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Chair

The Honourable Rob Merrifield

Standing Committee on International Trade

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•(1100)

[English]

The Chair (Hon. Rob Merrifield (Yellowhead, CPC)): We'd like to call the meeting to order.

We want to thank the minister for taking time out of his busy schedule to be with us. He's been around the world in his continual round-the-world trip, and we appreciate the work that he does on behalf of Canada on international trade. It's great to have him here talking about the estimates today.

We encourage the committee to go over to the opening of the Brand India Expo afterwards. We've been invited to go over and take part in it.

Our time is limited, and we want to get started on questions and answers in the time that the minister has. So we'll go right to it. Minister, the floor is yours.

Hon. Ed Fast (Minister of International Trade): Thank you, Chair.

I'm pleased to be with all of you today. It's a real pleasure to be in front of a committee that dedicates itself to an issue vital to Canada's long-term prosperity.

Canada is, and always will be, a proud trading nation. Our past, present, and future prosperity is directly linked to reaching beyond our borders for economic opportunities. Free and open trade has long been a powerful engine for Canada's economy. It is even more so in these globally challenging economic times.

In communities across our country, people's jobs and how they provide for their families depend on how our businesses succeed around the world. Our government understands the importance of trade to our economy. It represents one out of every five jobs in Canada, and it accounts for somewhere on the order of 64.5% of our gross domestic product. I have a focus on connecting the dots for Canadians—the dots between trade and our long-term economic prosperity.

The world economy remains fragile and uncertain. To be sure, our country has fared better than most. About 610,000 more Canadians are working today than when the recession ended. This is the strongest employment performance in the G-7. Our real GDP is now significantly above pre-recession levels, which is also the best performance in the G-7.

These strengths are becoming part of Canada's good story in the markets of the world. I hear it all the time when I meet with my counterparts around the world, who are impressed with our country's

ability to remain strong during tough times. But we cannot rest on our laurels. The world is a competitive place. We need to ensure that Canadian businesses and the federal government are working together to tip the balance in favour of Canada. Armed with the right access to the right markets and supported by the right tools and services, Canadians can compete and win against the best in the world, anywhere in the world. In fact, I often say to my counterparts that Canadians are fierce competitors, but we compete fairly. That's my focus as minister, and it's the focus of my department. For Canada there is no better job creator and economic growth generator than free and open trade.

Our government's free trade plan is the most ambitious of its kind in Canadian history. It recognizes one central fact. While the United States will always be Canada's largest and most important trading partner, we know that deepening and expanding our trade—especially with large, dynamic, high-growth economies—will protect and strengthen the financial security of families in every region of Canada.

Canada's economy depends on looking elsewhere for new opportunities. That's why, in the last six years, our government has concluded trade agreements with nine countries, including Panama and Jordan. These agreements are now being debated in the House.

That's just the beginning. We're negotiating with many more global partners, including the EU. Our talks towards a comprehensive economic and trade agreement are moving forward. We're on track to wrap up negotiations by the end of the year. The potential from this agreement is enormous for Canadian workers. The scoping study that preceded these negotiations indicated that our economy would grow by something on the order of \$12 billion per year, or the equivalent of 80,000 new Canadian jobs. That works out to about \$1,000 in the pocket of the average family.

We're also expecting sizable benefits from a successful agreement with India, one of the world's most promising economies. A joint study concluded that an agreement with India could boost Canada's economy by at least \$6 billion per year.

We'll also be discussing Canada's possible participation in the Trans-Pacific Partnership. I just returned from Southeast Asia, where I visited the countries of Malaysia, Brunei, and Singapore. I was pleased to see that Canada's interest in joining the talks has been positively received. It's a great opportunity to increase Canada's trade in Asia.

I also had the honour of joining the Prime Minister on his recent trade mission to China, another good example of our commitment to increase our trans-Pacific trade. That visit to China set the stage for an even more strategic Canada-China partnership in the years ahead. While there, we announced that we'll enter into exploratory discussions on deepening our trade and economic relations following the completion of an economic complementarities study that is presently under way and which we expect to complete in May.

These are great opportunities to bring our partnership to the next level. As we move forward on these and other initiatives, we're also supporting businesses in other ways. That includes supporting it through our Trade Commissioner Service, which I often say is Canada's best-kept secret—and it's my job to make sure it's not a secret any longer.

I really would like to thank the committee for undertaking a study of the Trade Commissioner Service. I have very much come to appreciate the great importance this service has to Canadian exporters, investors, and innovators. Our trade commissioners have been a vital tool in the business plans of Canada's exporters, investors, and innovators for over a century.

In cities worldwide and also in offices across Canada, you can find our trade commissioners helping our businesses, large and small, break into new markets. Armed with market intelligence and expert advice they work closely with Canadian companies as they look to expand and succeed abroad.

The Trade Commissioner Service connects Canadian business people with the right decision-makers overseas so that they can grow their business and create jobs and prosperity in Canada. We want our businesses that are looking for new trade opportunities to be successful, and the Trade Commissioner Service facilitates that.

The Trade Commissioner Service also focuses specifically on small and medium-sized businesses. Last year we served over 13,000 Canadian firms, mostly SMEs, which was a 10% increase over the year before. As I mentioned earlier, the Trade Commissioner Service has a great record.

A recent study showed that exporters receiving assistance from the Trade Commissioner Service enjoy an average export value 18% higher than that of comparable exporters who don't use the service. Since April of last year, trade commissioners have been involved in facilitating \$12.1 billion worth of investments, which will create more than 4,200 jobs. New science and technology partnerships have been created with India, China, Brazil, and of course Israel, leading to more than 80 cooperative projects and exchanges involving more than 1,000 highly qualified people.

The Trade Commissioner Service is also constantly adjusting to an ever-changing environment. Since 2006 we've opened 15 new trade offices in key markets, such as Brazil, India, and China, in recognition of the growing importance of emerging markets and also to ensure that Canadian companies can take advantage of these exciting business opportunities.

Simply put, we're making better use of Canada's diplomatic assets in advancing the interests of Canadian businesses around the world. We're ensuring that our resources are geared toward our top trade

priorities. This is the best way to help Canadian businesses succeed in high-growth markets around the world.

Throughout our efforts, we'll continue to look to your committee for advice and ideas as we create jobs and prosperity for Canadians through deeper trade and investment ties with our global partners.

Thank you. I look forward to our discussions today.

• (1105)

The Chair: Thank you very much.

We'll start the questions and answers.

Mr. Masse, you have seven minutes.

Mr. Brian Masse (Windsor West, NDP): Thank you, Mr. Chair.

Thank you, Mr. Minister, for being here with us today.

One of the concerns I have, coming from a manufacturing area, is with the loss of well-paying value-added jobs and how we reclaim them. The Canadian Commercial Corporation is one of the funded agencies that's supposed to help, but it's reducing its requests by \$500,000. I'm wondering what your vision is with regard to manufacturing and trade.

In 2005 this country had a \$15.9 billion trade imbalance as a deficit in trade of manufactured goods. In 2006 it went to \$27.9 billion; in 2007 it went to \$32.3 billion; in 2008 it went to \$58.7 billion; in 2009 it went to \$75.2 billion. Finally, in the last statistics available there is a trade deficit of \$80.8 billion for manufactured goods from our country.

Perhaps you could highlight your specific strategies to reverse this trend. We should be more than just the hewers of logs and stewards of oil, shipping out raw and natural resources. Our value-added industries are certainly struggling, and I'd like to hear about your vision with regard to international trade and how we reverse these numbers since your administration has come into power.

• (1110)

Hon. Ed Fast: Thank you so much for that question, Mr. Masse.

I can tell you that I as trade minister strongly believe that trade is a key driver of economic growth in Canada. That's why my focus is on opening up new markets for those very manufacturers you've talked about, so that they will be able to sell into new markets. And it's not only about manufactured goods; it's about Canadians providing services around the world, because we can compete and we can do so effectively.

You mentioned the trade imbalance. As you know, in the last year our bilateral trade balance actually had a \$10 billion turnaround, and that's good news for Canada. I believe it indicates that our aggressive trade policy, which is looking to open up new markets for Canadian businesses, is working. I believe that going forward that policy will serve us well. We have a long way to go yet to get to the point where Canada is maximizing its potential, but I believe we're off to a good start.

Mr. Brian Masse: Do you have anything specific for manufacturers? What do you say to those who invested in our country and who watch our natural resources leave—say, for example, oil and other types of resources used by other countries that then turn around to penetrate our markets here, countries that have lower environmental standards, for example, or health or wage standards, while those manufacturing companies that have invested so much in Canada lose to this and consider it unfair competition because of the subsidies? Ironically, they're competing...it's Canadian raw natural resources versus their investment in not only just the actual manufactured equipment but also the human resources, on this ground.

Hon. Ed Fast: Thank you.

First of all, I'm not going to make any apologies for the natural resources Canada has been blessed with. This is a competitive advantage that Canada has been given. Every country has been given certain advantages. Our challenge, of course, as a country is to maximize those resources.

One of the ways we do that is to forge new trading relationships, provide new opportunities for Canadians to compete around the world, provide new markets. It's one of the reasons we're focusing on the European Union. It's a market of some 500 million consumers. These are people we want to reach with our goods and services. We're making excellent progress on those negotiations.

As you know, we've also had a special focus on the Asia Pacific, opening doors in China and places such as Korea and Southeast Asia, where I've travelled extensively.

Our opportunity as Canadians is, first of all, the fact that we are highly educated, we are innovative, and we are blessed in natural resources. Putting that package together is the challenge, and opening up new markets for those skills, for that expertise, and for those manufactured goods is also the challenge. I'm working very hard to do that.

Mr. Brian Masse: With regard to the EU, can you confirm whether supply management is on the table, and second to that, whether or not your administration will respect city councils such as Toronto's that do not want to be part of the European trade agreement? Will specific motions and requests from the mayor and city council be respected?

Hon. Ed Fast: On supply management, we have made it very clear. This government's position is that we will continue to defend Canada's system of supply management. We have also said we're prepared to discuss all issues at the table. And we've reminded our trading partners with whom we're either negotiating or hoping to negotiate that in any trade negotiation the parties bring certain sensitivities to the table, as Canada does—as the EU does.

We will vigorously defend Canadian interests, but we've made it very clear that we will continue to defend Canada's system of supply management.

Mr. Brian Masse: What about Toronto city council's motion and those of other municipalities?

Hon. Ed Fast: That's the second question.

As you know, both Canada and the European Union are focused on concluding negotiations for a highly ambitious trade agreement. One area, of course, is the area of government procurement. We believe that if it's done responsibly, it can serve Canada's interest in a very significant way.

You probably know that we have consulted broadly with municipalities right across this country. I've met directly with the leadership of the Federation of Canadian Municipalities on at least two occasions. That's in addition to phone calls we've had on the various issues involved in the CETA negotiation, and I can tell you that the leadership is strongly supportive of an ambitious conclusion to these negotiations.

These are the most collaborative and transparent negotiations Canada has ever undertaken. As you know, the provinces are at the table in areas of provincial jurisdiction.

• (1115)

Mr. Brian Masse: Mayor Ford and his council have been almost unanimous with regard to their condemnation of CETA and with regard to procurement and other things. What do you say to them? Obviously they're not swayed by the FCM.

There are others, such as British Columbia, for example. Their provincial body is against CETA.

The Chair: Time has gone, but you can give just a quick answer.

Hon. Ed Fast: What I can tell you, again, is that we have consulted broadly across Canada. And the assurance I can provide you with is this: Canada will only sign trade agreements that are in Canada's best interest. As trade minister, I'm not going to sign off on an agreement that doesn't serve Canada's long-term interest. That is what I've communicated to municipalities across the country. I've communicated that to the provinces and territories.

Interestingly enough, we recently had our federal-provincial-territorial meeting of trade ministers, and there was unanimity, a complete consensus, on the fact that Canada needs to complete the negotiation of an ambitious trade agreement with the European Union. And I believe we're on track to do that.

The Chair: Mr. Keddy.

Mr. Gerald Keddy (South Shore—St. Margaret's, CPC): Thank you, Mr. Chairman.

Welcome to the minister, the deputy, and officials. It's a pleasure to have you here at the international trade committee today.

Mr. Chair, that I'm going to share my time with Mr. Shipley, so I'll try not to take all of Bev's time.

Minister Fast, you said a couple of things in your opening statement. First of all, you said that we cannot rest on our laurels, and I totally agree. Then you spoke a little bit about past, present, and future trade agreements, and that brings me to my question.

With the global recession and continuing weakness in the American economy, although we've seen a little bit of revitalization in the American economy recently, how important is it to diversify our markets, in your opinion? And how does that compare to the future of Canadian trade?

Hon. Ed Fast: Let me start off by setting the context for my response.

The United States has always been and will always be Canada's largest trading partner. I can tell you that I spend more time in the United States than in any other country, because it is our most important trading relationship. It represents 75% of all the trade we do. So it's absolutely imperative that this government continue to deepen that relationship and that it makes sure that the most trusted and most successful trade relationship in the world continues to move forward. That is one of the reasons the President and the Prime Minister announced the border vision and the regulatory cooperation initiatives.

That said, it's in Canada's interest to continue to find new markets for its goods and services. It's one of the reasons I'm spending a lot of time in Southeast Asia. It's one of the reasons I've visited China twice since I was appointed minister. It's one of the reasons we're now refocusing efforts on Japan. We're looking at opportunities for us to continue to grow Canada's prosperity.

Canadians are a cautious lot. You have to understand that. Our businesses understand that there are challenges and risks attached to trying to penetrate new markets. That's why I spent a fair bit of time talking about the Trade Commissioner Service, because it's that service that provides the support our Canadian companies need to enter new markets, some of which are very challenging. But if they do it right, they can be highly successful. The rewards are very significant in some of these emerging markets. That's why the approach I've taken with trade is very much in line with our government's focus on economic growth and job creation.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): Thanks, Minister, and thanks again for taking the time to be here.

I have been involved in agriculture all my life. We know, even from an earlier meeting this morning, that agriculture is one of those foundational industries for our country of Canada. Through many of those discussions, we've had a number of witnesses in front of us, including those from supply management. Has there ever been any doubt on the part of any of those industries about the value of this agreement, particularly with the EU?

• (1120)

Hon. Ed Fast: What I would say is that as we have consulted with many other industry groups, we have also consulted with the agriculture community and in fact with the individual sectors—the dairy producers, the poultry and egg producers. We have been in constant touch with them. Our chief negotiator, Steve Verheul, continues to debrief them after each round of negotiations. I certainly believe that these are the most collaborative negotiations Canada has ever undertaken.

Agriculture is of critical importance to Canada's long-term prosperity. That is why we're trying to open up new markets for those agricultural goods and at the same time are defending the interests of all of our farmers, including those who are in the supply management sector.

Mr. Bev Shipley: I also understand that there is a new component to this process; that is, the involvement of the provinces, where they actually reach down to the municipality. One of the things I am also thankful for is the opportunity I had for many years as mayor of a municipality.

How do they feel? The Federation of Canadian Municipalities is the spokesperson, and really becomes the umbrella across Canada. Are they continually involved? Have they been part of these negotiations and kept involved? Sometimes we hear they aren't, but we know how important it is, mostly because of your procurement program. Could you just highlight again if they are, and make sure that we are carrying the right message back to our municipalities?

Hon. Ed Fast: As I mentioned earlier, the Federation of Canadian Municipalities is one of the key stakeholders that we consult, and we consult with them regularly. It is not only the minister who is consulting with them. Our chief trade negotiator is in regular touch with the FCM to provide them with the information they need to continue to support a robust and ambitious trade agreement.

As I mentioned, I have met with them on numerous occasions. We are in regular dialogue with the FCM, and it does represent the municipalities across Canada. Sadly, there are some in Canada who are misinformed as to the impact a trade agreement with the EU would have on the ability of municipalities to contract.

Let's face it, municipalities are facing very significant financial challenges. Taxpayers in municipalities are finding themselves squeezed more and more because of the costs of running municipal governments. An ambitious trade agreement with the European Union will assist in providing more competition in terms of providing value for money for the various contracts municipalities have to enter into on an ongoing basis. In other words, it makes the playing field more competitive because it provides better value for municipalities right across our country.

I would also point out that it is a two-way street. You have to understand that Canada's procurement market is relatively small when you actually compare it to the EU. In fact, it is estimated that the government procurement market in the EU is somewhere in the order of \$2.3 trillion. If we make the assumption that Canadian companies are fierce competitors, and compete with the very best, why wouldn't we as a government open up those new opportunities for Canadian businesses to be successful, and drive Canada's long-term prosperity?

The Chair: Very good.

Mr. Easter, you have seven minutes.

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

Welcome, Minister.

I see that all the questions so far have been on the estimates, so I might as well follow suit.

You said in your opening remarks that free and open trade is important, and that people's jobs depend on trade. To a certain extent, that's true, but only if the net benefit of a trade agreement is to Canada's benefit.

I want to just touch on what Brian said, because there is a concern in Canada that we are losing our middle class. The gap between the rich and the poor is widening. Six years ago the manufacturing labour force was 16%, and today it's 10%. That's where a lot of our middle class, so to speak, comes from.

You mentioned the nine agreements. There is no question that you are moving full speed ahead on nine agreements. But as I've raised with you in the House, I do think you're not watching closely enough the agreements that we already have. For instance, in South Korea we're at risk of losing \$1 billion worth of trade because the Americans have a deal and we do not. In the United States, the Buy American provisions, the country-of-origin labelling—which we have done nothing on—and the sea and air entry fee into the United States that we lost as a result of the U.S.-Colombia trade agreement are all problems.

How do you respond to that? A number of us were in the U.S. last week, and we talked about the sea and air fee, and I will have to admit that quite a number of senators and Congress folks didn't know it was in the agreement. Why was either your department or foreign affairs—somebody—asleep at the switch? We didn't see that coming. Based on our discussions in the U.S., I think if we had talked to a few people, we wouldn't have lost that exemption. So what's the problem? Is somebody not paying attention to our existing markets, or what?

• (1125)

Hon. Ed Fast: I respectfully disagree with the premise of your question. In fact, this government has been singularly focused on strengthening its trade and investment relationship with the United States. You mentioned Buy American. When Buy American first reared its ugly head, it was this government that was able to secure a waiver of those provisions back in 2009. When those provisions reared their ugly head again more recently, it was this government, this minister, my colleagues in the Conservative caucus, my ministerial colleagues, who engaged with their counterparts in the United States and aggressively made the case that when the United States imposes Buy American types of provisions on Canada, it impacts both of our economies. It appears that the message resonated. As you know, the Buy American provisions haven't had the traction that some people thought they would.

As far as focusing on agreements we already have, I've already addressed the United States, our most important trading partner. I spend more time in the United States connecting with my counterparts, businesses down there, business organizations, and members on both sides of the House and Senate there.

I also point you to the fact that Canada is reopening existing trade agreements with countries such as Costa Rica, Chile, and Israel to move first-generation agreements into second-generation agreements

to include things like investment and services, making sure these agreements serve both of our countries going forward.

So we are continually looking for new opportunities to deepen our existing trade relationships, while of course also looking for new opportunities around the world.

Hon. Wayne Easter: We've had the first merchandise trade deficit in 30 years. Results don't show it. Adding up the numbers, it just seems to me that getting a trade deal for the sake of a trade deal is not the answer. There need to be results there. All the trade agreements that you've signed on really only amount to the equivalent of about 126.5 hours of merchandise trade with the United States. I'm basically saying let's not ignore the markets we already have while you add up the numbers for new trade agreements.

I have two other questions, which maybe you can answer together, because I'll run out of time. The first is on CETA on procurement. I'm wondering if you have a legal opinion on this. Given that the federal government is responsible for trade, if a municipality does not live up to an agreement—in other words, they ignore the CETA agreement and don't allow the Europeans to tender or whatever on the procurement—who is liable for the compensation or the future lost profits that have to be applied to the Europeans?

I remember, the last time you were here, trying to get an answer out of you on tariffs and access, which you failed to answer. You went back to supply management. You said in a Reuters story that you would not move on tariffs relative to supply management, whether it's TPP or CETA. What about access into the Canadian supply-managed market? Are you willing to negotiate on access?

• (1130)

Hon. Ed Fast: On the first one, we have certainly concluded that any violations of the procurement or other provisions under a trade agreement with the European Union would be the responsibility of the Canadian government. It's pretty clear that it is Canada that ultimately negotiates and enters into this agreement. So if a claim is made and there's a successful challenge of an alleged violation, the Government of Canada would be on the hook. The provinces and the municipalities understand that.

On the second issue, I will repeat what I've said time and time again. This government is committed to defending Canada's system of supply management. You know that.

Hon. Wayne Easter: You're not answering my question.

Hon. Ed Fast: On what is being discussed at the table, as you know, those negotiations are ongoing. What I can assure you is that we continue to vigorously defend Canadian agriculture interests at the table, as we committed to do.

The Chair: Thank you, and thanks for those questions on the estimates.

Mr. Shory.

Mr. Devinder Shory (Calgary Northeast, CPC): Thank you, Minister, and thanks to your staff, and the department as well, for doing all the hard work you have been doing on this file.

My questions will not be on estimates but on the India file.

Minister, in your opening statement you said that one in five Canadian jobs were trade-related, and that Canada's economy depends on our success as a trading nation. Now India, with 1.2 billion consumers, is one of the largest and fastest-growing emerging economies in the world. As we move towards an ambitious trade agreement with India, the ties between our countries, both economically and culturally, are becoming even stronger, and this can only benefit Canadians' jobs and economic growth.

In your recent trade trip to India, you focused on education and the potential of infrastructure being built in India. I'd like you to make some detailed comments on what the government has been doing to build on our relations with India. During all these negotiations, did you have any consultations with stakeholders, and whom did you have those consultations with? What interest has industry been showing?

Hon. Ed Fast: Thank you, Mr. Shory, for that excellent question.

The Prime Minister has made India one of his priority markets and has asked me to focus on it. We are now negotiating a comprehensive economic partnership agreement with India. It is a huge opportunity for Canada. Our current bilateral trade is something on the order of \$5 billion a year. When you look at that compared with the size of the population of India, I think we would all agree that we can do much better. This is a unique opportunity for Canada to deepen that trade relationship by negotiating a trade agreement with India.

It's not only trade. Canada and India have concluded negotiations on a foreign investment promotion and protection agreement. Why is that important? When Canadians look to India to invest, they see an unfamiliar legal environment, an unfamiliar regulatory environment, and an unfamiliar business environment. Some of them might not be willing to enter the market unless there's additional predictability introduced. That's what FIPPA does. It sets out a common set of rules under which Canadian investments are made in India, together with Indian investments in Canada. At the same time, it sets out a clear set of rules under which disputes are resolved. This is often a concern. If I go and invest in another country like India, and I get into a dispute, am I going to be treated fairly? That's what the foreign investment promotion and protection agreement does. It sets out a clear set of rules, takes the dispute resolution out of the domestic context, and resolves it at the international level.

We are also finalizing negotiations on amendments to a nuclear cooperation agreement. We're finalizing negotiations on a social security agreement. These are all agreements that are intended to deepen our engagement with this amazing country that is likely to become the most populous in the world within the next decade.

• (1135)

Mr. Devinder Shory: Minister, you may wish to make a comment on the consultation process, if there is one.

Hon. Ed Fast: As with any trade negotiation that Canada undertakes, we consult broadly with all of the key stakeholders—the Canada-India Business Association as well as business people right across the country. All of us have an interest in opening up this new market to Canadian businesses. We want to open up the market, and

we want to make sure that businesses seeking to penetrate that market are successful.

Mr. Devinder Shory: You made a comment about all these unfamiliar things between Canada and India. I'm sure there are also some complementary areas between the two countries. Take the automotive industry. Somebody was telling me that in Delhi they sell between 8,000 and 10,000 new cars every year. Canada, for its part, is one of the largest exporters in that area. Are there some other areas as complementary as this?

Hon. Ed Fast: Thank you.

Yes, we do have significant areas of complementarity. Let me give you a few examples.

As you know, Canada is the largest exporter of pulses to India. Pulses are used very broadly in terms of food—agrifood—and Canada is the largest supplier to India. Another area that we clearly have complementarity in is the area of potash for fertilizers. Some 50% of Indians are involved in agriculture in one form or another, and they do need fertilizer in a very significant way. Canada is a key supplier to India of potash.

But I also will note that it's a two-way street. As you know, Indian companies such as Tata and Birla have made very significant investments in Canada as well.

We're looking for this to be a two-way street. Magna is of course a significant investor in India, and there are many other companies, such as Bombardier, that are also very active in that market. This is a huge opportunity for Canada to sort of pry open this door of trade and investment that hasn't been as open in the past.

The Chair: Thank you, Mr. Shory. Your time has gone. We'll leave it there, on that very positive note.

Mr. Ravignat.

Mr. Mathieu Ravignat (Pontiac, NDP): Thank you, Minister, for your time.

I'd like to bring in an issue that comes right from the ground in my riding, and that's the issue surrounding the quality of drinking water and waste management. Municipalities, and particularly small municipalities, are already strapped for cash. They already don't have a lot of resources. Certain foreign companies would gladly take a loss to penetrate certain markets. We know that the SNC-Lavalins of this world want access to the European market, but I wonder at what cost for small municipalities.

What the people in small municipalities are concerned about is the respect of environmental standards. We're talking about the health of individuals, so I wonder what provisions are in the agreement, in CETA, to ensure the protection of municipal drinking water and waste water and the protection of the environment. I wondered if you'd consider explicitly including drinking water and waste water management in annex II of the reservations in CETA.

• (1140)

Hon. Ed Fast: Thank you for that question.

First of all, you quite rightly indicated that municipalities are strapped for cash. One of the benefits of CETA is that, given the fact that it may create more competition for the goods and services that communities buy, they'll be able to get better value for money. I made that point earlier. So I think what we have to do is look at the benefits as well as some of the concessions that are made in any trade negotiation.

Now, you talked about health. You've talked about water quality. You talked about the environment. I can assure you, none of those are being compromised in our negotiations for a free trade agreement with the European Union. If I in any way felt that was the direction in which our negotiations were going, I would not be signing off on any agreement. That is the commitment. That is the standard this government has set, which is that we will only sign off on agreements and we'll only negotiate agreements that actually represent the best interests of Canadians going forward.

I think you're aware of the fact that none of Canada's health regulations, none of Canada's water regulations, none of Canada's waste water regulations, and none of Canada's environmental regulations are in any way compromised in these negotiations. I can assure you that I'll make sure the agreement reflects that.

Mr. Mathieu Ravnagat: But you won't consider creating an exemption for water and waste management in this agreement, in CETA?

Hon. Ed Fast: What I've told you is that we are not in any way providing exemptions from Canada's regulations relating to all those matters of health and the environment. We are protecting the ability of provinces and of municipalities to regulate in those areas.

Mr. Mathieu Ravnagat: Okay.

Let me go on to my second issue of concern. As you know, there have been significant studies noting increases in costs related to the cost of medicines and other products with raising IP standards. One such study has indicated that CETA would increase prescription drug costs by approximately \$2.8 billion. What precisely do you expect will happen to the price of medicines in Canada by harmonizing our IP laws with those of Europe in this agreement, in CETA?

Hon. Ed Fast: I would start off by cautioning you not to prejudge the outcome of these negotiations. As you know, there are quite a number of areas that still have to be discussed and negotiated.

I can assure you that we are in regular touch with the provinces. As recently as three weeks ago I met with all of my counterparts in the provinces, and this issue, as well as many others, was raised. At the end of that process, all of us came to a consensus that it is in Canada's best interests to satisfactorily conclude negotiations for an ambitious free trade agreement with the EU.

The areas you've mentioned, which are the cost of medicines, pharmaceuticals, and IP protections, are all areas that have yet to be negotiated. I can tell you that our negotiators are meeting as we speak, and they expect to have additional sessions going forward over the spring and summer.

Again, my commitment to you and my commitment to Canadians has always been that we will only sign off on an agreement that truly moves Canada's trade agenda forward and is of significant benefit to Canadians.

The Chair: Thank you.

Mr. Hiebert.

Mr. Russ Hiebert (South Surrey—White Rock—Cloverdale, CPC): Minister Fast, it is so good to see you here again. I appreciate all the work you're doing on behalf of our nation.

As I reflect on the work that you and the government have done in the last while, it's truly remarkable how much has been accomplished. The level of ambition I would say is so high for our country and these agreements that we're negotiating.

Looking at some of the places where we have concluded negotiations, I just want to follow up on some of them. My colleague Devinder Shory asked you about India.

I'm looking at Panama and wondering if you could help the committee and the public understand the significance of that free trade agreement. Especially in light of the fact that they're widening the Panama Canal, why would it be important for us to secure a strong trading relationship with this country at this time?

• (1145)

Hon. Ed Fast: Thank you for that question.

Canada has paid a very special interest to the Americas region, and specifically to Central America. As you know, it is a region of the world that presents very specific challenges in terms of security and economic prosperity.

When we're able to engage with countries like Panama, we have a unique opportunity to lift more people out of poverty by engaging with them in trade. We're providing new opportunities for them to sell their goods into our markets. When you lift them out of poverty, that also contributes to developing stronger democratic institutions.

One of the things I've focused in on is making sure this government's direction is towards engagement rather than isolation. Panama is a perfect example. It is a country that has so much potential. It's a country Canada has decided to engage with.

We're hoping to not only improve their opportunities for trade, and through that process lift more people out of poverty, but it's also an opportunity for us to invite them into the family of nations that respect robust human rights, environmental standards, and labour rights.

You mentioned the canal. The canal of course is going to be of significant benefit to Panama. We're pleased to see that. It also represents a challenge for Canada in terms of our west coast ports. That is one of the reasons, as you know, we've invested heavily in infrastructure in the Asia-Pacific gateway, to make sure our ports, roadways, and railways become more efficient so we can get our products to and from market more efficiently.

We're going to have more competition from the Panama Canal. Being engaged with Panama provides us with the opportunity to contribute to building their society and building a stronger democracy. Hopefully Panama has its own opportunity to become a model for some of the other countries in the region that perhaps have not progressed as much as Panama has.

Mr. Russ Hiebert: Another country in the region is Brazil. You and the Prime Minister were down there recently to discuss trade relations. You've also identified it as a critical market. It's one of the four BRIC countries that has tremendous opportunity with a growing population. For the benefit of the committee, I wonder if you could again expand on the economic compatibilities between our two economies and why this opportunity is so important for Canada to seize at this particular time.

Hon. Ed Fast: Thank you.

I've had the opportunity to visit Brazil twice over the last eight months. It is a country and a region of the world that perhaps Canadians have not paid enough attention to.

As you know, Brazil has very significant economic growth. It is the economic powerhouse in South America, and I'm certainly committed to deepening our engagement with Brazil and also with its partner countries in MERCOSUR, the four countries being Brazil, Argentina, Uruguay, and Paraguay.

One of the areas in which Brazil lacks very significantly is the area of infrastructure investment. They have struck a plan that calls for infrastructure investments exceeding \$800 billion over the next ten years. It turns out that Canada is one of the world leaders in infrastructure and in transportation.

I would like to open up that market to our Canadian companies, because they can provide expertise that presently isn't available within Brazil. We have a great opportunity to partner with Brazilian companies, providing the kind of infrastructure investment and transportation investment that they so desperately need.

My assessment is that the lack of infrastructure is holding back Brazil from even greater economic prosperity. My understanding is that some 30 million Brazilians have been lifted out of poverty over the last decade or so. That's good news. That's why we need to continue to engage with Brazil. There are significant opportunities there to develop not only our economy, but to assist them in developing a strong democracy, a strong economy. I take that role very seriously.

The Chair: Thank you very much.

[*Translation*]

Mr. Côté, you have the floor.

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

Mr. Minister, thank you for being here to answer our questions.

Mr. Minister, I will start with a question that was raised recently in the media. The French President, Nicolas Sarkozy, told the European Parliament about his desire to pass a Buy European Act similar to the Buy American Act, which is being negotiated but at a slower pace.

Patrick Kron, Chairman and CEO of Alstom, a major French manufacturer of railway equipment, said he was in favour of this.

Since we are negotiating a free-trade agreement that could make us vulnerable and weaken our position on the European market, aren't we negotiating a sucker deal?

• (1150)

[*English*]

Hon. Ed Fast: Thank you for that question.

Our government has made it very clear time and time again that we oppose protectionism. We believe that increased protectionist measures around the world are toxic to the global economic recovery. It is one of the reasons why we are focused on eliminating trade barriers, rather than erecting new ones.

I'm not going to comment on President Sarkozy's comments. I will say that our negotiations for a free trade agreement with the European Union have a singular purpose. That is to eliminate trade barriers, both tariff barriers and non-tariff barriers.

We could eliminate all the tariff barriers in the world, but if there are still opportunities to establish non-tariff barriers, for example with standards that prevent our goods from entering those markets, we still haven't achieved a whole bunch. What we're looking for within the CETA negotiations is an ambitious agreement that addresses both tariff and non-tariff barriers.

Those negotiations are intended to avoid the very issues that Buy American raises. It's one of the reasons why we have challenged the Americans in terms of our fully integrated economies: why would you do this on your side; you're hurting yourself as much as you are Canada.

[*Translation*]

Mr. Raymond Côté: Let's hope we won't be the victims of our naïveté. The CEO of Bombardier, which is of course a Canadian company, was in favour of more protection for our procurement.

Nevertheless, I am going to raise another issue. Since the implementation of the United States-Mexico free-trade agreement, we have been subject to arbitration provisions between investors and the state. I am referring to the infamous Chapter 11. And we are negotiating that, potentially, with the Europeans.

Concerning those kinds of provisions, we can extrapolate and say that it amounts to a denial of our rule of law, since we are offering to take power away from government businesses and hand it over to investors—who already have significant recourse—leaving government businesses vulnerable.

At the end of the day, Mr. Minister, aren't we creating two categories of people, ultra-protected investors and the rest of the population, including government businesses, which are always vulnerable and at risk of being sued for whatever reason? Why do we continue to negotiate that kind of provision?

[*English*]

Hon. Ed Fast: I'm not sure I accept the underlying premise of that question, but I will respond.

When you refer to chapter 11, you're referring to the ability of investors to seek a resolution of disputes. I want to assure you right up front that in every one of our free trade negotiations that Canada undertakes, we do not sacrifice Canadian sovereignty. Understand that when we negotiate a free trade agreement, it is a two-way street. Among other things, we seek to protect investors—Canadian investors as well as the investors from our partner countries. The dispute resolution processes that are put in place are absolutely critical to provide the kind of confidence that investors need that they'll be treated fairly.

If an investor from another country invests based on the rules that have been established under a free trade agreement, we want to make sure they have appropriate redress, and the same would apply, of course, to Canadian investors as well.

[Translation]

Mr. Raymond Côté: Mr. Minister, they already have provisions for that.

We negotiate on a negative list basis, but unfortunately, the private education system was not excluded. This could give rise to some abuses. Why wasn't this considered, Mr. Minister?

• (1155)

[English]

Hon. Ed Fast: We have taken it into account. Again, I disagree with you. In any of our trade negotiations we want to make sure that in key areas such as health, environment, and education our ability to regulate is protected.

CETA will be no different. We are very much cognizant of the fact that Canada does need to protect its sovereignty over public health, public education, and over social services. I can assure you we will not compromise that as we move forward with our negotiations for a free trade agreement with the EU.

The Chair: Thank you very much.

Mr. Holder, the floor is yours. We'll give you five minutes, and then we're going to have two very tight votes. We'll then adjourn.

Go ahead.

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

I'd like to thank the minister and his staff for attending with us this morning. Your comments have been very helpful.

I've been on this committee for close to four years. Through that time, I have seen a change on this committee. There was a time when the Liberal Party was very supportive of our trade initiatives. I'm feeling a wavering of that support, which is quite disappointing. It's almost as if they've taken the position of "trade if necessary but not necessarily trade". I think that's exceptionally disappointing, from what I've heard from my young colleague opposite here.

Minister, I think this committee should be in violent agreement about what trade means for Canada. You made the point, and I'd like to emphasize, that almost 65% of our gross domestic product is predicated on trade—65%.

When I hear you talk about our relationship to the United States, it prompts two questions, please, Minister.

Acknowledging that since NAFTA came into play—and we have some detractors around this table with respect to NAFTA—the trade we have done between our countries has tripled. If I'm right, it's reaching close to \$1 trillion. You've emphasized trade with the United States several times. I think we're their biggest trading market in some 35 of the 50 states. Could you expand on that a little more?

The other piece I'd like to understand a little better is the shared vision for perimeter security and the impact that will have on trade from your perspective.

I would appreciate responses in both those areas, please.

Hon. Ed Fast: Thank you for that question.

You mentioned that we should be in violent agreement on trade. I share that sentiment, and I say that without any partisan motive. I believe trade should be a non-partisan issue because it is so critical to Canada's long-term prosperity.

There are some who make the assumption that trade is a zero-sum game. It is not. You don't have just a winner and a loser. Expanded trade agreements increase the size of the overall pie if they're done right, and I'm committed to doing them right. The purpose of expanded trade relationships and trade agreements is to build prosperity in all of the partner countries. So thank you for that question. I will continue to focus on doing that.

The initiatives that President Obama and Prime Minister Harper recently announced on our border vision and regulatory cooperation are examples of the close working relationship between the United States and Canada. That relationship is of critical importance. With those two initiatives we have focused on identifying security risks early, moving the security perimeter to our perimeter, and ensuring that trade across our mutual border can happen in a less impeded way—removing trade barriers and facilitating trade.

In the area of regulatory cooperation there's a huge step forward for Canada and the U.S. We're looking at regulations that are inconsistent, not because of any substantive issues, but because of historically being passed at different times and not taking into account each other's own regulatory regimes. We're moving toward a system where we actually have a greater level of regulatory coherence. That will eliminate the delays and the costs that those delays impose on the businesses that are doing business across our border.

Let's not forget that our trading relationship is in the order of \$650 billion a year, and anything we can do to remove the billions of dollars of extra costs we impose on our businesses is well worth the effort.

• (1200)

The Chair: Thank you very much, Minister, for giving us your time. I know that Minister Baird was in front of the foreign affairs committee yesterday. He actually has the lead on this, and your time here is almost an exception. We thank you for that. This has been a great hour to be able to capture the main estimates.

Shall vote 20 in Foreign Affairs and International Trade carry?

Hon. Wayne Easter: Mr. Chair, on this motion on vote 20, how much in dollars are we talking about, and how does it compare to last year?

The Chair: I believe you have the information in front of you there.

Hon. Wayne Easter: Yes, I do.

The Chair: Is it half a million less?

Hon. Wayne Easter: Just give us the total numbers, Gerald.

The Chair: Go ahead.

Mr. Nadir Patel (Assistant Deputy Minister and Chief Financial Officer, Corporate Finance and Operations, Department of Foreign Affairs and International Trade): There's a decrease of \$32.9 million year over year.

Hon. Wayne Easter: There's a net decrease of \$32.9 million. So you're proposing to spend \$2.582 billion, minus or plus.

Mr. Nadir Patel: That's correct.

Hon. Wayne Easter: That's \$32 million less than last year.

The Chair: All in favour?

Mr. Brian Masse: I would like a recorded vote.

The Chair: I already started the vote. We can do a recorded vote on the next one, if you like.

Mr. Brian Masse: We can do a recorded vote. We still haven't finished the voting process.

The Chair: We can have a recorded vote if you want.

FOREIGN AFFAIRS AND INTERNATIONAL TRADE

Canadian Commercial Corporation

Vote 20—Payments to the Canadian Commercial Corporation.....\$15,482,000

(Vote 20 agreed to) [See *Minutes of Proceedings*]

The Chair: Shall I report vote 20 of Foreign Affairs and International Trade to the House?

Some hon. members: Agreed.

The Chair: Thank you very much, Minister.

The meeting is adjourned.

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