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Chair

The Honourable Rob Merrifield

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• (1100)

[English]

The Chair (Hon. Rob Merrifield (Yellowhead, CPC)): I would like to call the meeting to order.

I want to thank the witnesses for coming forward.

We have with us today, on a continued study of the European Union and Canada CETA negotiations, for the Grain Growers of Canada, Richard Phillips, the executive director, as well as Jim Gowland, past president of the Canadian Soybean Council. Also, for the Canadian Chamber of Commerce we have Mathias Hartpence and Milos Barutciski.

We want to thank you for being here.

We would open the floor up to the chamber first. I believe Mr. Hartpence is the first presenter.

Hon. Wayne Easter (Malpeque, Lib.): Mr. Chair, I have a motion on the table. I would like to move that motion at this time.

The Chair: Okay. We will distribute the motion quickly. I'm sorry for this, but nonsense does happen from time to time.

Let's go.

Mr. Russ Hiebert (South Surrey—White Rock—Cloverdale, CPC): Mr. Chair, may I suggest that in consideration of the witnesses we defer the debate of the motion and leave some time at the end.

The Chair: Is that okay with the mover?

Hon. Wayne Easter: No, it's not. I wish it was, in a way. The government has a tendency to drive the committee in camera when the matter should be debated in public. Then it has the tendency to not allow how whoever voted to be public. So as the opposition we have no choice.

The Chair: Mr. Easter, have you moved your motion?

Hon. Wayne Easter: Mr. Chair, I'm moving that the international trade committee invite the Minister of International Trade and officials to brief the committee on Tuesday, November 22, 2011, or no later than Thursday, November 24, 2011, about the Trans-Pacific Partnership talks and Canada's efforts to be accepted as a participant in these negotiations.

I see this motion as rather urgent. The discussions lately on the Trans-Pacific Partnership are raising concerns by some industries.

While I support our being a part of those discussions, I'm concerned that on one day the Minister of International Trade said there was really no reason to be in the discussions, and then 24 hours

later the Prime Minister said there was—this after President Obama seemed to be pressing Canada to be a part of the TPP discussions. Definitely, supply management had to be on the table.

Mr. Chair, as you know, because you and I attended the same meeting on CETA the other day, the Europeans have made it clear that there will be no deal unless there are some concessions on dairy. The minister continues to claim that on both the tariffs and import access it's zero-zero, but we know the Europeans have made it clear that there had to be some concessions on dairy and poultry.

So we really need to know from the minister and officials why they're going into these discussions on the Trans-Pacific Partnership. Are they actually giving up on some of our industries before they even enter the negotiations just to sit at the table and have a discussion? I think we need some clarity from the government on this issue.

• (1105)

The Chair: Mr. Keddy.

Mr. Gerald Keddy (South Shore—St. Margaret's, CPC): Brian had his hand up.

The Chair: Go ahead, Brian.

Mr. Gerald Keddy: Go ahead, and I'll wrap up.

Mr. Brian Masse (Windsor West, NDP): Mr. Chair, I'm going to be quick so that we don't interfere with the witnesses coming forward.

They support the motion because the government's position has changed publicly. I think it will be an interesting opportunity to have the minister describe the reason for that change in more than just a sound bite, which is all we have right now, or in the House of Commons questioning.

There's an opportunity here to have that discussion, so I'll be supporting the motion. I'll leave it at that. I won't get into the details beyond what's been described, because we have witnesses here and we want to make sure that they get their time.

The Chair: Fair enough.

Mr. Keddy, very quickly.

Mr. Gerald Keddy: I'm going to wrap this up, Mr. Chairman. With respect to our witnesses, I don't think this is going to take a lot of discussion, but I will speak on a couple of points made in the motion.

First, I was at the same meeting Mr. Easter was at, at the French embassy. There were no concessions made on dairy and the European Union. As a matter of fact, the more the opposition talk about this, the more harmful I believe it is to the supply-managed industry.

You can read Peter O'Neil's article in the paper this morning on supply management.

We continue to have no support for supply management coming from the official opposition and from the Liberal Party of Canada. They continue to ask questions about it, which continues to fuel the media about this debate.

Our position has been clear on the Trans-Pacific Partnership; the scoping finally came out on the 12th. It's an important venue for Canada. We're a Pacific Rim country. We should be part of any aggressive free trade agreement that goes on there.

For the first time we saw the real give and take in the parameters of the agreement. We realize that we can meet the conditions of the agreement, and probably exceed them, and that includes protection of supply management.

So let's vote on this and move on.

The Chair: Okay, let's put it to a vote.

(Motion negatived)

The Chair: Mr. Hartpence, the floor is yours.

Mr. Mathias Hartpence (Director, International Policy, Canadian Chamber of Commerce): Thank you, Mr. Chair.

My name is Mathias Hartpence. I am a director of international policy at the Canadian Chamber of Commerce. I am joined by Milos Barutciski, a partner specializing in trade and competition law at Bennett Jones, who also serves as co-chair of the international affairs committee of the Canadian Chamber of Commerce.

I wanted to thank this committee for inviting us to take part in your consultations on the Canada-EU negotiations.

The Canadian Chamber represents nearly 200,000 businesses of all sectors, sizes, and regions of Canada, everything from mom-and-pop shops to the largest enterprises that power the Canadian economy. With an eclectic stakeholder base such as that, it may come as a surprise to some that we are able to come up with a consensus position and a unified position on the CETA, yet we are.

Canadian businesses in the resources, agrifood, services, and manufacturing sectors have been working hard to supplement their trade and investment with the United States, where their competitiveness has been increasingly challenged over the past decade, by accessing opportunities in other markets. Official trade statistics corroborate this.

The 2008 financial and subsequent real economic crises, which dampened U.S. private demand, have made Canadian companies'

ability to secure real, level-playing-field market access in other jurisdictions all the more pressing.

● (1110)

[*Translation*]

In view of that, we have pleaded for a successful wrap-up of the Doha Round negotiations in order to dismantle tariff barriers and other obstacles to Canadian exporters.

Unfortunately, the Doha Round has likely come to an end as a global trade agreement. At the same time as the Doha process, the last decade, the last five years in particular, has witnessed a global proliferation of preferential trade agreements negotiated by WTO members on a bilateral and regional basis.

[*English*]

This has made it imperative for Canada to pursue solid trade and investment agreements of its own with key partners. Without them, Canadian companies would risk losing market share abroad to competitors benefiting from preferential access. But more than that, by pursuing high-quality trade and investment agreements, Canada can not only enhance real market access for its goods and services exporters and investors operating abroad, but it can also help consolidate high-standard norms for level and open commerce among nations, the very norms upon which Canadian businesses depend.

Thank you. I will turn it over to Milos.

[*Translation*]

Mr. Milos Barutciski (Partner and Co-Chair, International Trade and Investment Practice, Bennett Jones, Canadian Chamber of Commerce): Thank you very much, Mr. Chairman, ladies and gentlemen.

[*English*]

As Mathias said, I chair the international trade and investment practice at Bennett Jones international law firm, and I co-chair the international affairs committee of the chamber.

From working as the international affairs chair for ten years and as a trade council negotiator in various capacities for 25 years, advising businesses and governments, I think the CETA negotiation clearly aims to be the most far-reaching, high-standard trade negotiation Canada has undertaken, including NAFTA. I was involved in the NAFTA negotiations in my brief stint in government at the time, and what we're looking at with CETA arguably surpasses NAFTA in ambition and in its profound impact for Canada in a very positive sense.

Despite Europe's current economic woes, the fact remains that Europe is still the world's largest economy. It has 500 million people, and many parts of Europe are wealthier than we are. It's one of the wealthiest economies in the world. They will not stop eating, driving cars, using the products we make, and consuming the services we provide through their coming years of austerity and various other measures they will have to go through.

European governments at all levels will also not stop purchasing goods and services. The European procurement market is the largest in the world, and the European capital markets also provide one of the largest pools of capital in the world. They are very significant investors in this country and important to our economy in both directions—inbound and outbound.

A robust trade agreement with Europe would make Canada the only country in the world with robust trade agreements with the largest and the second-largest economies in the world—Europe and the United States. I'm not the first to say that if Canada and the EU, as mature, sound, and well-governed economies, can't complete a high-quality agreement, both sides' credibility will be challenged in trade negotiations going forward. We have so much in common with Europe. If we can't come to agreement on some of these issues, how on earth can we hope to come to agreement with 150-plus countries of the WTO, the TPP, or any number of potential negotiating partners, some of which have very different perspectives, economies, and cultural backdrops than we have or share with Europe?

There are, of course, sensitivities in any negotiation, and this is no exception. Some industries will need transition periods to cover and adapt to a new agreement. We've been through this before. We went through it with NAFTA. In NAFTA there were some difficulties, but there were a surprising number of successes and unanticipated successes. I'll mention a couple: the office furniture industry, and the men's suit industry. Nobody expected that those two sectors in Canada would blossom the way they did after free trade with the United States. Everybody expected they would go the way of the dodo. In fact, both industries ramped up to such an extent that they started provoking protectionist sentiments on the other side of the border in the U.S.

So let's not discount our ability to compete from the outset. Canadian business is sound and we compete all over the world. We're dependent to a certain extent today on one economy disproportionately, but that has changed in the past years because of the challenges Mathias raised.

•(1115)

[*Translation*]

A good trade agreement with the European Union that provides better access to the European market by levelling tariff and non-tariff barriers is essential for the Canadian economy, business and Canadian businesses.

Canadian businesses face technical standards and barriers to trade in Europe, sanitary and phytosanitary measures, limits on the movement of professionals and other barriers related to the various regulatory approaches between Canada and the European Union.

The elimination of tariff and non-tariff barriers is essential to a good balanced agreement that will enable our Canadian exporters of manufactured and food products, raw materials and services to take greater advantage of the trade opportunities that abound in Europe.

In our opinion, regulatory cooperation is also an important factor in these negotiations.

[*English*]

Regulatory cooperation isn't only a federal European Union matter. Regulations are essential and an important part of government, but they apply at multiple levels and they impose a cost, as you all know. They are essential. Businesses have to adapt to them. When you are talking about trade across 11 provinces and three territories, and having to deal with the multiplicity of regulations, think about dealing with trade with a community that has 27 member states and countless sub-federal entities.

Again, regulation is essential for the public good in a whole host of areas. What we are talking about, and what the aim of the regulatory cooperation part of this agreement should be, is to make sure that regulations aren't adopted either by this government, by provincial governments, by European governments or the European Union without thinking about their impact on trade.

Quite often regulations are adapted in a narrow way—"Oh, we're going to fix this safety concern. Oh, we're going to fix that stakeholder concern." And a good-faith effort is made to do that. That's fine. But an important element, and I think it's one thing the negotiators are trying to include here, is that while we are thinking of the solution to the issue that raises the need for regulation at the outset, let's also think about how it will apply and how we can make sure it doesn't create inordinate burdens on our trade.

We're very pleased to hear from the progress of negotiations that the CETA appears to be prepared to incorporate robust services and investment components. I understand the European Union has agreed to use a negative list in both areas, which is certainly a fundamental shift from the Europeans. It's nothing new to us. Again, it's important, because by using that negative list approach you can say our objective is to liberalize trade across a wide range of areas. If you have any issues about specific sectors, let's talk about them and articulate where the exceptions might be sector by sector, rather than the other way around. Nothing will be liberalized unless we say specifically that we'll lower barriers here, we'll lower tariffs there, and so on.

What a negative list approach does is set a high ambition level from the outset, and allows each side to say they have sensitivities here and there, so let's talk about those. But the ambition level and the ultimate impact is a high-standard agreement.

It's also no secret that government procurement is an important objective in negotiations on the European side. It has been raised a few times in the hearings. I've been reading through the transcripts. Let's not forget that government procurement is also important to our suppliers. Government is a massive market. The procurement market in the United States and Europe is the largest in the world. There are massive opportunities, not only on the goods side, but also very significantly for Canadian business on the services side. We hope that an ultimate deal will address that market in an effective way, both at the union-wide and at the national and sub-national level across the member states of the European Union.

Another important issue is rules of origin. Rules of origin are probably the driest and most technical aspect of trade negotiations. These are the highly detailed rules that vary product by product and that allow you to determine whether this glass or this microphone and speaker set, or whatever, made from components that come from all over the world but perhaps assembled in Canada—or may be from components in Canada with inputs from elsewhere, however it's done.... Those are the rules that say this item or that item is Canadian for the purposes of the trade agreements, and ultimately benefit from, eventually, a zero tariff.

As a trade lawyer, this issue might get me excited occasionally. I don't stay up at nights over it, but it's on the low end of emotion in my world. They are fundamental, and are fundamental in this agreement, especially when we look at industries like auto, when we have an integrated economy with the United States. We have trade agreements with other jurisdictions. We don't only trade with other jurisdictions; we make things with other jurisdictions. It's important that what we make doesn't get excluded from the benefits of free trade.

Mr. Chairman, I'll now pass it over to Mr. Hartpence, who will make some concluding remarks.

• (1120)

The Chair: We're very tight on time.

Mr. Mathias Hartpence: I'll conclude quickly with one last aspect that's extremely important in these negotiations, which is IP. Ensuring high standards of IP protection for Canadian companies is important in Canada, as it is in other jurisdictions, and certainly in the European Union. We've always seen it as being an opportunity, a platform to reach those high standards with the European Union on IP protection. We are pleased that Canada is moving to strengthen its protection with, for example, the copyright bill that will significantly enhance the protection of IP that Canadian companies need to innovate and to grow.

It's important also not to forget the protection of patents. That is important to the life sciences sector, for example. High standards of patent protection allow for investment and entice investment to come into this country to let these knowledge-based industries grow and knowledge-based jobs to multiply in our country.

Thank you.

The Chair: Thank you very much for that presentation.

We'll now move to the Grain Growers of Canada, and we will start with Mr. Phillips.

Mr. Richard Phillips (Executive Director, Grain Growers of Canada): Thank you.

We've timed our presentation and we'll be well under ten minutes, hopefully.

The Grain Growers of Canada is an association of 13 canola, corn, wheat, barley, oats, peas, lentil, rye, and triticale commodity associations, as well as regional organizations like the B.C. Grain Producers and the Atlantic Grains Council.

We are an organization of progressive farm leaders who are looking for solutions. In fact we will put this on the record here today: we do not believe the government owes farmers a living, but we do believe it owes us a policy environment where we can make a living.

Access to markets like the EU is a policy area where government has a role to play. Individual farmers or farm groups don't have the power or authority to negotiate tariff lines or foreign policy. For that we need you, and that is why we are pleased to be here today.

The Grain Growers of Canada has been involved in these negotiations from the start, meeting with EU members of Parliament, meeting with EU country missions in Brussels, and meeting with the European Commission and individual embassies here in Ottawa. I believe we have met with every country at least once, and some as many as five or six times.

Why do we spend so much time and so many resources, you might ask? Canada has been blessed with an abundance of arable land, clean water, infrastructure like road and rail, and well-educated farmers capable of producing, storing, and shipping large quantities of grains, oilseeds, and pulse crops. Canada's agrifood sectors are very dependent on trade, and grain farmers even more.

It is not just the raw products like wheat or canola, which is what people think of when we say “export”. It is also our value-added products that create jobs here in Canada: processed peas and lentils, canola oil and canola meal, malt for beer, processed food, identity preserved soybeans—and in fact over one-quarter of Canada's agricultural exports to the EU are soybeans—Canadian pork, and Canadian beef. They are the best markets we have for the feed barley, feed wheat, and corn we grow on our farms. When they export, we win.

Here are some quick statistics to make our point. We export about \$40 billion a year in agriculture: one-half of our beef, two-thirds of our pork, three-quarters of our wheat, and 85% of our canola.

Outside of the WTO and NAFTA, this is the greatest trade opportunity we have seen in decades. The EU has 500 million people. Their tastes are similar to ours, and they have an appreciation for the high level of quality that can be made in Canada. It is a market in which we have a lot of room to grow and it is a market that—despite the recent news on Greece—has cash to pay for quality.

Our exports to Europe are only one-tenth of what we sell to the United States right now. Don't get us wrong, the U.S. will always be one of our best partners, but as we learned during the BSE crisis, we must not be too reliant on any one market.

For some of our value-added exports like beef and pork, there is almost no access today, and on the grain side, issues like regulatory approvals for new crop traits are trade killers.

Any trade deal where access is not real is no deal at all. It is critical for grain farmers that an acceptable low-level presence policy be negotiated concurrently with this trade deal.

In our meetings with EU countries, we said we appreciated that their consumers do not want to buy genetically modified food and we respected that. We explained that we were not trying to export GM traits, but what we wanted was a policy where if a couple of kernels accidentally get mixed in, or there is some dust in the boat from a previous shipment, trade can continue. Once we explained this, we saw many of them nod their heads in agreement. They know, and we know, there must be an agreement on this issue.

I would now like to turn the mike over to Jim Gowland, who brings a lot of experience in exporting soybeans to the European Union.

• (1125)

Mr. Jim Gowland (Past-President, Canadian Soybean Council, Grain Growers of Canada): Good morning, Mr. Chairman and committee members.

My name is Jim Gowland. I'm a cash-crop producer from Bruce County near Walkerton, Ontario. For well over 30 years I have farmed with my spouse Judy, my corporate business partner. We currently produce approximately 2,200 acres of field crops, including soybeans, wheat, corn, and white beans.

Similar to other Canadian producers, our farm maintains a sustainable crop rotation that maximizes yield and quality attributes, cost-effective utilization of equipment capital, and sophisticated technology practices that ultimately result in our long-term business profitability.

Our farm business success can be attributed to taking advantage of opportunities that add value in the above-mentioned crops we produce. For my presentation today, I will focus on the crop of soybeans, which is our farm's largest and most value-added crop.

For the purposes of this hearing on the EU, approximately 60% of our 900 to 1,000 acres annually of non-genetically-modified, non-GMO, and identity preserved, IP—the other IP in the world—soybeans enter the European Union market.

I also have been privileged to have been previously involved externally, off our farm, in provincial soybean organizations and was also the founder of a national soybean organization. Those organizational responsibilities allowed me to be part of numerous national and international market development and trade experiences over a decade.

Specifically to our farm, and under proper management and segregation practices, the added value generated to our operation for 900 acres of non-GM and IP soybeans is well in excess of \$60,000 to \$70,000 of increased returns annually.

In comparison to regular crushed-commodity soybeans, the above amount would reflect an increased per acre value of approximately 15% to 20%. We consider this premium as a return on management and investment.

When I evaluate the importance of the EU market in our farm operation, the gross farm gate amount with premium included would represent approximately \$300,000 annually. The balance of our value-added soybean production finds its way into Japan and Asia.

Within the Canadian soybean industry as a whole, the importance and impact of the EU market is a tremendous success story, as soybeans are the top export commodity from Canada.

As reported in Government of Canada 2010 statistics, Canada produced approximately 4.34 million metric tonnes of soybeans in 2010, with over 2.6 million tonnes exported from Canada. That represents 60% of Canadian soybean production. Of significance is that the EU imported 1.173 million metric tonnes of the above 2.6 million metric tonnes, or more than 44% of Canadian soybean exports.

As a dollar amount, EU soybean imports represent \$575 million of revenues to the Canadian soybean industry.

It's very difficult to quantify and qualify the value-added or premium component for Canadian soybean producers, but it could easily represent an industry aggregate of at least \$50 million annually for producers.

In addition, with the high demand for Canadian high-quality soybeans by export markets and a strong Canadian domestic demand for soybeans for crushing into meal and oil, strong domestic cash-basis levels are also improved, which is another very good monetary benefit for Canadian soybean producers.

Although the EU is a Canadian success story for soybeans, the EU is a very competitive and strict marketplace with stringent regulations. I believe that Canada has turned and can continue to turn the regulatory requirements of the EU market into more opportunities.

That being said, the Canadian grains and oilseeds industry and the Canadian government must continue to work hard together in trade negotiations with the EU and specifically with non-tariff trade barriers such as manageable low-level presence policies. It is equally important to develop low-level presence guidelines here in Canada.

As a Canadian producer, I commend all those for the positive outcomes to date of these Canada-EU negotiations.

Most certainly, I thank you for the privilege to present today. Thank you.

• (1130)

The Chair: Thank you all for your presentations.

We'll now move to question and answer.

Mr. Masse, the floor is yours. You have seven minutes.

Mr. Brian Masse: Thank you, Mr. Chair.

Thank you to the delegations for being here today.

My first question is to the Chamber of Commerce. I think it was really appropriate that you noted the transition periods that took place. You're right, the furniture industry and the suit industry did do very well in the brief term after that. I had a chance to tour both of those industries as part of the industry committee's study on manufacturing, and now they're decimated because of the other issues they faced. They got a short-term benefit but are a long-term casualty in the Canadian economy. Similar to that, you also had other unexpected negative issues with NAFTA, and I'm looking for your expertise here.

With regard to the Auto Pact, when we went into NAFTA the Auto Pact was not to be a part of the negotiations and we were able to exit it, but a third party, Japan, was able to challenge that. We went from second in the world in terms of auto manufacturing to eighth. Over the last number of years we've witnessed the manufacturing sector being decimated.

What really connects, though, is a plant like mine in Windsor, the minivan plant. The vehicles literally go across the border several times to be assembled completely. We assemble them in Windsor but the parts come from a variety of places in the United States and even from Japan. It's a very successful model. But at the same time, what I'm concerned about, and I would like your expertise, is with regard to the content and how that could be interpreted in Europe.

We see today again that Canada is actually going for further North American automotive integration with emission standards, and that could also negate access to their markets.

I would like your comments on that from your experience, please.

Mr. Milos Barutciski: Thank you.

Let me start with a couple of things. You actually kind of answered the first part of your question yourself when you said that there was, in the two industries that I identified, an initial very important benefit to them from NAFTA. Then you said that afterward they both faced some very serious challenges. Those challenges, at the end of the day, had nothing to do with NAFTA.

Then you made the point about our manufacturing industries being decimated. It's something that Americans will say. It's something that Europeans will say. That has nothing to do with NAFTA or free trade with the Europeans. That has to do with a situation with our dependence on certain kinds of low-technology, lower value-added manufacturing, which we've had for many years. Under the national policy that governed Canadian trade until the late eighties, which was high tariff barriers and protection for low-scale Canadian manufacturing, basically, every auto plant in Canada was a miniature of its comparable company plant across the border. Every brewery in Canada.... And beer is even worse, because in beer we actually had interprovincial barriers, so while American breweries, Brazilian breweries, and Belgian breweries were doing, I don't know, 10 million, 20 million, or 30 million hectolitres apiece, ours were tiny by comparison. Why? Because we had prohibitions and restrictions even on interprovincial trade.

What has happened over the years is that certain sectors of our economy, which were geared to a much smaller market and traded at a much smaller scale, really did take a huge hit. But that had nothing to do with the trade. That had to do with the way the world economy has evolved.

Mr. Brian Masse: It did. We got a short-term benefit for two smaller industries and we sacrificed a much larger one in which we predominated in the world, that being the auto sector. That was a net result of the actual decision we went through with NAFTA. We lost that element and we had short-term victories for that. I guess that's what I'm worried about: what other casualties could be out there.

You mentioned transition periods for industries in your comments. What are those industries, specifically, where we need to look at those things?

I'm just suggesting we have to look at this with eyes wide open. Once again, we negotiated those access markets and we had a surprise. By your own words, you were surprised by the furniture industry and the suit industry. It wasn't something we expected as we negotiated. We actually left the door open to destroying one of the most successful manufacturing agreements that we had with our largest trading partner, that being the Auto Pact.

I'm interested in those industries you're saying need that transition, because we need to ameliorate those expenses. I think there is a responsibility. If you build a successful company in Canada and the government changes the rules, then you need to have at least some transition or at least some support to be able to meet the new market demands and the challenges the government has now introduced to your business plan, which you didn't have prior to that.

• (1135)

Mr. Milos Barutciski: Let me deal with the transition issue. You're absolutely right, there will be certain sectors that are going to face a more difficult transition than others.

I'm not trying to duck the question, but it's the responsibility of specific business sectors to identify what transition measures are important for their sectors. Believe me, the auto guys have not been quiet and have been talking to the negotiators on a pretty regular basis, as has the agricultural sector, as have individual sectors. That's something that really is up to the industries—and for that matter, the employees—to bring to government. It's not something for a general organization like the chamber.

What I flagged, which I think is really all the chamber can flag, is the need to make sure the transition is considered and appropriate measures are adopted where necessary. But it's really specific sectors. Whether it's the grain growers or whether it's the auto manufacturers association that will give you the details they think are important for them, I'm sure you've heard from them and will hear from them.

Mr. Brian Masse: So the chamber does not know which members you represent are at risk under this deal—is that what you're saying?

Mr. Mathias Hartpence: No, that's not.... May I just quickly interject?

We've been consulted time and time again, as have other sectors, and our members have been very happy with the degree to which we've been consulted over the past two-plus years. Even before this agreement was being negotiated, we had been actively consulted. In that respect, what we expect to see from the final agreement when we get there is a good, balanced agreement that reflects that very large panoply of different views on this agreement.

Again, I want to re-emphasize—I want to be emphatic about this—that the balance across the sectors and within the sectors is that this agreement is a good one. There are things that will need to be, obviously, adjusted with the agreement. That's the reason we're having these negotiations. There are barriers that have to be dismantled, and a lot of them are those so-called behind-the-border barriers that multiplied over the past decade and a half, and especially over the past decade.

But again, I just want to re-emphasize that we see that what's going to come out of this is a good deal. This is the case for, again,

the whole country. The provincial chambers that are part of our network have said this, and you've seen the open letter we signed along with all the provincial and territorial chambers of this country that is supportive of this agreement.

The Chair: Mr. Keddy.

Mr. Gerald Keddy: Thank you, Mr. Chairman.

Welcome to our witnesses.

I'm going to be sharing my time with Bev.

This is an interesting discussion. This has caused a fair amount of discussion in the newspapers and the reports that we're reading every day across the country.

My first comment is for Mr. Phillips. With the exception of a few of my colleagues, most of my colleagues wouldn't know a grain from an oilseed, but they do know malt. Malted barley is something that I think everybody at the table understands.

The Chair: I take offence to that. I know the difference.

Mr. Gerald Keddy: Well, I did say that a few of my colleagues know the difference.

I would say this to all of our witnesses, and then I'll hand this over. This is more of a statement than a question. I think that as a government we've tried to have a very extensive consultative agenda on the comprehensive economic trading agreement with the European Union.

All of our witnesses have stated that, and it's certainly not just in your areas, but across the country, with every individual sector, whether that be agriculture, forestry, fisheries, manufacturing, or the Federation of Canadian Municipalities. There have been very extensive consultations and I think there's a very good awareness of this trade agreement.

I think it's important to simply put that on the table, because obviously negotiations are in private, as they need to be and have to be, but every single sector that's affected has certainly been consulted during these negotiations.

Now I'm going to turn it over to my colleague.

• (1140)

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

I know time is short, so I'll skip the preliminaries. I just want to get right to it if I can.

Mr. Phillips, I appreciate, quite honestly, and I understand. You said right at the start that “we do not believe the government owes farmers a living”, but what struck me more was what you followed up with. And I share these values and beliefs in agriculture: that regulations, market access, a developing market, and research and innovation are the success in sustainable agriculture.

You talked about the export of value added and you mentioned \$40 billion in exports in total. But on beef and pork, can you talk to me a bit about that? Maybe if I'm wrong and you want me to divert to when we had the livestock here...I know you're more about the grains. Maybe I'll skip that and ask you if you are talking about value added also. Is it strictly boxed meat, sort of...? Because we're likely not going to ship a live hog to the other side of the ocean, unless it's genetics.

The other part I would have, then, is that no access is really not trade. That's a good statement. Everybody should understand that. I'm concerned about the low-level presence, which you talked about. When I was on the agriculture committee, that became an issue in terms of markets, in terms of having shiploads go over and maybe get turned around because of... How do you see those low level of presence talks going, from your perspective?

Mr. Richard Phillips: First I'll respond to the value-added piece. Feed grains are what go into pork, poultry, dairy cows, and beef, so when we say “value added” it is the processing as well, like the boxed meat cuts.

But for us, having that local market there, whether it's Quebec farmers feeding beef or Ontario farmers feeding pork, and having the ability to move feed grains directly to our neighbour.... And he adds value to it. He has veterinarians. He has a feed mill grinding feed. He's buying supplements. He has people working in his feedlot. That alone is value added for us, rather than shipping raw, low-value feed grains overseas and trying to find markets. We view our domestic feed industry as one of the most important markets we have here in Canada for those products.

On the low-level presence policy, Canada is not clean on this issue either. I think it was quite a surprise when we found that out early in the EU negotiations, when we were pushing for low-level presence and they asked, “Well, what's Canada's policy?” Lo and behold, we didn't have one either.

So within the industry we have pulled together almost everybody in the grains sector, along with the Canadian Food Inspection Agency, PMRA, Health Canada, and everyone else, and we have been moving at relatively lightning speeds, in government terms, to pull together a Canadian policy. We're just in the final stages of that right now. In fact, there are public consultations going on as to whether the draft policy is the appropriate policy for Canada.

Mr. Bev Shipley: Will that have some American or international standard developed with it, so that when we develop a low-level presence standard here it's one that's accepted? As we've been developing free trade agreements around the world—and we are going to continue to do that—are we looking at international standards for low-level presence?

Mr. Richard Phillips: The international standard out there is called Codex, which is an arm of the United Nations, and it's what we would like to see referenced. We'd like to see something like that

out there so there's one standard, whether it's Canada doing the research on the food health and safety or the U.S. or the European Union. Countries with credible regulatory systems should be able to do the testing and put this up there in an international standard and then we can start looking at one another's testing data rather than replicating everything.

Mr. Bev Shipley: I'd like to go for a minute to Mr. Gowland. It will reflect back in terms of the low-level presence in agriculture, because you talked about being able to grow non-GM. You're growing non-GM and IP soybeans, which are, by the sounds of it, a major part of your production.

Do you also grow any GM crops?

Mr. Jim Gowland: Yes, we do.

Mr. Bev Shipley: So if we can come with the Codex or the international standard on it, are you as a producer concerned about being a victim of a low-level presence that you can't control because you're actually growing non-GM and GM crops? The GM may not get exported to the EU, but your non-GM very well could be.

Is that a concern? And how do you deal with that, for assurances to the agriculture industry?

● (1145)

Mr. Jim Gowland: Good question, Bev.

As far as the low-level presence goes, you can look at it two ways. You can look at it very negatively and say this isn't a very good thing, but we can also have it so that you can enhance that and look at it as a competitive type of situation as well. We talked about the Codex thing here, about having more international standards to approve events that are out there. Situations of dust in shipments were alluded to, and more particularly a couple of years ago corn dust was found in a soybean shipment out of the U.S. and it was pretty hard on the market for a few months. We weren't sure where that was going to go.

If we can get these new events that are being developed genetically approved—and it's not that we're asking for a wide-open high level to be there—and if it can be accommodating for even a minuscule amount, then that can give us a competitive advantage too. I think that's been the success of the grains and oilseeds industry in Canada, particularly in soybeans and particularly in our own farm operation. The fact is, we can get down to that number that is put in place and we can do a good job because there are a lot of competitors around the world that can't. That's the one thing we have to make sure of: that we don't knock ourselves out of the market as well.

So when we do a low-level presence thing, we don't want the number too high. We just want to make sure those events are approved, that there is accommodation there, and that the low-level presence can be tolerated for a bit. We can work within those parameters. I see it as a benefit.

The Chair: Thank you.

Mr. Easter.

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

To the chamber, I do think it's interesting that both Canada and the EU have very much favoured the multinational, multilateral talks and certainly that's where we'd like to be. But the situation is such that Doha looks like it's not going to complete and here we are.

The chamber is a fairly substantial organization and I know you've favoured this agreement for a long time, as we do, as long as it's a net benefit to Canada. Being such a substantial organization, have you been informed on the results of the ninth round?

Mr. Mathias Hartpence: We've been consulted and there are mechanisms to consult with all stakeholders in these negotiations. Certainly with the business community it's been very extensive, but we understand that it's been done also with civil society and with all these negotiations our members obviously follow. So we are looking at this agreement as it evolves, not in terms of the high, very technical nitty-gritty of it but certainly the contours. Our sense, again, is that this is shaping up to be a very good agreement.

For example, because the membership is so large, we have an AGM every year and it involves hundreds of delegates from across the country, local chambers, SMEs for the most part, and they come and vote on policy resolutions. We like to call it the parliament of business because it operates as such. On the resolution dealing with trade and with this Canada-EU CETA, year after year the response, the pro vote, has been overwhelming.

Hon. Wayne Easter: Have you seen any net benefit analysis? There is the analysis that was done at the beginning of this. I said many times at the beginning of the discussions that this is a dream list. But have you seen any net benefit analysis from the Government of Canada on any of the recent rounds that specifies where the winners and losers will be? Don't worry, there are going to be winners and losers.

Mr. Mathias Hartpence: The study that was done was rigorous. It had to be done to begin these negotiations. Some of the results have moved just because a lot of economic parameters in the world have changed. There has been an economic crisis and things have changed somewhat. Yet we found within our membership, with

whom we have regular discussions, that precisely as a result of that crisis four years ago now, Canadian business is more ready than ever to pursue the opportunities.

• (1150)

Hon. Wayne Easter: We understand that. But have you seen a net benefit analysis? This is what bothers us. We're not seeing a net benefit analysis.

Mr. Milos Barutciski: Let me answer the question very simply. We have not seen, from the government, a detailed analysis of the economic winners and losers that are anticipated and what the ultimate effect is projected to be. As a business community, we don't expect to see one at this stage.

This is the ninth round. It is still a negotiation. We have seen from individual members—essentially from individual companies and industries—their reactions and their estimates of what they expect, and those have been overwhelmingly positive.

Hon. Wayne Easter: I hope you'll have time to get to the IP and the patent rights.

I want to come back to what Mr. Masse talked about earlier. You said that to adapt, transition periods are necessary. One of the things I'm concerned about is the supply management industries and where they might end up after these negotiations. I'm probably going to have a little disagreement with Mr. Keddy. But at a meeting a number of us were at this week, Ambassador Brinkmann of the EU said they needed something on dairy, implying that they need it for all of their 27 member states. To his credit, he said that they don't need supply management to be abolished. But he also said that they needed bigger access, that the quota access into Canada has remained low for many years. The government continues to say that it's zero-zero. We know it's not going to be zero-zero, but I'd like them to be at least honest with the industry, which we don't seem to be able to get.

On your position on transition periods, we know that the government, in the Conservative Party policy statement of February 4, 2004, said that a Conservative government “will ensure that any agreement which impacts supply management gives our producers guaranteed access to foreign markets and that there will be a significant transition period in any move towards a market-driven environment”.

I know the chamber is not always a friend of supply management, but is that what you're talking about with the transition period? Just what do you mean?

Mr. Milos Barutciski: We have many members in the chamber who are dedicated and committed to supply management. We have many local chambers that are dedicated and committed to seeing supply management continue. So I'm not going to speak on their behalf, and I don't think the chamber is going to speak on their behalf. The chamber is a national organization that covers literally every sector. The chamber is never going to say that this is what we want to see for such and such a sector. Mr. Masse asked me if we know, as a chamber, the likely winners and losers. We do know the concerns of certain sectors, but we also know what the concerns are on the other side. So I can't answer your question on details.

Hon. Wayne Easter: I would put it to you this way—

The Chair: Let's have a very quick question, and a quick answer.

Hon. Wayne Easter: Our concern has increased recently with what's happened to the Canadian Wheat Board. The government didn't allow a vote of producers as the minister promised he would do. I would say to all organizations, including the Grain Growers of Canada, that they should be concerned when democratic rights are bulldozed down the river.

The Chair: I think you're a little late on your question, but since you haven't used your time to ask the question, I'm going to go to Mr. Hiebert.

Mr. Russ Hiebert: Mr. Brinkmann, whom my colleague referenced a moment ago, made a statement at this particular event, where he said, "The EU won't harmonize standards, but manufacturers need to produce to one standard for all of North America". Can somebody explain to me the impact this would have if this were part of the CETA negotiations? Is it foreseeable that North America could produce to one standard to satisfy these negotiations?

Mr. Barutciski, you talked a little about regulations, and I'm trying to understand this better, because there are 27 member states and I would presume they all have their own regulations. They're still sovereign countries. Canada has its own regulations, the U.S. has its own regulations. Here we have the present EU ambassador saying they won't harmonize their standards, but they're expecting we would harmonize to a North American standard. Can you unpack this for me and help me understand? If we're not going to harmonize our regulations, how does it work? How do you manufacture to a common standard?

• (1155)

Mr. Milos Barutciski: Everything you've said is absolutely right. We have 13 provincial and territorial governments, each with their own regulations across a wide range of areas, industrial, agricultural, and so on, and that is the world that everybody, every manufacturer, every grower or exporter, has to deal with. In some areas—and we were touching on it when I think Mr. Gowland mentioned the low-level issue—there are international standards. So in that context, I gather from his testimony, something is being developed on food products and food safety at the Codex Alimentarius, which is the UN agency based in Rome.

We have ISO standards in a bunch of areas, and the way the technical standards world works is that quite often countries will adopt a version of the international standard and tweak it here and there for local needs or for whatever reason they think is important. But there's no question it's a spaghetti bowl, and manufacturers

routinely have to adapt product to different communities, different standards, different packaging and labelling requirements.

We have bilingual labelling. Every American and European manufacturer that makes a consumer product that comes to Canada has to have a separate line to run and package the Canadian-destined product. In Spain it's different. In Latin America it's different. In Brazil it's different yet again. So that is the reality.

I'm talking about labelling, but it doesn't say anything about the actual technical standards for electrical standards, for example. We have a Canadian electrical code that is designed by the CSA, but each province has adopted a slightly different version of it. Again, it's something that over time tends to—"harmonize" is perhaps the wrong word—converge, so that manufacturers ultimately make a product or aim to make a product that will satisfy multiple standards.

Are we going to harmonize with the United States for the European Union and are the 27 member states of the European Union going to harmonize on a range of issues? On a range of issues, they already have. The EU has directives across the range of consumer and other products where they've said this is the European standard and these standards can be departed from here and there for one's own particular purposes, but they must be met Europe-wide and the other EU countries' standards must be accepted. So it's a bit of a spaghetti bowl, but that's the spaghetti bowl manufacturers and exporters have to deal with.

Your second question, on regulatory cooperation, goes to the point I was trying to make in my opening testimony, which is too often... Sorry, let me back up. The aim of regulatory cooperation in this trade agreement, and I hope in future trade agreements, isn't to impose a one-size-fits-all uniform, technical standard across a range of subjects. It's to create mechanisms that allow the regulators to take into account what the inadvertent impacts will be on our trading partners and on our own manufacturers who are trying to export into foreign markets of imposing a standard that is completely out of whack with either international standards or key trading partner standards.

In other words, it's not a mechanism to force harmonization. There may not be any harmonization on anything. It's a mechanism to allow enough communication to know in advance that if the CFIA, the Food Inspection Agency, goes in this direction or if Health Canada under the Hazardous Products Act does or the Europeans under their REACH chemical regulations go over here, we will have mechanisms to flag potential issues that will have trade effects.

So that's what we're talking about, not an across-the-board, wholesale harmonization, but wholesale harmonization in some areas is on the table and there are areas where we have negotiated through the ISO process, sometimes through voluntary standards that industries have adopted. Industry standards are now commonly accepted around the world; other areas, like emission standards, are less accepted.

Mr. Russ Hiebert: Will that be negotiated? Isn't it part of the agreement?

• (1200)

Mr. Milos Barutciski: It's not part of the agreement. When they talk regulatory cooperation, it's not to create a framework that will then impose harmonized standards on everybody.

Mr. Russ Hiebert: It sounds more like a warning system.

Mr. Milos Barutciski: It's a warning system, and channels of communication will allow, as the regulatory process develops standards and regulations, red flags to come up and be dealt with.

Mr. Russ Hiebert: How much time do I have?

The Chair: You have one minute.

Mr. Russ Hiebert: The other thing you talked about was this negative list. My understanding is that it's very ambitious: it puts everything on the table except.... Is that how it worked with NAFTA?

Mr. Milos Barutciski: Yes. In other words, what we have on the investment provisions in chapter 11 of NAFTA apply to all sectors, and then there are annexes and schedules that say that Canada—and there are others for the United States and Mexico—makes reservations on these sectors, on these particular regulations.

Another example is the Investment Canada Act. There's a very specific reference in the annex to the NAFTA that says that whatever commitments we've made under chapter 11, the Investment Canada Act is still the law of Canada, and the other parties agree.

That's kind of how it works. We set a standard across the board, and then we carve out those things we have concerns about. The traditional European and WTO approach was to say that we're only going to liberalize on these 16 things. So you have, for example, the general agreement on trade and services, the services side of the WTO. It only applies to the sectors that each member has volunteered it to apply to.

That means that in the first negotiation we put up six sectors, the Europeans put up twelve, the Americans put up ten, and the Japanese put up three, and then it's a tough haul to move to the next level of liberalization. This sets the high standard right at the outset, except for those things that you've excluded.

The Chair: I want to thank you very much. Our time for this segment is gone. I want to thank the Grain Growers of Canada for coming in. To the Canadian Chamber of Commerce, thank you for your input. It's been very valuable.

We will suspend for a few minutes to allow our second table of presenters to come forward and be seated.

• (1200)

_____ (Pause) _____

• (1205)

The Chair: I call the meeting to order.

We want to thank our witnesses for being here. We have the Canadian Centre for Policy Alternatives, Scott Sinclair, and SNC-Lavalin International Inc., Mr. Blackburn. Thank you both for being here.

Mr. Blackburn, I believe you're up first.

Mr. Robert Blackburn (Senior Vice-President, SNC-Lavalin International Inc.): Thank you, Mr. Chairman and members of the committee.

I'm Robert Blackburn, senior vice-president with SNC-Lavalin. I'm responsible for relations with government, international development banks, and, by serendipity, for our markets in sub-Saharan Africa. So I have a number of roles.

We support and welcome the government's commitment to growing and diversifying Canadian export markets, markets for exporters of goods and services, and investors. We welcomed the Prime Minister's statements about this, last weekend in Hawaii.

We're very focused on growing and diversifying our markets outside North America. We have only 3% of our business in the United States, but in Europe last year, excluding Russia, we had 7% of revenues of \$6.3 billion, so about \$453 million. Europe is an important market for us. We're in France, Belgium, Romania, Spain, and the United Kingdom.

We have about 11,000 employees outside Canada. We have 4,000 in Latin America, 3,000 in Europe, and 1,000 in Africa. We're focusing on building our presence not only in fast-growing markets but also in Europe, which is our second-largest source of imports and destination for exports and source of investment for Canada. So it's an important market. It doesn't have the fast growth characteristics perhaps of some of the other markets in the news, but it's a very important one.

We're active in Europe in the infrastructure field. We manage ten airports. We have ownership stakes in some of them and we're just building a new one on the French island of Mayotte, of all places. We're helping to arrange the financing and we're going to manage it for the next 15 years. We're also involved in light rail, industrial, mining, and various other sectors. So Europe is an important market for us.

We're optimistic. We're happy that there have now been nine successful rounds of the comprehensive economic and trade agreement negotiations with Europe. I know they're getting down to the tough issues now. We've been keeping track of these things.

Our interests, as you might expect, are for the free movement of people—business people, experts—back and forth among Canada and the European countries. We use our talent pool globally. We're active in about 100 countries and we move our people around, finding the best expertise for the projects we're undertaking. Right now, we have about 10,000 projects around the world. We couldn't micromanage things the way the government sometimes tries to micromanage things.

We would also like to see a comprehensive agreement on services. Milos talked about the negative list approach, which we think was the only way to go, that we would really realize some of our objectives. Mutual recognition of professional qualifications is also an important subject. We want to be treated without discrimination in infrastructure markets and in government procurement. There needs to be a credible, reliable, dispute settlement mechanism and a mechanism that could provide compensation when there is discriminatory treatment.

Just as a final point, I think it's great to see the provinces involved the way they have been in this negotiation. There was a hint of that two years ago in the stimulus package involving the provinces in an agreement with the United States on government procurement. My hope might be that the provinces' cooperation in that way in foreign markets might lead to some further cooperation among the provinces here in Canada in strengthening our own internal market, which still has a lot of impediments. Just go across the river and you may have to tear up a sidewalk because it wasn't built by the right kinds of workers.

• (1210)

Anyway, thank you very much. I'd be happy to take any questions, in English or French.

The Chair: Thank you very much.

You're absolutely right: the side effects of an agreement like this could help us improve our own domestic lot.

Mr. Robert Blackburn: Let's hope we can get used to working together.

The Chair: Exactly.

We have Scott Sinclair now, from the Canadian Centre for Policy Alternatives. The floor is yours, Scott.

Mr. Scott Sinclair (Senior Research Fellow, Canadian Centre for Policy Alternatives): Thank you, Mr. Chair, and thank you to the committee. It's a pleasure to be here today.

As its name suggests, the comprehensive economic and trade agreement, CETA, is intended to be an ambitious agreement that will affect matters beyond international trade. Traditional trade barriers between Canada and the European Union are already very low. Our average tariffs are about 3.3%. The Europeans' are 2.2%. Even total elimination is not going to provide that much of a kick. The exchange rate changes more than that—sometimes in a day, these days.

What we are dealing with here are regulatory issues, non-tariff barriers, and governance issues. Now, in every bilateral trade negotiation since the NAFTA, Canada has been the larger party. It's been able to set the terms of the talks and work from its existing

trade treaty template. But the CETA negotiations are different. The EU is a superpower, used to getting its way in talks with smaller partners.

Consequently, the CETA could result in major changes in the trade and investment rules, affecting a broad range of Canadian policies at all levels of government. In the brief time available, I will highlight some potential impacts related to investment protection, government purchasing, and public services—and if time allows, intellectual property rights and drug costs.

Investor rights agreements, such as the NAFTA chapter 11, go well beyond fair treatment. They grant special rights to foreign investors that enable them to bypass domestic court systems. Arbitral tribunals can order governments to compensate investors allegedly harmed by public policies or regulations. There have been 30 investor state claims against Canada under NAFTA and cases continue to mount. Canada has lost or settled five claims and paid damages of over \$150 million.

Some of the most controversial features of the NAFTA investment chapter have not been included in previous EU trade agreements. However, the European Commission recently gained the power to negotiate investment protection agreements on behalf of the entire EU.

Early in the CETA negotiations, Canada put the NAFTA chapter 11 template on the table. The EU has now responded, quite recently in fact, and under pressure from some of the member states has been demanding an agreement with even stronger investment protections than the NAFTA in certain respects. It is also insisting that provinces and municipalities fully comply.

Under the NAFTA's most-favoured-nation rules, any concessions made to European investors in the CETA are automatically extended to U.S. and Mexican investors.

Canada's experience under the NAFTA is raising some concerns in Europe. Both the European Parliament and an official EU sustainability impact assessment have questioned the need for including investor state dispute settlement in the CETA.

In addition, under the investor state arbitration rules of the European energy charter treaty, a Swedish energy company, Vattenfall, recently launched some very contentious claims against Germany—the first investor state claims ever against Germany—related to the regulation of a coal-fired plant in Hamburg and Germany's decision to phase out nuclear power.

But public awareness is still low, and the CETA threatens to expand this controversial model of investor protection before citizens understand all the implications. Both Canada and Europe have mature, highly regarded court systems that protect the rights of all investors, regardless of their nationalities. There is little or no justification for including investor state arbitration in these negotiations.

Now I'm moving to procurement and public services. Unconditional access to government procurement, particularly at the provincial and local government levels, is the EU's top priority in these negotiations. The proposed restrictions would severely curtail governments' ability to use their purchasing power to enhance local benefits. The rules prohibit local development conditions, which are defined as offsets, even when contracts are competed for openly and do not discriminate against foreign suppliers.

Canadian governments could lose a valuable tool for creating employment, protecting the environment, and assisting marginalized groups. Furthermore, many Canadian public services are provided by provincial and municipal governments. European companies want market access to the provision of these public utilities.

• (1215)

The CETA would be the first Canadian trade treaty to cover municipal-level procurement, including vital services such as waste management, public transit, and drinking water.

The exclusion of local government procurement from previous trade treaties has definitely reduced the risk of litigation and demands for compensation from corporations when privatization schemes go off the rails. Under the CETA, once a local government decides to contract out a service, it would trigger powerful rights for foreign companies to challenge any perceived bias, any local development conditions, and any attempt to halt or reverse the contracting-out process.

European multinationals have successfully pursued investor state cases over failed privatizations in developing countries such as Argentina, winning damage awards of hundreds of millions of dollars. While the CETA may not force governments to privatize, giving new legal rights to corporations would facilitate commercialization and help lock in privatization. It would also interfere with the ability of future governments to expand or create new public services.

Now, as you've heard in previous testimony, the CETA would be the first Canadian bilateral free trade agreement since the NAFTA to have an intellectual property rights chapter, and it would go well beyond Canada's existing obligations under the NAFTA and the WTO. The leaked draft text contains some very aggressive EU demands. These include an extended term of patent protection that would add the time it takes for a drug to receive regulatory approval—which can be up to five years—onto the regular period of monopoly protection. It also includes longer terms of data exclusivity. Canada already has among the highest in the world, but they want it to go eight to ten years, which is the European standard. And it includes new rights of appeal that would enable the brand-name drug industry to delay the approval of generic drugs.

Any combination of these changes would reduce the availability of cheaper generic medicines and drive up costs to provincial governments and Canadian consumers. A study by two respected experts estimates these extra costs at \$2.8 billion annually.

Brand-name drug companies claim that they need strong intellectual property protection to justify investing in research and development in Canada. Yet these same companies have consistently failed to fulfill previous promises, made during the NAFTA

negotiations, to invest 10% of their sales in research and development in Canada.

More importantly, drug costs are the fastest-rising component of Canadian health care costs. Containing drug costs is absolutely essential, and the CETA intellectual property provisions could deal a critical blow to the sustainability of Canada's universal health care system.

That brings my opening statement to a close.

In these and other issues that I've discussed, the CETA negotiations are more concerned with limiting the ability of governments to regulate than with reducing certainly traditional trade barriers. And for that reason, it raises some very serious issues and puts the future of many important policy tools and public programs in question.

Thank you.

• (1220)

The Chair: Thank you very much for both of those presentations.

We'll now move to the question and answer portion of the meeting.

Madame Péclet.

[*Translation*]

Ms. Ève Péclet (La Pointe-de-l'Île, NDP): Thanks to the witnesses. My questions will be for Mr. Sinclair.

In your presentation, you mentioned local development and local benefits. You said it was the duty of the municipalities and provincial governments to stimulate the local economy. You discussed the principle of non-discrimination, which is part of the treaty negotiations and which is at the origin of the national treatment rule. In other words, it will be impossible for government entities to give local entrepreneurs preferential treatment or to stimulate local employment.

Can you comment on that effect of the agreement?

[*English*]

Mr. Scott Sinclair: Thank you for the question.

The CETA would be the first of Canada's international trade treaties to include binding commitments on municipal governments. Until the recent Buy American deal, which included some provincial procurement under the WTO agreement on government procurement, that was also true of provincial governments.

As you state, one of the most contentious parts of the CETA text—which is standard in the WTO agreement on government procurement and in the NAFTA procurement chapter, but these have not applied at the local level and until recently at the provincial government level—is a prohibition of what are called offsets. And offsets are simply defined as any local development condition.

When SNC-Lavalin and other Canadian corporations are active around the world—and the same is true of European corporations here—they are able to compete on contracts, but public entities will negotiate with them for local benefits. They will look, as governments should, at local employment, local training, taxes paid in the local economy, and they will make determinations of best value based on that. To me, that is a responsible use of taxpayers' money. It's completely consistent with open tendering processes. The criteria are spelled out clearly in advance, weighted, and the best bid wins. We do apply local development criteria.

•(1225)

[Translation]

Ms. Ève Pécelet: In your presentation, you mentioned an additional amount of \$2.8 billion that the provinces will have to absorb if the European Union's demands on patents are met.

Could you tell us about the potential consequences for access to prescription medicines and the health system for Canadians?

[English]

Mr. Scott Sinclair: The demands made by the European Union for changes to our intellectual property rights protections, particularly in the area of drugs, would have very serious consequences for Canadian health care costs. The specific figure I cited and you repeated was in a study by Toronto- and Calgary-based experts, Hollis and Grootendorst, which I believe was published last year.

It is absolutely critical that Canadians and Canadian governments control health care costs. If these European demands were agreed to, Canada would have the strongest system of structural protection for brand-name pharmaceuticals in the world. We would be combining elements of the American system and the European system in a unique combination that doesn't exist anywhere else in the world. For example, the Europeans don't have a patent linkage system like ours, copied from the United States.

So I think this is a critical area. It's absolutely essential that we control health care costs. I don't think this should be seen simply as a contest or a difference between the generic industry and the brand-name industry. You certainly heard that testimony. This is a public health care issue. Certain provincial governments have expressed very strong views on this because of their absolute imperative that they get control of drug costs in the health care system.

Ms. Ève Pécelet: We could talk about investor rights. You said in your ending statement that there is little or no justification for including investor state arbitration in the CETA. You were talking about the consequences the NAFTA had to Canada. Could you expand a little on those consequences?

Mr. Scott Sinclair: When the NAFTA was negotiated and signed, Canadians were basically told—if they were told anything—that investor state arbitration in chapter 11 of the NAFTA was needed because of structural problems of corruption in the Mexican court system, and it wasn't really an issue that should concern Canadians. Since then the international trade bar and others have very aggressively used those provisions to challenge Canada—and too many times successfully. There have been 30 investor state claims.

I think there's growing awareness in Europe of the hazards to environmental protection regulation with these types of rules.

Canada and Europe have highly regarded democratic systems of justice that are open to everyone, including corporations. I don't really believe that the risk of entrenching this investor state arbitration system, which would be new for Europe in a regional trade agreement, is an appropriate one.

The Chair: Thank you very much.

Mr. Cannan.

Mr. Ron Cannan (Kelowna—Lake Country, CPC): Thank you, Mr. Chair.

Thanks to our witnesses.

I would like to ask my first question to Mr. Sinclair. I follow local government and local politics very closely. I spent nine years in local office—I was elected three times—and spent a couple of years in our provincial association in British Columbia. It's very important. In fact we have our elections for the municipalities across the province of B.C. this Saturday. It's very important. It's crucial that all levels of government work together, as there is only one taxpayer.

You made reference to a paper you had presented in Halifax in June. You talked about the proposed thresholds for some national governments being approximately \$300,000 for goods and services and \$8 million for construction and concession contracts. These thresholds are quite low by international standards. I would just like to clarify that those are actually WTO standards, the World Trade Organization, so they are international standards.

During the discussions you made some reference to the fact that municipalities are covered under the CETA procurement provisions, and local governments would lose a valuable policy tool for creating employment, protecting the environment, and assisting marginalized groups. However, we've heard from president of the Federation of Canadian Municipalities. We've had representation actually at committee from the Federation of Canadian Municipalities. It did also meet with International Trade Minister Fast and said:

FCM welcomes the federal government's commitment to a CETA deal that creates new jobs and opportunities for Canadians while protecting the local decision-making that is the lifeblood of strong, healthy Canadian communities.

Because of my interest and passion and support for local governments, I understand the hard work they do. They all represent their constituents at the grassroots. They are happy with the CETA.

Mr. Sinclair, are you claiming to know what's best for municipalities and saying FCM is misguided?

•(1230)

Mr. Scott Sinclair: I think that the level of knowledge among certain municipal officials about this agreement is certainly very low. I was quite shocked to learn at the FCM convention in June in Halifax that City of Toronto councillors were not even aware if their procurement was about to be included in the Canadian offer, which I believe was tabled about that time.

FCM does have a committee that meets with the Department of Foreign Affairs and International Trade. I'm not privy to the discussions there. They developed a number of principles, as you're aware, that they insist be satisfied in this negotiation.

I believe, particularly if the thresholds are low, that the administrative costs on municipalities from complying with these rules could be quite significant. All you have to do is talk to your own Treasury Board officials in Ottawa about those administrative costs, which can be quite significant, even in a streamlined, centralized organization such as the Treasury Board.

More importantly, for the major contracts, for public transit, green energy, and areas like this, I think municipalities such as Toronto and others—and certainly in Quebec—have applied local development criteria that have been beneficial to their communities.

It's the 20% of municipal contracts that are over the threshold that probably account for about 80% of the value of the total contracts covered by these types of agreements. They are the contracts that can have the greatest development impacts.

Mr. Ron Cannan: Well, we will have to agree to disagree on some of that, because I know there are many hard-working, very knowledgeable mayors and councillors across this country who dedicate their services to their communities, and they have indicated support of this agreement. I would like to stand behind the FCM's position.

Mr. Blackburn, you haven't had a question yet, and I don't want you to feel lonely there. I appreciate your coming and sharing your experience and enthusiasm for this agreement.

Maybe you could tell us a bit about the tariffs and some of the non-tariff barriers facing the industry. How do you think CETA will help your company and the industry overcome some of these barriers?

•(1235)

Mr. Robert Blackburn: Well, it isn't really a tariff question for us. We don't manufacture anything. We're a services company and sometimes an investment company.

Mr. Ron Cannan: And the P3s—I know you've done several.

Mr. Robert Blackburn: Yes, including some in Europe, and some in Canada, and some elsewhere.

I guess our priority is trying to be on a level playing field around the world in various markets. For instance, we're very much hoping that the free trade agreement with India will go someplace. As I said earlier, we've been growing our resources there. Also, the Prime Minister talked this weekend about joining the Trans-Pacific Partnership, which I think is really important, because otherwise we are going to get left behind as the other countries around the

Pacific lower their trade barriers. In some cases there are tariffs, and certainly a lot of discrimination against foreign companies coming in.

Our priority is having unimpeded access so we can go bid and work in as many markets around the world as we can. We're pretty good at that. We're facing stiff competition these days from all sorts of places. Competitors from France, Spain, and the U.K. are very important in the markets we work in. We hear about India and China as well, but our European competitors are pretty strong too. It's sometimes hard, despite the 3,000 people we have working in Europe, to get treated as a European company. We've seen that in Spain. We've seen it in France, for reasons that you can understand.

One of the things I would say about the benefits of investments for local development is that our experience around the world, wherever we go, is that for competitive reasons as much as anything else, we work with local people, with local goods and services suppliers. If we tried to take Canadians everywhere, it wouldn't work. We couldn't be competitive. We even go to the extent of training thousands of industrial workers and local suppliers, which we are doing right now in Madagascar, and have done in South Africa and Mozambique. It's a standard way of proceeding. We work with local people. There are strong local development efforts. In Europe, we haven't been involved in this kind of training because there are lots of local skills there.

The Chair: Thank you very much.

Mr. Easter.

Hon. Wayne Easter: Thank you, Chair.

Thank you both for coming.

I think you said, Mr. Blackburn, regarding the use of the talent pool globally, you'd like to see a comprehensive agreement on qualifications.

The topic here thus far does seem to be the investor state arbitration agreement. Scott, you had a fair bit to say on it. Can you both explain fairly concisely how it would impact local development criteria? I know in Ron's question there was some discussion on that. Do you have different opinions on local development criteria? In your answer a moment ago, Mr. Blackburn, you mentioned that you couldn't do it if you didn't hire local. You can't move Canadians all around. What's the threshold at the municipal level? As I understand it, smaller communities are not affected, and it's quite a high threshold. Would you both explain local development criteria? I do think that is important.

Scott, do you want to start, or Mr. Blackburn?

•(1240)

Mr. Scott Sinclair: Sure.

As a clarification on the enforcement of different aspects of the agreement, the investor state arbitration mechanism is used to enforce the investment chapter of the agreement, and the procurement provisions are normally enforced through a domestic administrative tribunal. So in Canada at the federal level it would be the CITT.

These administrative tribunals still have quite draconian powers. They can tell a municipality or a provincial government, if they run afoul of the rules, to re-tender the contract. They can award compensation to a supplier who has been unfairly treated, or treated in a way that is not compatible with the rules.

A big issue I have with these rules, sort of the standard template of rules, is this prohibition of offsets. Offsets, as I've said, are defined simply as any local development condition. So the kinds of local training provisions that were described in the case of Madagascar, which I believe is standard practice around the world and a reasonable thing to expect when governments go out and procure with public money, would actually be illegal and inconsistent with these rules unless Canada were to take some kind of a reservation or protection or exemption, which, if we're going to commit ourselves to these rules, we should. It is certainly reasonable for governments to apply a different standard of best value from that of a private company when they go out and purchase.

Hon. Wayne Easter: Mr. Blackburn, do you have anything to add?

Mr. Robert Blackburn: I would only say that the projects I'm describing aren't government projects at all. It simply makes sense from a business point of view to do these things. We weren't under any obligation from Madagascar or Mozambique or South Africa.

It is interesting that our experience in Mozambique and South Africa is a case study and was used to train people at the World Bank about good ways to do resource development in the developing world. And it was paid for by our client. They wanted it.

Hon. Wayne Easter: I'm likely going to run out of time here, but are you the folks who are doing the airport in Ecuador?

Mr. Robert Blackburn: No.

• (1245)

Hon. Wayne Easter: Okay, because I was there, and it was 98% local people. It is EDC. Canada is behind that development.

On the use of a talent pool globally and a comprehensive agreement on qualifications—that's something we need in Canada internally—do you want to expand on that a little? I really think that's an extremely important area within this country, and we aren't anywhere on this. Why would it make such a difference on investments in terms of the CETA agreement?

Mr. Robert Blackburn: Well, I'm not an investment expert. It's not particularly investment grounds I'm talking about. But we use our talent pool, Canadians and our 11,000 people who are outside Canada, and project by project we put together our teams.

As it happens, I was at the Commonwealth business forum in Perth two weeks ago. We have a good-sized local office there in the mining business. When I was there I had dinner with the local managers, a couple of managers from South Africa, and one from London, England. Together, they were making a presentation to a

local client the next day. So to the extent we can enrich our pool, it will help us build our business in Canada and internationally. Of course, as I said, we run across skilled Europeans wherever we go. To be able to make those effectively part of our domestic talent pool would be a huge benefit to us.

The Chair: Thank you.

Now to Mr. Holder.

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

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

There's a comment I can't let go by, because I struggled with it as I heard it at the very opening of Mr. Sinclair's comments. I'll take this part as a direct quote. He said this deal won't "provide that much of a kick" to Canada's economy. I find that shocking, frankly. Perhaps in all your research you haven't reckoned or done the calculations that due to this trade agreement with the European Union, the anticipation is that Canada's economy is going to be boosted by some \$12 billion, it's going to increase two-way trade by 20% and create 80,000 jobs in Canada. That might not be much of a kick from your perspective, but I have to say, sir, with great respect, that from our standpoint we think that's absolutely critical for Canada's success.

Folks, I want to put this into a bit of perspective. One of every five jobs in Canada is trade-related. And there are members opposite who, in all of my time in the trade committee, have never supported a free trade deal. I hope, as I look at my colleagues opposite, that when you look at what's good for Canada....

I appreciate that I really need to be speaking to our guests, and I will. Thank you, Chair, for helping me find my way home.

Again, gentlemen, to put it in perspective, Canada is a market with some 35 million people. In Europe, the countries we're dealing with, we're talking about a market opportunity of 500 million people. Let's just put that in a bit of perspective here. Today we heard Mr. Barutciski say that Canada needs to pursue this as a high-quality agreement because the CETA deal would be the most far-reaching, high-quality trade agreement, which would even surpass NAFTA. It means we would be dealing with the world's wealthiest economy, and it would make Canada the only country in the world to have FTAs with the two largest economies in the world.

Mr. Blackburn, as it relates to procurement, what would unimpeded access to CETA mean to your firm? We know that SNC-Lavalin is a significant player worldwide. What does that mean to you? Because you did start to illustrate some of the business that you're doing in Europe, and I know you have extensive interests worldwide. What would CETA mean to you?

Mr. Robert Blackburn: As you say, it's the largest and richest market in the world at this stage when you put all the EU countries together. We've grown there. This is my 15th year with SNC-Lavalin, and when I joined we had just bought a small company that basically made champagne establishments around Rheims and Epernay in France. There were about 60 employees. Over this last 15 years, we've built that now to over 3,000 people, and we're continuing to grow there.

So for us to be seen and treated as a European company, which in many ways we are, it just makes sense to us to have that company with our expertise from Canada being able to flow in and work on projects in Europe and vice versa and internationally. Right now, our European companies are also working in Africa on some of our projects along with some of our people from India. It just makes sense to us. It helps us grow further. I can't put a number on it, but you can see there's a fairly fast growth trajectory. We don't go in huge steps, but it's a smooth growth we've been having. We would like to be treated in every respect like a European company in the markets we're dealing with there.

Mr. Ed Holder: You may have heard in prior testimony today about the comparabilities, if I might call it that, between Canada culturally and Europe and how in so many different ways there are a lot of comparables.

When you've provided testimony in the past to this committee, I know you've talked about SNC-Lavalin's corporate social responsibility. How does that apply to this arrangement from SNC-Lavalin's perspective?

Mr. Robert Blackburn: It seems to me that in the case of Europe it is less an issue than it is in the developing world, where they haven't had a cultural tradition, or an economic ability, or a regulatory history that equips them to deal in some of these areas.

Mr. Sinclair said it would impede ability to protect the environment. I'm not aware that governments are abandoning their ability to regulate in the environmental area. If people were regulating as a market-protecting rule rather than an environment-protecting rule, then I could see where that would be challenged. But I would have thought that all levels of government would have an ability under an investment accord to continue to protect the environment as they see fit. I may be missing something, and I could well be.

• (1250)

Mr. Scott Sinclair: You are missing something: the NAFTA chapter 11 experience. Take the S.D. Myers case, where Canada banned the cross-border transport of toxic waste, or the metal-clad case in Mexico, where the Mexican state regulated to control the siting of a toxic waste dump, and many other issues.

Almost half of the NAFTA investor state claims dealt with environmental protection. It's not simply an issue of the object of the policy, whether it's market-protecting or environment-protecting. It actually goes beyond that. The arbitral tribunals have looked at issues of indirect expropriation. These are the types of issues that are being adjudicated by these tribunals.

Mr. Ed Holder: Mr. Sinclair might not appreciate this, but Quebec actually won the right to control pesticides. I just want to be clear on that. It was to regulate it.

The Chair: Our time is very tight and we're going into the second round. I'll ask for one question and then we'll have to go into the in camera session.

Go ahead, very quickly.

[Translation]

Mr. Mathieu Ravignat (Pontiac, NDP): Thank you.

With all due respect for my colleague, Mr. Holder, I would like to go back to the question on job creation because I'm not sure it's as simple as was suggested. In situations like this, there's often an adjustment. For example, if you consider NAFTA and its impact on the automotive industry in Canada, we have to ask ourselves some questions. Trade on that scale always requires an adjustment to our system. I'd like to hear Mr. Sinclair talk about the impact on employment in Canada.

[English]

Mr. Scott Sinclair: I just want to correct a comment. I said that complete tariff elimination would not provide much of a kick to the Canadian economy. I think that is undoubtedly true.

I'm glad that you've raised the issue of jobs. There was a study done in 2009, before the fall of the euro against the Canadian dollar. It was a study that predicted a \$12-billion boost to the Canadian economy. Somehow, certain spokespersons translated that into the creation of 80,000 new jobs in Canada.

I don't know what the methodology was, but I want to say that the computable general equilibrium study assumed full employment on both sides. To get an 80,000 figure is economically illiterate and indefensible. I think the committee should be studying that.

The Chair: Very good.

Mr. Keddy, one quick question.

Mr. Gerald Keddy: Illiteracy is an interesting subject. I think where the number comes from—and it's a low number—is that, generally speaking, when you look at economic production around the world, about every \$1 billion of increase in exports relates roughly to about 10,000 jobs. That's not Canada-wide, that's worldwide. If you look at that, you would actually have a 120,000 increase in jobs.

However, I do take exception to your comments about the Federation of Canadian Municipalities, Mr. Sinclair. Their president said:

FCM welcomes the federal government's commitment to a CETA deal that creates new jobs and opportunities for Canadians while protecting the local decision-making that is the lifeblood of strong, healthy Canadian communities.

These are elected officials. You may disagree with them, respectfully, and that's fine. But to say they're wrong when you're not part of that system, you're not an elected official.... I've sat in on briefings with the Canadian municipalities. They've been very supportive of this deal. They've asked very tough questions. They want to know exactly how the regulatory change will affect them. They want to know about reciprocity. But they're supportive, and to say anything else is false. That's all.

• (1255)

The Chair: Okay, that was more of a statement than a question.

Mr. Gerald Keddy: If I had time, I would have got to the question.

The Chair: We want to thank the witnesses for coming in. We appreciate the diversity of opinion at this table. Thank you very much.

We will now break for an in camera meeting.

[Proceedings continue in camera]

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