't have enough information yet to know that.

• (1220)

**The Chair:** Thank you very much.

Monsieur Côté.

[*Translation*]

**Mr. Raymond Côté:** Thank you, Mr. Chair.

To follow on what my colleague Ève was saying, I must admit that Brazil, with its original position, its identity and its place on the

international scene, is very interesting. It's a very fine challenge to know the country and, at the same time, to start negotiations to trade with them. The challenges are geared to these new paths Brazil is taking while it is breaking certain moulds. It's basically also a challenge for us to adapt to this new reality.

I'm going to come back to the business world in Brazil. With respect to the difficulty that small enterprises have in doing business in a world where red tape may be a significant obstacle, I would say that I'm greatly concerned about the competitive advantage the larger Canadian enterprises may have, for example with infrastructure contracts, over small enterprises that have nowhere near the resources to deal with the red tape. The reality that many Canadian entrepreneurs experience means that they do not necessarily have the means or that those kinds of contract would be very costly for them. It may even ruin their ability to compete, to enlist legal accounting resources to deal with these challenges. On the other side of things, there are large multinational companies. I'll use SNC-Lavalin as an example. It's already established and has significant resources. So it's really not a problem for that company.

Do you think these obstacles could at this point be significant enough that they would clearly disadvantage small enterprises to the point that they might become less competitive compared with companies that have the means to deal with the obstacles?

**Mr. Neil Reeder:** Of course, I think it's more complicated for small and medium enterprises. But we are there to help them too. These companies have the same rights as SNC-Lavalin. They are fully entitled to take advantage of opportunities to move forward with export projects outside Canada, for example. If they have an interest, we here in Canada, with our team in Brazil, to give them advice, knowing, as you said, sir, that they do not have the same infrastructures, the same network as the large Canadian companies.

In this sense, I would say that the key for them is to have good economic intelligence, which we can share with them, and also to have key local partners. It's important to work with credible local partners to avoid being in complex, difficult competitions without knowing the terrain, the market. It's very difficult for these companies. They don't have the same experience, the same knowledge of the terrain as the large Canadian companies. We are there to help them both, not just the large companies.

**Mr. Raymond Côté:** Mr. Reeder, thank you very much for your answer.

If I may, do your services include the resources required to fill this gap between the small and medium enterprises and the large companies?

**Mr. Neil Reeder:** I would say they do, and it's our responsibility, our mission, to work with all Canadian investors/exporters. We don't make a difference between these two types. The question is still knowing whether the company in question is ready and able to export. That's the key element of the decision. Still, Brazil is not the United States. It's another market, a large, much more complicated market. It's important to take everything into account before making a decision. We are there to help businesses in that sense.

[English]

**The Chair:** Thank you very much.

Mr. Easter.

**Hon. Wayne Easter:** Thank you, Mr. Chair.

I have just a couple of quick questions. Is the Free Trade of the Americas basically off the table? Is it basically kaput, if I can put it that way?

**Ms. Susan Harper:** Yes.

• (1225)

**Hon. Wayne Easter:** Okay, thanks. It just confirms what I thought.

In terms of the Mercosur, does that group have comprehensive trade agreements elsewhere, and on what basis? You said, Ms. Harper, that a number of other tools can be used in trading relationships, which might be useful of summarize a little bit.

So, does Mercosur have other comprehensive trade agreements, the type that we seem more interested in?

**Ms. Susan Harper:** I apologize, if you've covered some of this already, but I think you're aware that there are countries in South America with which they have relationships. In some cases they are called associate members of Mercosur, and in some cases they have an FTA with Mercosur. But these tend to be goods-based agreements and much more limited in coverage than the one, for example, which the European Union has been negotiating for some time with Mercosur, and certainly much more limited than the kind of agreement we would be looking for.

On the previous question about SMEs, we're very aware of value chains and investment and exports of goods and services—that is, very much the full range of what we have to offer and what these countries have to offer. We would be looking for a comprehensive agreement, and to date we have not seen that kind of comprehensive agreement.

In fact, in some of our discussions the Mercosur countries have pointed out that they aren't in a position to discuss this with us yet, because they're in the midst of discussions and negotiations among the four of them on government procurement, for example. I think we're not at the stage yet at which we can come to conclusions on this, but we certainly see an interest in a full range of topics. And in the two exploratory discussions that we've had, we're certainly putting that range forward and not being pushed back. It's when we get into the details that we'll have a better sense of this.

You asked as well about some of the other possibilities and what some of the other trading and economic tools are. I'm not sure what Neil has already covered, but these would be some of the things that

a trade commissioner, for example, would use—and here I use the term “trade commissioner” in the largest sense of the word to mean those who are working in business development, science and technology, etc. We have talked about some of the deliverables that were announced by the Prime Minister during his trip.

Some of these other tools are key to enhancing the relationships that will be the foundation of a greater relationship with the countries. Again, the trade policy tool we are specifically discussing is a very specific one, but some of these others, such as science and technology agreements—and perhaps Neil can help me out here with others—would be the other agreements we would be talking about for enhancing a trade and economic relationship.

**The Chair:** Thank you very much.

Mr. Hiebert had some final questions, and then we'll move to the in camera part of our session.

**Mr. Russ Hiebert (South Surrey—White Rock—Cloverdale, CPC):** Thank you.

We have talked about Brazil a lot. Can you provide us an update on the status of our parallel agreements with Paraguay, Uruguay, and Argentina? That's my first question.

My second question deals with supply chains. I'm wondering whether the infrastructure and logistics are advanced enough that Canada and Brazil actually have an active supply chain experience. Or are we really dealing just with completed exports, wherein we manufacture entirely here, or they do over there, and send over completed product without further value-added components on the other side? Could you elaborate on that?

My last question deals with education. In your opening remarks you made the point that Canada was the number one destination for Brazilians looking for language education of less than six months long. Can you give us an idea of how many students are enrolled in Canadian institutions for a longer-term period, including for a college or university degree? How does that compare with language programs?

• (1230)

**Mr. Neil Reeder:** Maybe I'll answer the question on education.

We have about 2,500 full-time Brazilian students in Canada annually. The number of part-time students is about 15,000, as I said, annually. So Canada is the biggest destination for language students from Brazil—primarily studying English, but also French—for six months or less. Then they return to Brazil, and because of that certificate and that training, they can advance much more quickly in the job market there, having English as their second or third language.

So the number of full-time and part-time students is over 17,000 annually, which puts Brazil way up as a destination for foreign students in Canada.

We're also seeing benefit for Brazil from the scholarship programs. The Prime Minister has an emerging leaders in the Americas program, a Ph.D.-level scholarship for students from the Americas. Brazil has been the largest beneficiary of that program, again because they're well established and have good university-to-university linkages, so they can identify and send students to Canada under that program.

So across the board, the education story is very good.

Tourism is very good, as I mentioned. Our visa office in São Paulo is now the fourth largest visa-issuing office in the world, which is quite significant. It's a kind of circle, in that we talk about the multiplicity of engagement with Brazil. The air transport agreement now will facilitate code-sharing; it will facilitate access to airlines from both countries. All of this will generate more tourism, more students, and more business visitors.

**Ms. Susan Harper:** Concerning your first two questions, I can't speak to all of the agreements that we have with the other Mercosur countries, but if you would like some of that additional information, we can certainly provide it.

In our area, the key agreement we look to is a foreign investment protection agreement. We have one with Uruguay, we have one with Argentina, and we are currently in discussions with Paraguay, at their request. This is an important building block for us in the kind of work we do. We're certainly aware that there are other economic and commercial relationships with each of those countries, with companies active there. Especially since the crash in the early 2000s, in 2001 and 2002, we have increased our economic relationships with them. Again, we can provide more information on the kind of economic agreements we have with the other three Mercosur countries.

As for the value chains, absolutely, they are a key focus for us. This is what we hear from business increasingly: it's not just about a market, but about a value chain. We want to make things together with companies from that country, as we do with companies from the United States. So this is very much an area that we would be looking to.

Like Canada, these countries are rich in natural resources. They too want to build things, so we think this is an area in which we will have a mutual interest in building these value chains together. That's where business is going, and that's where we would like to go with these potential partners.

**Mr. Neil Reeder:** As a very quick follow-up on the global value chains, we actually have an officer in our mission in São Paulo who does just that: plug Canadian companies into opportunities in Brazil. The best example I can give is this. We talked a little at the beginning about Bombardier and Embraer and all of that, but the reality is that from a global value-chain perspective, Canada is doing very well. Embraer in 2007 imported \$2.6-billion worth of equipment for their airline—different parts of their equipment, composite materials, engineering services—and Canada now is getting 25% of the benefits from the global purchases they're

making. So despite the tensions in the past at a higher level, our aerospace industry is in fact now contributing several hundred millions of dollars in services to Embraer as they assemble and manufacture their planes.

That's a very good news story, and it comes back to the whole discussion about global value chains and becoming positioned in that market.

**The Chair:** I want to thank you very much for coming and giving us this information on the negotiations as they proceed. I'm quite amazed at the number of students who are here in Canada studying. It must be the weather, I assume.

**An hon. member:** It's the hockey.

**The Chair:** Yes, maybe it's the hockey; that's right.

Mr. Chisholm, we're just going to go in camera, but did you have a question for the witnesses before we do?

● (1235)

**Mr. Robert Chisholm:** Actually, just before we do that, I have to tell you that I don't feel comfortable about this in camera stuff, because this is business—

**The Chair:** Okay. We'll do that as we excuse the—

**Mr. Robert Chisholm:** No, just hang on. The motion, actually, that—

**The Chair:** No, no, that's fine.

I want to thank you for coming.

**Mr. Robert Chisholm:** There's no need for this secrecy. That's the point. There's no need for it.

**The Chair:** We'll excuse you from the meeting. Thank you.

[*Translation*]

**Mr. Neil Reeder:** Thank you again for your invitation.

[*English*]

**The Chair:** Now we'll entertain a motion to go in camera. If there's discussion on that, we'll discuss it.

We have a motion by Mr. Keddy to go in camera.

Now you want to discuss that motion. Fair enough. Go ahead.

**Mr. Robert Chisholm:** As a member and vice-chair of this committee, I'm serious about how this committee operates, the business that it conducts and how it conducts its business. If we get into a contentious item, we can agree as a committee to take it off to the side. But this is just regular stuff that we're dealing with—motions and who's going to be a witness. We have to get our steering committee going.

It just doesn't feel right. It feels like we're hiding things by moving in camera just to deal with this, and I don't think we need to do it. I don't think it makes our committee look particularly professional, frankly, that we're doing this. If I as an opposition member want to embarrass the government, I don't have to do it in this committee. There are other ways to do it and that's not why I'm here. That's not why I'm here.

**The Chair:** There are some issues that I'll be bringing up that I think we should be dealing with in camera, no question.

Mr. Easter, go ahead.

**Hon. Wayne Easter:** I feel the same way as Mr. Chisholm. We're seeing it happen at a lot of committees. The committee should be public. I think the steering committee of this committee should be meeting at least once a month. If we know that we are to deal with travel or funds related to travel, or something like that, then those are appropriate to talk about in the steering committee—and we should know about it before the meeting. But if we're dealing with motions that some of us have proposed, then they should be in the public arena where there's a full airing in public. That's where I'm at.

**The Chair:** We hear you, but that's exactly what we'll be doing as we move into the session.

Monsieur Côté, you had something to say. We're discussing the motion.

**Hon. Wayne Easter:** The point there is, if we're dealing with travel, then I think a call to us or a steering committee meeting, where this has been outlined a little bit first, and then a report back to committee will make the committee function a lot more effectively.

**The Chair:** Okay.

Mr. Côté.

[*Translation*]

**Mr. Raymond Côté:** Thank you, Mr. Chair.

I must say that I understand your position, as the chair, because I've had the opportunity a number of times to chair various organizations and, a few times, very large assemblies. I would still like to remind you that you still need a very good reason to justify going in camera. I remember very well that, in my many experiences as a chair, I would often stop the members gathered around the table to remember their responsibilities and I would ask them to justify their actions. There are 12 of us here who share the responsibility of making the decision to work openly in the public's interest. So I find it most appalling that we are going in camera so often.

[*English*]

**The Chair:** We're soon going to bring this to a vote.

Mr. Keddy.

**Mr. Gerald Keddy:** We will bring it to a vote, and I appreciate everyone's comments. I would concur with much that has been said here, but the point is that if every single motion brought to this

committee is only an excuse to put out a press release, then we'll deal with them in camera.

• (1240)

**Mr. Robert Chisholm:** What evidence do you have of that?

**Mr. Gerald Keddy:** You have lots of opportunity to ask questions in the House. That's the place to put your questions.

**The Chair:** We're not going to debate this forever. We have a motion before the chair.

**Mr. Robert Chisholm:** Mr. Chair, if I may, I—

**The Chair:** No, no, hold it. If you want to debate the motion, that's what we're going to do.

**Mr. Robert Chisholm:** I do. I do.

**The Chair:** Go ahead. The floor is yours.

**Mr. Robert Chisholm:** What do we have? One motion. I think there's been one motion, maybe two. I don't know. But—

**The Chair:** We actually have three on the agenda today.

**Mr. Robert Chisholm:** Yes, but that's how this committee operates. The one that Mr. Ravnat is going to make is a request for information. That's all it is. And that's a very public thing.

All I'm saying through you, Mr. Chairman, to the members of this committee is that I take my role as member and vice-chair of this committee seriously. And I want it to work. If all I'm trying to do is to embarrass you, as I said, I have other ways to do that. And I don't want to waste your time doing it. But if we keep playing these games, it's just going to continue to annoy me and frustrate us and our ability to get our work done. And I don't want that to happen. That's why I'm raising these objections.

**The Chair:** Fair enough.

Mr. Ravnat.

[*Translation*]

**Mr. Mathieu Ravnat:** I think it's a matter of transparency for the public. The public has the right to know what information we are asking for.

Obviously, I think if we had a committee that was working, that was in place, we could decide when it would be a good time to meet in camera. This is a discussion that the committee needs to have and, again, in my opinion, it's a basic matter of transparency.

[*English*]

**The Chair:** We've had a full discussion on this. We have a motion on the floor to go in camera.

(Motion agreed to)

**The Chair:** We will clear the room and move in camera.

[*Proceedings continue in camera*]





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