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Chair

The Honourable Rob Merrifield

Standing Committee on International Trade

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• (1535)

[English]

The Clerk of the Committee (Mr. Paul Cardegnà): Honourable members of the committee, I see there is a quorum.

I must inform members that the clerk of the committee can only receive motions for the election of the chair. The clerk cannot receive other types of motions, cannot entertain points of order, and cannot participate in debate.

We can now proceed to the election of the chair. Pursuant to Standing Order 106(2), the chair must be a member of the government party.

[Translation]

I am ready to receive motions for the election of the chair.

[English]

Mr. Don Davies (Vancouver Kingsway, NDP): Mr. Clerk, I would like to nominate the Honourable Rob Merrifield to be chair of the committee.

The Clerk: Mr. Davies has moved that Mr. Merrifield be chair of the committee.

Are there any other nominations for the position of chair? I see none.

Is it the pleasure of the committee to adopt the motion?

(Motion agreed to)

The Clerk: The motion is agreed to. I declare Mr. Merrifield duly elected chair of the committee.

Some hon. members: Hear, hear!

The Clerk: Before inviting you take your chair, I will ask the committee if it is the desire of the committee to proceed to the election of the vice-chairs at this time.

Some hon. members: Agreed.

The Clerk: All right, we will proceed to the election of the vice-chairs. Pursuant to Standing Order 106(2), the first vice-chair must be a member of the official opposition. I am now ready to receive motions for the position of first vice-chair.

Mr. Ed Holder (London West, CPC): Mr. Chair, I would be honoured to place a nomination in the name of the venerable Don Davies.

The Clerk: Mr. Holder has moved that Mr. Davies be the first vice-chair of the committee.

Are there any other nominations for the position of first vice-chair? I see none.

Is it the pleasure of the committee to adopt the motion?

(Motion agreed to)

The Clerk: I declare Mr. Davies elected as first vice-chair of the committee.

[Translation]

Pursuant to Standing Order 106(2), the second vice-chair must be a member of an opposition party other than the official opposition.

[English]

I am now prepared to receive a motion for the position of second vice-chair.

Mr. Don Davies: Thank you, Mr. Clerk. I would like to nominate the Honourable Wayne Easter to be the second vice-chair of the committee.

The Clerk: Mr. Davies has nominated Wayne Easter for the position of second vice-chair. Is it the pleasure of the committee to adopt the motion?

(Motion agreed to)

The Clerk: It is agreed, and I declare Mr. Easter elected second vice-chair.

Some hon. members: Hear, hear!

The Clerk: I will now invite Mr. Merrifield, the chair, to take his seat.

Thank you.

The Chair (Hon. Rob Merrifield (Yellowhead, CPC)): I want to thank committee members for their confidence, especially the confidence of the opposition when it comes to the support we get as chair.

We will now move, pursuant to the motion last week, to the Panama free trade agreement, and we'll ask the department officials to come forward. We have them here for the first hour of debate. We ask those who are presenting to take their seats. We'd like to have them at the table.

While they are doing that, I'd like to ask the committee to entertain a motion with regard to a budget. Does the committee have the budget?

We would entertain a motion. This budget is \$14,700. It's for witnesses coming forward to complete this study.

Go ahead, Mr. Easter.

• (1540)

Hon. Wayne Easter (Malpeque, Lib.): Mr. Chair, while the witnesses are coming forward from the department, are department officials the only witnesses during this—

The Chair: No. We have them for the first hour. During the second hour we have two witnesses. One is the Canadian Council for the Americas, represented by Michael Harvey, president; the other is Inmet Mining Corporation, represented by Mr. Tilk.

Hon. Wayne Easter: My point, Mr. Chair, is that in terms of our own research for witnesses, it is pretty difficult when we, as members of the committee, don't know. We did assume that the department would be here, and we had asked for that previously, but it makes it really difficult for us to be able to question witnesses appropriately when we don't know in advance of the meeting who the witnesses are.

In any event, I have another commitment at 4:45 on a trade issue, but I think it is wrong for us to just drop them in. Then we're at somewhat of a loss with regard to the kinds of questions we should ask certain witnesses. I don't think it is appropriate.

The Chair: I understand what you're saying.

Just to explain to the committee why it happened the way it has, our motion last week said that we would be studying Panama at this meeting. We couldn't really give the notice of who the witnesses would be, although they have come off the lists that we had encouraged all of you to submit. The clerk had invited every member of the committee three different times to bring a witness list forward, and these are just members that we could get to come. It's because we have a limited time to be able to get this done. I understand what you're saying, but I'm hoping that we'll hear their presentations and be able to question them appropriately on the issues.

Go ahead, Mr. Davies.

Mr. Don Davies: Thank you, Mr. Chairman.

I'm content to deal with the budget first, but I want to pick up Mr. Easter's point. It's a point I was going to make too, after we dealt with the budget, but since he has raised it—

The Chair: Let's make the motion on the budget, and then we'll go into that. First of all we need to entertain a motion to approve the budget.

Mr. Gerald Keddy (South Shore—St. Margaret's, CPC): I so move.

The Chair: Mr. Keddy moves the budget.

All in favour?

Hon. Ron Cannan (Kelowna—Lake Country, CPC): I have just one question.

The Chair: Go ahead.

Hon. Ron Cannan: Do we anticipate only one video conference witness, or do we extend that offer to anybody?

The Chair: Normally the budget accommodates for travel as well as video conferences, and we try to video conference as much as we possibly can to keep the costs down. This is just a general budget.

Hon. Ron Cannan: It just has one video conference.

The Chair: Yes, but we can put any of the others into a video conference.

Mr. Gerald Keddy: To be clear, we don't always spend all of our budget.

The Chair: No, and we don't anticipate actually spending all of this budget, but nonetheless it is there.

Go ahead, Mr. Davies.

Mr. Don Davies: Thank you, Mr. Chairman.

There is an allocation of persons by city. Winnipeg has one, Toronto five, Vancouver one, New York and Washington.... This tells me that the witnesses have been selected.

The Chair: No. I'll have the clerk explain what he did there.

Mr. Don Davies: Okay. It's because the official opposition has put in four or five names, and I just want to know if those names will be included.

The Clerk: The budget was determined with the suggestions made by all three parties. When we took the names of the organizations and determined what city they were based in, that's where we got our determination.

These are not people who have been invited but names that have been suggested by the parties. That's how we develop a study budget to give us sufficient funds to cover inviting all of these people.

To respond to Mr. Cannan's point, any of the amount for witness travel can be allocated for video conferences. The reason we put in an allocation for video conference was just to indicate that there was money available for it, but we can allocate it any time—either the video conference allocation for travel, or vice versa.

The Chair: It is just a general budget. It's not specific to provinces.

We have a motion on the floor. Are you ready to vote? Mr. Keddy moved it.

All in favour?

(Motion agreed to)

The Chair: The motion is carried.

Go ahead, Mr. Davies.

Mr. Don Davies: Thank you.

I was going to raise a bit of a point of order on this matter too, Mr. Chairman. Picking up on Mr. Easter's point, it was my expectation, based on our motion last week, that we'd have the department officials for the first meeting, and I would have expected we'd have the department officials for one meeting.

As it stands now, given the time and because of the election of the chairs, we're going to have them for less than one hour. To have 45 minutes with the department officials for a trade agreement with Panama, I would argue, is not sufficient. The ministry officials play a very important role because they have access to information that other witnesses don't have, so it is my suggestion that we have the ministry officials for one meeting.

I also understand that we're going to have voting bells at 5:15, so we have a shortened meeting at the beginning and a shortened meeting at the end, and we have put the ministry officials and two other witnesses into what is essentially 90 minutes. That is not sufficient for us to get adequate information from the ministry about this important trade deal.

Second, I'm going to pick up on the issue of there being no notice of witnesses. I found out late this morning, on the day of the meeting, who the witnesses are going to be. The clerk advised me that he had no instructions from the chair to tell us who those witnesses were going to be. Obviously the committee knows, because the witnesses are here. The witnesses knew they were coming, but the official opposition and the Liberal Party didn't know. It seems we are the only parties in the room who don't know who the witnesses are going to be until hours before the meeting.

I would say the same thing for my colleagues on the opposite side. It is most helpful, and in fact I would argue it is essential, for us as parliamentarians to know who the witnesses are going to be instead of finding out who they are as we sit here at the meeting. How can we prepare proper questions for witnesses when we don't even know who is going to appear, particularly in a short meeting?

Therefore, I am going to move that today we deal with the ministry officials only. As it stands, we won't even have them for a full meeting. They are here, so we can get as much information as we can and reschedule the other witnesses so that we have some notice and can actually prepare. That is out of respect for these witnesses and what they are about to say and so that we will have done a little research about their organizations and their perspectives.

• (1545)

The Chair: Okay. There's a motion on the floor.

Just to let the committee know, of the two witnesses, one has flown in from Toronto and the other one is on video conference. That's just for your information, but we have a motion on the floor. Is there any discussion on the motion?

Go ahead, Mr. Keddy.

Mr. Gerald Keddy: We're taking up the committee's time here. It's a quarter to four; we had an hour and a half that we could have been spending on the witnesses, but we're debating among ourselves. If we have a witness who has flown in from Toronto already, then I think we should try to accommodate that witness. If we need to bring departmental staff back at some other time, we can discuss that at the time. It would seem inappropriate not to hear a witness who has flown some distance to be here, even though Toronto is a fairly handy flight.

The Chair: Mr. Easter, go ahead.

Hon. Wayne Easter: In support of Don's motion, Mr. Chair, I again come back to my point that I've argued with you numerous

times, which is that the steering committee is not functioning. A quick call from either you or one of your staff to Don and to me would have rectified this problem that if we were going to have witnesses....

I agree with him 100%. The department is the one that has been involved in negotiations. They have the facts. We do need more time with them. That's just to say that I'm very much in support of the motion.

The Chair: Fair enough.

Perhaps another consideration on the motion is that I believe one on the witness list is from the department. Mr. Castonguay is at the table. I think he was on the witness list from the NDP.

A voice: Or from the Liberals.

The Chair: Or from Mr. Easter. He was on the list, that's all.

Mr. Gerald Keddy: The only other—

The Chair: Go ahead.

Mr. Gerald Keddy: The only other quick point I would make is that generally we get a witness list ahead of time. There was an oversight this time, and that's not the end of the world.

I don't think anyone is disagreeing with that part of the motion. The witness list generally comes out—

The Chair: Yes. Just to clarify—

Mr. Gerald Keddy: —ahead of time.

The Chair: Just to clarify, I would have really been guilty if I had sent out a witness list when I was not the chair, because legally I wasn't the chair from the time the committee was disbanded until now, so that was the restriction that I'm under. It was really the clerk's call on where we're going on this.

We can keep going around and around if you want, but we're just burning up the clock.

Go ahead, Mr. Davies.

A voice: There are witnesses.

Mr. Don Davies: I'll just say a couple of things. I know we're in a technical part here because of the election of chairs, but obviously we were constituted well enough to continue to proceed with contacting witnesses and scheduling them. If we can do that, we can certainly let the parliamentarians know.

I have a suggestion, though, that might break through this. I'm going to reiterate, though, that if you want to talk about fair, there's nothing more unfair to a questioner than to drop a witness on that person with two minutes' notice and say, "Question them". If this were any kind of quasi-judicial or legal proceeding, it would be absolutely tossed out immediately.

We're Parliament. We make laws. I would think that giving people some advance notice of who they're about to question is just simply part of natural justice. However, what we can do—

Mr. Gerald Keddy: A point—

Mr. Don Davies: Excuse me, Mr. Keddy. I have the floor.

•(1550)

Mr. Gerald Keddy: On a point of order—

Mr. Don Davies: I have the floor.

Mr. Gerald Keddy: I mean, come on—

Mr. Don Davies: I have the floor.

Mr. Gerald Keddy: There's no debate about not getting witnesses

The Chair: Hang on. Let's let him finish.

Go ahead.

Mr. Don Davies: Thank you.

What we can do is.... The main thing is that I want the ministry officials for a meeting. If the solution here is to call the ministry officials back for the equivalent of a meeting, then that's one way out, but I am not going to say that to talk to the ministry officials for 45 minutes is sufficient on this trade deal.

The Chair: Okay. Let me try this.

Is that fair enough? To bring the officials back if needed—

A voice: Yes.

The Chair: —for another part of a meeting...?

A voice: Yes.

The Chair: Does that satisfy you, then?

Mr. Don Davies: For the equivalent of one meeting?

The Chair: Well, it would be the equivalent of another hour, right?

A voice: Yes.

Mr. Gerald Keddy: An hour and a half if we completely lose this one....

The Chair: Yes. I don't think there's resistance there, from what I'm hearing. Is that fair ball?

Mr. Gerald Keddy: That's great rhetoric—

Mr. Don Davies: It's not rhetoric, it's substance.

The Chair: Do you want to drop your motion, or...?

Mr. Don Davies: No, I want my motion voted on, please.

The Chair: Are we clear on the motion?

Mr. Gerald Keddy: Read the motion.

The Chair: Could you repeat the motion?

Mr. Don Davies: Yes. I move that we have the witnesses here from the department for this meeting and that we reschedule the other two witnesses.

The Chair: All in favour? Opposed?

(Motion negatived)

The Chair: The motion is defeated.

Okay. Away we go.

We have the department here. We have Mr. Cameron MacKay, from the China trade bureau of the Department of Foreign Affairs and International Trade.

I assume you're leading the delegation to make a presentation, so if you could introduce the rest of your panel and proceed, the floor is yours, sir.

Mr. Cameron MacKay (Director General, China Trade Policy Bureau, Department of Foreign Affairs and International Trade): Thank you, Chair.

[Translation]

Thank you, Mr. Chair, for this opportunity to appear before the committee and speak to Bill C-24, An Act to implement the Free Trade Agreement between Canada and the Republic of Panama, the Agreement on the Environment between Canada and the Republic of Panama and the Agreement on Labour Cooperation between Canada and the Republic of Panama.

My name is Cameron MacKay, and I was the chief negotiator for the free trade agreement, or FTA, in 2008-09. I am currently the director general of the China Trade Policy Bureau of the Department of Foreign Affairs and International Trade. I am joined today by a few colleagues.

[English]

John O'Neill is director of the investment trade policy division, and Jeff Marder,

[Translation]

also from Foreign Affairs and International Trade Canada.

[English]

Jeff is director of the bilateral relations division with respect to Panama and Central America.

[Translation]

Also with me is Pierre Bouchard, from Human Resources and Skills Development Canada, as well as Alain Castonguay, from Finance Canada.

[English]

The Canada-Panama free trade agreement is a concrete demonstration of the government's commitment to an ambitious bilateral and regional pro-trade plan, consistent with both the global commerce strategy and the Americas strategy. To compete and succeed in international markets in this hemisphere and beyond, Canadian companies need a level playing field with respect to tariffs and market access. The Canada-Panama FTA achieves that goal.

[Translation]

Panama's economy is small, but by virtue of its geographic location, it occupies a strategic position in the global trading system, with approximately 5% of global trade transiting via the Panama Canal. That is why Panama is often referred to as the gateway to Latin America, and represents an entry point and logistics hub for the broader Latin American market.

[English]

Panama is also a high-growth emerging market. According to the World Bank, Panama's GDP growth rate over the past five years, from 2007 to 2011, was 10.6%. The IMF forecast for 2012 is 7.5% growth. That means Panama is the fastest-growing economy in Latin America, and, according to the IMF, is expected to grow by over 6% per year during the next five years. Clearly there are opportunities there for Canadian businesses.

•(1555)

[Translation]

But Canadian companies face some stiff competition in this dynamic market. Like Canada, Panama is a strong proponent of open and free markets, and has an active and ambitious free trade agenda. Late last year, President Obama signed the United States-Panama FTA into law, and that agreement could enter into force as early as this October.

Panama has also concluded FTA negotiations with the European Union, and is negotiating an FTA with the European Free Trade Association.

[English]

In fact, Canadian companies are already well aware of Panama's potential and are increasingly active there. In 2011, two-way trade in merchandise between Canada and Panama totalled \$235 million. Canadian merchandise exports were valued at \$111 million, while merchandise imports were valued at \$124 million. Canada's two-way merchandise trade with Panama has grown by 78% over the last two years.

Key Canadian exports driving our merchandise trade with Panama include machinery, precious stones and metals, meat, aerospace products, mineral fuels and oils, fruits and vegetables, and electrical and electronic equipment. While the overall size of our trading relationship may not be large when compared with other partners, it is important to recall that Panama's robust economic growth bodes well for expansion.

[Translation]

It was against this backdrop that Canada sought and obtained a high-quality, comprehensive FTA with Panama. Both parties were highly motivated to conclude an ambitious deal. Negotiations were launched in 2008 and concluded a year later in 2009.

[English]

If Parliament agrees to implement this FTA, it will help Canadian companies take advantage of the opportunities offered by Panama's growing economy by immediately eliminating Panamanian tariffs on 95% of recent non-agricultural imports from Canada and 78% of agricultural imports. Tariffs on most other products will be eliminated over time, although both countries agreed to exclude a small number of goods, such as Canada's over-quota tariffs for dairy, poultry, and egg products.

[Translation]

This agreement will produce benefits for all parts of Canada, including pork producers in Quebec, frozen French fry producers in

New Brunswick and Prince Edward Island, as well as pulse and cereal producers in Manitoba and Saskatchewan.

[English]

Canadian investors would also benefit from the FTA's implementation. Panama is already a popular destination for Canadian commercial interests, particularly in such areas as banking and financial services, consulting services, construction, and mining. Some of the Canadian companies with an existing presence in this market include McCain Foods, Scotiabank, Inmet Mining, SNC-Lavalin, and Golder Associates, an Ontario company providing consulting, design, and construction services.

The FTA will establish a stable legal framework to support Canadian investments in Panama, including guaranteeing the transfer of investment capital and protecting investors against expropriation. Investors will also have access to transparent and impartial dispute settlement procedures.

[Translation]

The number of Canadian companies active in the country is also expected to grow in the years ahead, in part owing to the many infrastructure projects planned by the Panamanian government and the private sector.

[English]

You may know that Panama's \$5.3-billion canal expansion project is expected to be completed by 2014 and is projected to boost cargo flow by roughly 35% through 2025. With the Panamanian government investing in its country's growth and strategic importance, procurement opportunities are another key driver for the negotiation of a free trade agreement with Panama.

[Translation]

I am pleased to say that the government procurement provisions in the Canada-Panama Free Trade Agreement guarantee that Canadian suppliers have non-discriminatory access to a broad range of government procurement opportunities, including those under the responsibility of the Panama Canal Authority. Ongoing operation and maintenance of the canal is expected to generate ongoing opportunities for Canadian companies.

•(1600)

[English]

Along with the canal expansion, the Panamanian government has a five-year, \$13.6 billion strategic investment plan, including \$9.6 billion that will be allocated to infrastructure investments. As we know, Canadian companies are proven world leaders in infrastructure development projects. The FTA will help Canadian investors and service providers to compete for these opportunities on a level playing field against their competitors.

As I mentioned earlier, Canada's service sector also stands to benefit from a free trade agreement with Panama. In 2009, the last year statistics were available, Canadian commercial service exports were approximately \$48 million a year, with room to grow. This figure is likely to be propelled by Canadian financial, engineering, professional, and information and communications technology service providers. The FTA will provide service providers like these with a secure, transparent, and rules-based trading environment.

[Translation]

Finally, in keeping with Canada's approach to free trade agreements, Canada negotiated side agreements on labour and the environment. These agreements will help ensure that neither side will weaken existing commitments on the environment or labour in order to gain a competitive advantage with regard to international trade.

Mr. Chair, Canadian companies that do business abroad rely on fair, transparent, predictable and non-discriminatory trade rules. In the case of Panama, Canadian companies have indicated that they want to increase their activity in that market. With the Canada-Panama Free Trade Agreement, we are looking to provide the rules they need so they can compete and succeed abroad, while building a stronger economy here at home.

[English]

Thank you, Mr. Chair. My team and I would be pleased to take your questions.

The Chair: Certainly. Thank you very much.

We will move to questioning.

Mr. Davies, the floor is yours for seven minutes.

Mr. Don Davies: Thank you, Mr. Chairman.

Thank you to the officials for being here.

You mentioned several times in your presentation the objective of creating a level playing field. I would take it you mean a level playing field for Canadian companies competing on the world market. Would that be a fair comment?

Mr. Cameron MacKay: To answer the question, we are looking at creating a level playing field in the market in Panama. That's one of the FTA objectives.

Mr. Don Davies: Of course, if we have a free trade agreement, goods produced in Panama will come into Canada and compete with goods produced in Canada as well. Is that right?

Mr. Cameron MacKay: Yes. Mr. Chair, the idea would be to open up markets going both ways, in both Canada and Panama.

Mr. Don Davies: I have a number of questions about Panama. What's the minimum wage in Panama?

Mr. Cameron MacKay: I'll turn it over to Mr. Bouchard.

Mr. Don Davies: Whoever wants to can answer it.

Mr. Pierre Bouchard (Director, Bilateral and Regional Labour Affairs, Department of Human Resources and Skills Development): The minimum wage would be just under \$200 per month, and it can go up to \$400. It depends on the sector. There are various

minimum wages, but that's broadly the range—between \$200 and \$400 a month.

Mr. Don Davies: So for an average workweek of 40 hours, say 160 hours a month, we're talking about an hourly wage of about \$1.50 to \$3.00? Is that what the average minimum wage is?

Mr. Pierre Bouchard: It's between \$1 and \$2 an hour.

Mr. Don Davies: That's the minimum wage in Panama. Do Panamanian employers have to pay into an unemployment insurance fund for all workers in Panama?

Mr. Pierre Bouchard: Mr. Chair, they would pay into the social contribution fund that you will normally see throughout Latin America. Employers would pay a percentage into that, and then there would be—

Mr. Don Davies: I'm not sure what that fund is. I'll try to find out. Is there an unemployment insurance fund in Panama that employers pay into for their workers?

Mr. Pierre Bouchard: If you mean an unemployment insurance fund as it is understood in Canada, such that when they leave their jobs there is immediately a government fund, then no. We can check. Normally there is a severance payment depending on how long the employee has worked in a company, and that would be paid by the company, but we are not talking about a Canadian-style government fund.

Mr. Don Davies: Would it be fair to say that they don't meet Canadian standards for having a comparable unemployment insurance scheme? Is that a fair comment?

Mr. Pierre Bouchard: Mr. Chair, first of all I want to clarify that this is not something we are trying to address through our agreement.

● (1605)

Mr. Don Davies: I'm sorry, but I have limited time, sir. Please answer the question. Do they, in your opinion, have an equivalent EI system or not?

Mr. Pierre Bouchard: Obviously it's a different system.

Mr. Don Davies: Do Panamanian employers have to pay into a workers compensation fund in case their workers are injured?

Mr. Pierre Bouchard: Yes.

Mr. Don Davies: Would you say the level of benefits is comparable to what Canadian employers have to pay for their workers?

Mr. Pierre Bouchard: Obviously the level of benefits is different in Panama from what it is in Canada.

Mr. Don Davies: What is the unionization rate in Panama?

Mr. Pierre Bouchard: The unionization rate would be around 15% of the private sector.

Mr. Don Davies: If you don't have that handy, would you mind providing us with those figures?

Mr. Pierre Bouchard: I'll double-check. It's within that range.

Mr. Don Davies: Do Panamanian employers have to pay into an old age pension fund equivalent to our Canada Pension Plan for the workers?

Mr. Pierre Bouchard: That contribution would be a general social security contribution. It is normally taken from employees' paycheques and it goes into a government fund, and then they get some kind of a pension from that.

Mr. Don Davies: In your statement you said that this agreement will help ensure that neither side will weaken existing commitments on the environment or labour in order to gain a competitive advantage. Would you agree with me that nothing in this agreement will compel Panama to raise its standards? The commitment is that they will not lower their existing standards to attract investment. Is that a fair comment?

Mr. Cameron MacKay: There are several so-called “non-derogation clauses” in the FTA that prevent the parties on both sides from lowering their current standards, and there are also several provisions that encourage both parties to live up to and enforce their various environmental and labour standards.

Mr. Don Davies: You said “encourage”. Does that mean compel them or encourage them? Does this agreement require them to raise their standards or does it encourage them to do so?

Mr. Cameron MacKay: Why don't we answer that question with respect to labour, given that Mr. Bouchard is here?

Mr. Pierre Bouchard: Mr. Chair, the goal of our agreement is to establish some basic principles that the government has to respect in terms of labour laws and enforcement of its labour laws. As long as they're above those standards or labour laws—we don't address benefits—it's a matter of the government and society, in discussion with employers and unions, to decide how they want to manage this. What we ensure is that workers are able to form unions if they want to defend their interests.

Mr. Don Davies: I would like to move to tax information. A few years ago, Panama refused to sign a tax information exchange treaty with Canada. Is that still the case?

Mr. Alain Castonguay (Senior Chief, Tax Treaties, Tax Policy Branch, Department of Finance): No. Canada and Panama started negotiations for a tax information exchange agreement in March of this year. Negotiations went well, and they're ongoing.

Mr. Don Davies: Okay. That's not been concluded yet?

Mr. Alain Castonguay: As I said, they're ongoing, and we'll perhaps have an announcement later this year.

Mr. Don Davies: I did some research in a Cornell University publication. Cornell did a study that examined a study done by the Internal Revenue Service of the United States between 2004 and 2007. It found that Panama as a country was tied for first in the world as a source of tax-laundered money emanating from the drug trade. Of the criminal cases identified by the IRS, 45% included illegal transactions from legal income and in 55% illegal income was involved. Of the 161 cases that dealt with drug traffic, 29% of those were Panama and 29% were the Cayman Islands.

Have you given any study or consideration to the fact that Panama is quite a renowned tax haven for laundered drug money?

Mr. Alain Castonguay: I can't really answer questions about money laundering, which is not really my area. My area is confined to taxation. All I know is that Panama committed in 2002 to exchange information to help partners enforce their tax laws. They have negotiated a number of deals. A number of them are in force, and they keep negotiating others, including one with us. We're hopeful that once it is in place, we're going to have bigger tools to assess and to address tax evasion and people avoiding paying their taxes.

Mr. Don Davies: Thank you.

Mr. Cameron MacKay: I might point out, further to that question, that in the period you referred to when Cornell did the study, Panama was on the so-called OECD grey list for not having negotiated enough tax information exchange agreements with other partners. Since then, it has negotiated the minimum number of 12 and is continuing to negotiate more, so that's some indication of some improvement in the situation.

The Chair: Very good. Thank you for that information.

Mr. Keddy, the floor is yours for seven minutes.

Mr. Gerald Keddy: Thank you, Mr. Chairman. Welcome to our witnesses.

This is an FTA that we've debated and discussed around this table. I think we are now on the third incarnation, so I appreciate your patience and your ability to come back here every time we ask.

I would like to pick up where the first questioner left off. On the minimum wage, compensation, and unionization numbers, it's easy to paint a negative picture. You can try to compare a mature economy to an emerging economy, but in reality what we've seen in just about every emerging economy that we do business with is that when that economy starts to mature—when they do better and provide more jobs and more opportunities for their workers—a number of things happen.

First of all, there's a different level of respect for the workers generally. I say generally, but I want some input from our members here. We would expect to see wages go up. We would expect to see the workers' and compensation benefits increase as they have in every other emerging economy, whether that's India or China or anywhere else in the world. It's only common sense, quite frankly.

Would you comment on what we've seen in emerging economies? That's a generalization, but I would like to hear a comment.

• (1610)

Mr. Cameron MacKay: I'll keep it specific to Panama and this free trade agreement.

Certainly that was a major motivation, not just for the Canadian government but of course the Panamanian government as well, to negotiate these market-opening opportunities in the trade agreement and have more rules-based liberalized trade to create economic opportunities in both countries. It was the Panamanians, in fact, who approached the Canadian government first, I think. They're quite committed to their own trade liberalization and they see that this is a way for the people of Panama to move up the value chain and basically take advantage of the global economy. It's been very much part of the Panamanian government's plan over the last two Panamanian governments, in fact, and not just the current government.

Mr. Gerald Keddy: I want to explore the other part of that picture a little bit. There's a fair amount of discussion about the value of the Panamanian economy as it exists today, and the changes and the advantage that will be brought to that economy with the twinning of the Panama Canal in 2014.

Your numbers show some \$200 million worth of trade with Panama now. Two-way merchandise trade with Panama has grown by 78% over the last two years alone. The IMF is expecting 6% growth over the next five years. That is a phenomenal record in an economy that's quickly becoming one of the leading economies in the Americas.

As for the potential after the twinning of the Panama Canal, as some of those infrastructure projects get started—they're definitely in an infrastructure deficit, if you will—there's an opportunity there for Canadian investment and Canadian exports going into Panama, with a 78% increase in merchandise trade and a potential 30% increase in the next five years. Can you put a number to that? Is it even possible?

Mr. Cameron MacKay: I certainly don't have those estimates, other than the IMF growth estimates I referred to in my opening remarks, but I do think that in general, if we take into account Panama's efforts to improve and widen the Panama Canal, to invest many billions of dollars, as I referred to, in its own infrastructure, and to negotiate liberalized trade agreements with the United States, the European Union, Canada, and others, we can expect to see some very positive changes in the Panamanian economy and the structure of the economy in the coming years.

Mr. Gerald Keddy: If I could, Mr. MacKay, I'll put it in a slightly different context. Let's look at the \$9.6 billion infrastructure investment that will be required in Panama in the next decade, in probably the next five years.

We can look at our competitors there, which are certainly Mexico, the United States, the European Union now, and other countries. There's Brazil as well. Brazil has its own infrastructure challenges for more infrastructure than they can possibly build on their own, let alone trying to build anyone else's, so even given the competition we face from our natural trading partners, the opportunity there for Canadian companies should be huge.

Of that \$9.6 billion, what would be the capacity that exists in Panama now for them to build that themselves?

• (1615)

Mr. Cameron MacKay: Again, I don't have specific figures, but I think their capacity would be relatively limited. Management of a lot

of those infrastructure projects would need to be taken on by major foreign multinationals. Certainly, we expect that there will be opportunities for Canadian business in that regard.

Our expectation is that this free trade agreement, by combining tariff cuts with government procurement obligations that go beyond what Panama's current... Well, Panama has no commitments to Canada now under government procurement via the WTO. With the WTO plus services commitments and an improved investment protection agreement as one of the chapters of the FTA, we think we've laid a very solid foundation for Canadian companies to compete in what will be both a very fast-growing market and a very competitive market, because our companies will face competition from other countries in that market.

Mr. Gerald Keddy: My final question is to Mr. Castonguay.

I'd like to drill into the tax information exchange agreement a little more. I think it's pretty easy to cast stones against Panama and say that the advances it has made in the last decade in particular have somehow not been serious advances, but just exactly how do you go from being on the grey list to being off the grey list?

The Chair: Give a very quick answer, please.

Mr. Alain Castonguay: First of all, the criteria for the grey list were that you needed to have 12 agreements in place. Then you'd be on the white list, but I would say that's just an interim measure.

What is really going on with those countries that enter into TIEAs is this. We're all members of the Global Forum, which basically performs peer reviews on each country, looking at their regulatory and legal frameworks to ensure they're able to exchange information. It has been done with Panama. A full report was published, a number of flaws were identified, and Panama said it would take corrective action. Then, after they do, they move to phase two, where we can then test the efficacy of their exchange of information under the agreements they have. Of course, they're all recent agreements.

All I'm saying is that the grey list was just a milestone; I think the real substance is to ensure those countries that sign agreements actually follow up. The Global Forum is there to ensure those agreements have integrity and are effective.

The Chair: Thank you very much.

Now we will go to Mr. Easter. Mr. Easter, just to remind you and the committee, you are the first one to have at the table a specific witness on the list. You have the advantage over the rest of us.

Go ahead.

Hon. Wayne Easter: Oh, that's wonderful, Mr. Chairman. You're on my good side already.

Thank you very much, folks, for coming.

In the whole area of trade there are certainly lots of negotiations going on. I don't mind admitting that I get kind of tired of hearing how many negotiations these guys have negotiated, when at the same time we're seeing, for the first time in 30 years, a deficit in Canada. The month of July was the biggest merchandise trade deficit ever, a record trade deficit, so the talk and the results are at odds.

I'd like to see just how valuable this trade agreement is in context. There's no question that all trade agreements are important. We support trade, but at the top of page 3, you do talk about the two-way merchandise trade with Panama having grown 78% over the last two years. In terms of our global trade as a country, what percentage of global trade would Panama account for?

• (1620)

Mr. Cameron MacKay: In terms of global trade, I believe the figure is roughly 5% of global trade transits through the Panama Canal. In terms of—

Hon. Wayne Easter: No, I'm talking about our trade with Panama.

Mr. Cameron MacKay: It's a very small percentage. I don't have it at hand. I'd have to look it up.

Hon. Wayne Easter: If you could provide it, that would be great.

Mr. Cameron MacKay: It would be quite small.

Hon. Wayne Easter: I did a little research—which at one time, Mr. Chair, I think I even brought to the table—on all the agreements that the government has signed to date. They really only amounted to the equivalent of about 126 hours of trade with the United States.

My point is that trade is important, but let's not lose sight of ensuring that we protect our interests in the countries with which we already have trade agreements, one of them being the United States. Out of all these agreements, the equivalent of 126 hours of trade with the United States is not a whole heck of a lot.

Does Panama have any free trade zones within their own country? I know that when we met to discuss some of the other agreements, there were the companies on the one hand, but then you had free trade zones that in some countries were clearly set up for foreign workers, for abuse of labour. Are there any such free trade zones within Panama?

Mr. Cameron MacKay: There is, on the Caribbean side of the Panama Canal, an area called the Colon free zone, which I believe is, after Hong Kong, the second-largest logistics hub for trade in the world. Basically, ships bring their merchandise trade through the Panama Canal. They can unload it in the Colon free zone, repackage it, and then containers can be shipped off to various other destinations in Latin America, Europe, or the U.S.

Really, more than anything, it's a shipping and logistics hub on the Caribbean side of the canal.

Hon. Wayne Easter: It isn't, then, what we have seen in especially one other agreement, which was a situation of foreign workers being brought in and basically abused in many ways, given low wages and being captive to the zone. We don't see that happening in Panama.

Mr. Cameron MacKay: Let me first just say that in terms of manufacturing, for example, Panama is not really a manufacturing economy. It's much more a services- and logistics-oriented economy. Much of the economy is based on shipments through the Panama Canal.

I know that Mr. Bouchard had something to add about the labour question.

Hon. Wayne Easter: Just before you answer, Mr. Bouchard, you can answer the other area at the same time.

The labour and environment agreement is a side agreement, and one of the problems with the labour and environment agreements is specifically labour. I know we encourage countries to do better, and that encouragement is there, but what is there in the agreement at the end of the day that allows us to enforce? Are there any enforcement mechanisms that provide for better labour rights, better labour wages, etc.?

Mr. Pierre Bouchard: On your first question, there are several free trade zones within Panama—the one that was mentioned by my colleague, and the Peru free trade zones. There are 2,790 employees in those EPZs, as they are called, and 8,830 employees in call centres as well are covered by the EPZ law, the free trade zone law.

On the issue of workers' rights, several years ago there used to be a particular condition that would apply to the labour rights. Therefore, as to limiting labour rights in those free trade zones, this has all been corrected by the government. Now there are no distinctions, and the normal labour law applies there. It's been corrected over the past two years, so we're happy with this development.

On the enforcement issues, our labour agreement has very strong enforcement mechanisms. First of all, on the level of obligation, this is the most comprehensive labour agreement or labour provision through a trade agreement that Panama has signed with any country on the range of obligation. There is also a strong dispute settlement mechanism that includes the possibility eventually of financial penalties of up to \$15 million per year that can be deposited into a cooperation fund that is controlled by both parties, Canada and Panama, to resolve the matter at hand. We think this is an effective deterrent for compliance with labour laws and with international standards and at the same time a problem-solving approach.

Hon. Wayne Easter: Thank you.

• (1625)

The Chair: Thank you very much.

We'll now move to Mr. Shipley, who will close out the questioning for the department.

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

I'll direct my questions to you, Mr. MacKay.

You said in your commentary that the United States.... Actually, they signed an agreement in 2011. We started this process in 2008 and 2009.

You mentioned that this isn't one of those large trade agreements that we have, but what is the difference that we've lost? Is there something? What would be the consequences of not moving ahead with this agreement now that the United States has already signed one and is going to be implementing it?

Mr. Cameron MacKay: The U.S. in fact had concluded the negotiations of their free trade agreement with Panama before Canada began to negotiate with Panama, but they had not yet signed the agreement. It was during that period that we moved in and negotiated ourselves, over a period of about a year, between 2008 and 2009, our own agreement.

There have been some delays in the United States side in terms of implementing the U.S.-Panama trade promotion agreement, as they call it. In particular, those were related to certain questions about Panama's record on labour and taxation. My understanding is that those were addressed last year, and in that light the U.S. Congress last October passed the implementing bill for the U.S.-Panama agreement. Some weeks later, President Obama signed it.

That agreement still has not come into force because there are some administrative measures that the United States is still waiting for Panama to implement, but our understanding is that it could come into force as early as October of this year.

Certainly if the U.S. agreement comes into force before the Canadian agreement with Panama does, and if Panama starts to cut its tariffs with respect to imports from the United States before it does with Canadian imports, then there could well be an impact on Canadian exporters who are already in the Panamanian market. They will no longer be on a level playing field with their American competitors, and the U.S. will have in some cases a significant tariff advantage—15% on beef, up to 70% on pork, etc.—that the Canadians would not enjoy.

Mr. Bev Shipley: It is one that's had a lot of discussion since 2008 and 2009, so I think the ratification of it and moving it, while being thorough and having it right, are important.

I want to go to the next question. You talked about the Panamanian tariffs on non-agriculture imports from Canada and on 78% of agriculture imports. In the agreement as we talk about it here, Canada is not making any commitments to reduce over-quota on supply-managed goods.

Can you talk to us a little bit about that? It's always, quite honestly—and it doesn't matter where we come from on this side, or our political stripes—about the protection in Canada of supply management. We've made some significant advancements as a government to make sure that we're protecting it. Is our commitment to supply management stated in this particular agreement?

Mr. Cameron MacKay: Certainly all of Canada's supply-managed products are excluded from tariff elimination or tariff cuts under this agreement, and likewise there were some sensitive products on the Panamanian side. They had also included some dairy and poultry products, for example, and certain sugar-containing products are excluded from the agreement. Those represent a very small portion—I think maybe 0%—of our current levels of trade. There was no particular sensitivity on that issue in this negotiation, just because of the structure of our current trade with that country.

Mr. Bev Shipley: In your statement you said, "This agreement will provide service providers like these"—and you're talking about Canadian financial, engineering, professional, and information and communications technology providers, etc.—"with a secure, transparent and rules-based trading environment". I think we may have an idea, but I wouldn't mind if you could expand on and clarify that,

because the significance of this has boiled down to those main components of this agreement. I think it would be helpful if you could expand and clarify so that we all really know what it means.

• (1630)

Mr. Cameron MacKay: Canada and Panama now have certain commitments to one another with respect to trade and services via the WTO. Through this agreement we basically built on those commitments and liberalized trade a little bit more in those areas. In particular we negotiated both national treatment and most-favoured-nation treatment provisions that basically say that both countries will treat services imported from the other country in a non-discriminatory manner vis-à-vis national service providers or other foreign providers.

We've also agreed to take our current level of liberalization in the services area, both in Canada and in Panama, and we have a standstill provision that prevents either country from increasing its restrictions on trade and services. Also, we have an MFN ratchet provision going forward so that if, for example, Panama liberalizes its services regulations in the future further to, for example, an FTA negotiation with another country, Canada will benefit from that liberalization. In other words, we can only make our services regime more liberal as we move forward.

Panama also made commitments bilaterally to us in some new areas that they hadn't covered with respect to the WTO, including those with respect to mining and energy-related services, professional services like engineering and architecture, environmental services—in which Canadian companies can be quite competitive—distribution, and information technology. That's a quick picture of the services.

Mr. Bev Shipley: Does that pretty much cover the issues of non-tariff trade barriers also?

Mr. Cameron MacKay: Non-tariff barriers are a different issue. Those would be, for example, government regulations other than tariffs behind the border, which can sometimes—inadvertently, perhaps—discriminate against foreign products. We do have provisions with respect to technical barriers to trade. There's a small chapter there. As well, both sanitary and phytosanitary measures are covered in the free trade agreement as well.

Principally we refer to our WTO obligations, but we are satisfied, and we think Canadian stakeholders will be satisfied, with the provisions we negotiated there.

Mr. Bev Shipley: Thank you, Mr. MacKay. I also want to say thank you for the work that you did as a chief negotiator to get us to this point.

Thank you very much.

The Chair: On behalf of the committee, I want to thank you for coming in and taking part in this discussion. We reserve the right, hopefully, to be able to call you back. It sounds as though there's interest in more questioning. For now I want to thank you for being here.

We'll now pause for a minute while we set up. I believe we have a video conference as well as another individual who will take his position at the table. Until then we will suspend.

•(1630) _____ (Pause) _____

•(1635)

The Chair: I'd like to call the meeting back to order.

We have two witnesses, and our time is going to be a bit abbreviated, so we want to move right along.

From the Canadian Council for the Americas we have Michael Harvey, president. You are at the table. Thank you for coming in.

We have, by video conference from Toronto, from Inmet Mining Corporation, Jochen Tilk.

Mr. Tilk, can you hear us?.

Mr. Jochen Tilk (President and Chief Executive Officer, Inmet Mining Corporation): I can.

The Chair: Very good.

We will start with Mr. Harvey.

The floor is yours, sir.

[*Translation*]

Mr. Michael Harvey (President, Canadian Council for the Americas): Mr. Chair, I am going to make my statement in my mother tongue, English. But I will answer any questions from members in the language of their choice.

[*English*]

I was here when Mr. Davies was talking about the problem of not having enough time to prepare for my presentation, and I'd just like to say that I'm totally available to come back, although I might do it by video conference the next time. I only found out myself on Friday afternoon and actually asked to have until Monday to make up my mind because I'd had a long week, so I only told the chair on Monday morning that I was coming.

I'd like to read a brief statement and then I'll answer your questions.

The Canadian Council for the Americas is an organization that strives to be a hub of thinking and events in the field of relations between Canada and the Americas. We are member-based and do not have any political affiliation.

The CCA supports a policy of increasing our trade and investment ties with the countries of the Americas. In this context, free trade agreements send a positive signal to Canadian companies that there is legal stability to the ties between our countries that will not be reversed on a whim.

In the specific case of Panama, we think an agreement is positive for a number of reasons. First, Panama's location is very strategic, connecting Central and South America. Second, the importance of the Panama Canal makes it very strategic for Canada to enjoy good relations with Panama.

Third, basically everybody else is signing free trade agreements with Panama—the U.S.A., the EU, the Pacific Alliance countries of Chile, Colombia, Mexico, Costa Rica, Peru. Canada should not allow itself to be left behind. Doing so could be interpreted as a lack of interest on our part.

Fourth, there are important Canadian business interests to protect in Panama. I think immediately of companies like Scotiabank, Bombardier, SNC-Lavalin, or Inmet Mining, but there are many more.

Fifth, Panama is a country that has made great strides since the much darker days of the dictatorships of Omar Torrijos or Manuel Noriega.

Sixth, the country is much more democratic and respectful of human rights than it was in the past.

Seventh, the judicial system is more and more independent than it was in the past.

To sum up, at the CCA we think this agreement can lead to deepening relations with Panama and with the Americas in general.

I will leave it there and let members ask any questions they want to.

The Chair: Thank you very much. I'm sure that will promote a significant number of questions as we get into it.

We'll now go to Mr. Tilk. The floor is yours, sir, if you would like to make a presentation. Please go ahead.

•(1640)

Mr. Jochen Tilk: My name is Jochen Tilk. I'm a citizen of Canada. I'm the CEO and president of Inmet Mining. I've been with the company for 23 years.

We've been involved in Panama for 20 years, essentially since 1990. I've been personally involved in Panama for much of that time, but quite significantly in the last 10 years. We're pursuing a very large development project in the resources sector, in mining. To be specific, it's a copper mine, and the investment is \$6.2 billion, which is about a fifth of Panama's current GDP.

The commitment we have made—and this is really in conjunction with the Panamanian government—is to adhere to the IFC performance standards. Those are standards in the extractive industry that are set out by the World Bank and the IFC. We've adhered to what we call “free, prior and informed consent” with communities, which means asking communities to provide their consent and endorse the development in the extractive industry.

We've been working with the Panamanian government in capacity-building to ensure that as a regulator and governing institution, they have the capacity. We did receive the approval of an environmental and social impact assessment as a result of that interaction.

We've also moved forward on financing of that \$6.2 billion, which involves a number of parties, including some other Canadian companies. To name one, Franco-Nevada is one of the Canadian royalty companies that provides financing and intends to provide \$1 billion of that \$6.2 billion as financing.

We also work very closely with Canadian contractors, as this project is now in construction. Construction commenced in earnest in May of this year. SNC-Lavalin, just named by my predecessor, is one of the leading contractors in the country.

We do have a partnership with some of the financial institutions. We do have one with the EDC in the area of sustainability.

We support the proposed act for a number of reasons. Number one is the significant investment that we are making; Inmet, as a Canadian public company, certainly has a vested interest in this act's going ahead. I concur with the conclusion that many improvements have been made in our 20 years of involvement, including capacity-building in the country, adherence to standards and to the highest environmental standards. We believe that all of that is beneficial both for Panama and certainly for Canada.

The Chair: Thank you very much.

We'll now turn it over to questions and answers. We will start with Mr. Davies. You have seven minutes.

Mr. Don Davies: Thank you, Mr. Chairman.

Thank you, Mr. Tilk and Mr. Harvey, for being with us.

Mr. Tilk, I'll start with you. You've obviously been able to operate successfully in Panama in the absence of a formal trade agreement. You said that you've been there for some 20 years. Do you feel that your company has been treated unfairly by the Panamanian government in that time?

Mr. Jochen Tilk: I'm sorry. Treated fairly by...?

Mr. Don Davies: Do you feel that your company has been treated unfairly by the Panamanian government in that time?

Mr. Jochen Tilk: I don't think we've been treated unfairly, but there certainly have been periods when capacity within the Government of Panama was an issue for which we had to compensate, either by being patient or by supporting a government in building that capacity. There certainly would have been periods of uncertainty over a lack of arrangements, which presented us with a certain risk that companies, to be honest, don't normally like to take. In terms of capacity-building and elimination of risk, I would say yes, we had periods of uncertainty, but overall, I would qualify the government as generally being fair over the 20-year period.

Mr. Don Davies: Okay.

Now, we've heard stories here in Canada of protests by indigenous groups and other stakeholders—sometimes environmental groups—who are in opposition to mining operations throughout Central and Latin America. I think there have even been some deaths as a result of clashes with police.

Are any of your operations, or the operations of other Canadian mining companies that you're aware of, in conflict with any indigenous peoples in Panama?

Mr. Jochen Tilk: No, we're not in conflict with any indigenous people in Panama. In fact, we are not located in proximity to or within a *comarca*, which is the term for reservation.

However, I'm very well aware of the conflict situation that you are describing specifically in Panama, which took place in a *comarca* and was related to indigenous peoples essentially opposing government policy and government legislation.

•(1645)

Mr. Don Davies: I do understand that Inmet, through your subsidiary of Panama Mining, was involved in an injunction case, if

I understand correctly, that allowed you to extract minerals in the Meso-American biological corridor. Is that correct?

Mr. Jochen Tilk: Did you say an injunction case?

Mr. Don Davies: Yes.

Mr. Jochen Tilk: It was an injunction on what?

Mr. Don Davies: I think it was a court case that allowed your subsidiary to extract minerals in the Meso-American biological corridor. Am I correct on that?

Mr. Jochen Tilk: I'm not aware of a court case or an injunction that allowed our company.... The only thing I can think of that might be related to the point you're making is the existence of a contract law. We're governed under a contract law called Ley 9 or Law 9 of 1997, which was enacted through the Parliament of Panama in that year, and this law sets out certain terms. It's effectively a contract law that determines how we are governed, but I wouldn't qualify it as a court case or an injunction.

Mr. Don Davies: Are you mining in the Meso-American biological corridor?

Mr. Jochen Tilk: The deposit is located in the Meso-American biological corridor. That's correct.

Mr. Don Davies: Have there been any concerns raised in Panama about that activity, Mr. Tilk?

Mr. Jochen Tilk: There are definitely concerns that we raise and that we as a mining company concur with. I think it is entirely appropriate and paramount that as a responsible company, we not only concur with those concerns but also raise them ourselves. I listed a few of the IFC performance standards, of which there are eight, which clearly govern how extractive industry mining companies, if they mine in sensitive areas—and there are many around the world—have to govern themselves and to which they must adhere in order to conduct their business.

We've gone through the effort of proving and demonstrating that compliance independently as well as vis-à-vis the government, so the answer is yes, there are concerns, which we share, and we have demonstrated that we—

Mr. Don Davies: Mr. Tilk, I have limited time, so I'm going to try to move to something else.

We know this trade agreement would require Panama and Canada not to lower their environmental standards to attract investment. I want to get your views on the state of environmental regulation in Panama. How would you contrast the state of environmental regulation in Panama with that in Canada? Would I be correct in saying that their environmental regulations are at a lower standard than Canada's?

Mr. Jochen Tilk: No, the environmental regulations, in our experience, are not lower than the environmental standards in Canada, but what is different, in our experience, is standards that companies voluntarily adhere to. They would be very different in Panama from in Canada. In fact, in Canada the extractive industry is a self-regulated industry. In Panama there's—

Mr. Don Davies: Mr. Tilk, I'm talking about legislated standards. I want to know the state of law in Panama. For instance, here we have an environmental assessment process. Do they have a similar process in Panama before a project can go ahead?

Mr. Jochen Tilk: Yes, of course they do.

Mr. Don Davies: Is it as stringent, in your view, as are Canadian standards?

Mr. Jochen Tilk: I would think so, yes.

Mr. Don Davies: Okay.

In this agreement there is a \$15 million fine proposed for non-compliance with the labour side agreement, but there are no financial penalties included with respect to the environmental side agreement. Would you suggest it would be wise to have a penalty for any potential violations of the environmental provisions of this agreement, similar to what we have with the labour side agreement?

Mr. Jochen Tilk: On the basis that the environmental standards in Panama are similar to what they are in Canada, I would have to understand why there is a penalty in one case and there isn't in the other, but I just don't feel competent to provide the answer, because I'm not aware of the background as to why there is a penalty for the labour part of it.

Mr. Don Davies: Fair enough, Mr. Tilk.

Mr. Harvey, I have time for a brief question.

One of the chief concerns is that the state of Panama historically has been a money-laundering centre and an offshore tax haven. There are obviously great concerns about the laundering of drug money there. Does your group have any comment on that?

Mr. Michael Harvey: I think the situation has improved quite a lot and, in general, bringing Panamanian justice systems or legislative systems more in line with what we're doing in Canada would help the country advance in that direction.

Mr. Don Davies: Do you think the tax—

The Chair: Thank you very much. The time is gone.

We'll move to Mr. Holder.

• (1650)

Mr. Ed Holder: Thank you, Mr. Chair.

I'd like to thank our guests for participating in this discussion today to help us understand better their perspective on Canada-Panama free trade.

Everything old is new again in that this is now the third time we have tackled this important arrangement.

I want to come back to something that my colleague from the Liberal Party made reference to before—

A voice: He left.

Mr. Ed Holder: That's good, because there won't be as much of a retort.

It strikes me that when he talked about the size of this deal and came back and talked about the importance of the arrangement with the United States, it is rather interesting that around this table we all accept that our relationship with the United States is important, but I don't think everything is mutually exclusive. That is to say, Mr. Harvey, that when I think of your organization, the Canadian Council for the Americas, it is related not strictly to our dealings with Panama, but, quite frankly, to those throughout the Americas.

Is it fair to say that we as a country can multi-task and that we can do business both with the United States and with other countries simultaneously and that we can put in free trade agreements while we try to continue to improve that relationship with the United States?

Mr. Michael Harvey: Yes, absolutely. I think we have a pretty big bureaucracy that can work on deals all over the world at the same time. Also, we have a business community that's interested in different parts of the world. Sometimes it's the same company all over the world and other times it's different companies.

Mr. Ed Holder: Well, I would agree with you. Sometimes it does feel as though we have a very big bureaucracy.

That said, what struck me about what you said is that you were very articulate on several points as to why this must proceed. I'd like to touch on one thing.

You might well be aware, as I think you may have heard in prior testimony, that the United States is close to putting a deal in place; there are a few administrative arrangements, I believe they were called, to make that happen as early as next month. What's the disadvantage for Canada to not play in that pond? I think you said one of the reasons was that everybody else is doing this deal for this very strategic country. From your standpoint, how does that disadvantage Canada? Let's talk about our country and why it matters to us.

Mr. Michael Harvey: I could give an example. Let's say it's a Canadian engineering firm that's looking at a big opportunity in Panama. If it doesn't have the same investment protections that a firm from the U.S., the EU, or another country has, then they're going to have to pay for some sort of political risk insurance somewhere. That would make things a bit more expensive. It might be the thing that tips the balance to not wanting to go for that opportunity. It's just a cost.

Mr. Ed Holder: If I might reinforce what you've said, we've heard in prior testimony that tariffs from 15% to 70% for areas such as agriculture trying to do business in Panama would be lifted. I can't imagine any party around this table or in the House of Commons that would want to oppose growing our agricultural opportunities, particularly in areas such as pork and beef, in various parts of South America and particularly in Panama.

I heard my colleague opposite speak twice now, in two different sessions, on this issue of money laundering and tax havens. I want to come back to the point—and I want to stress this—that you said in your testimony that Panama has dramatically improved. I imagine there is some advantage, since it's now been a couple of years since we opened up trade discussions in 2008. There have been some dramatic improvements. Panama is no longer on the grey list.

Are you more or less optimistic about Panama's ability to handle its financial affairs to a standard that Canada would be comfortable with?

Mr. Michael Harvey: I'm much more optimistic. Panama went through a lot of years in military dictatorship, and they've had a fairly stable democracy now for several elections. Panama is now a place where, when we have elections, the man or woman the people vote for wins. There's not going to be a military coup or anything like that. It's a country that's stable now, that's democratic. It has challenges like everybody else, but it's not the Panama of those days, for sure.

Mr. Ed Holder: One of the points we've made before is that we already trade with Panama. What we're looking to do is establish a rules-based system to ensure that Canadian investors and Canadian businesses know what they're getting into and have some serious expectation on the other side in terms of dealing with that country. Would you agree that this makes good business sense?

Mr. Michael Harvey: Yes.

Mr. Ed Holder: I'll quickly ask Mr. Tilk a question. Thank you very much. You've been very patient.

When I travelled to South America on business on behalf of the trade committee, we met businesses doing work in South America. One of the areas that we've always focused on is the importance of corporate social responsibility.

You're there. I'm not. This committee is not. What is your sense of Canada's respect of Panama and how it approaches corporate social responsibility in that country?

• (1655)

Mr. Jochen Tilk: Well, I think it's extremely high. I think the Panamanian government and the people in government and the population as whole, to the extent that they have knowledge, appreciate that Canada is a leader in the extractive industry and a leader in exporting corporate responsibility and good corporate governance, and they value that. There will always be people who have a view on the extractive industry as a whole that is independent on certain principles, but I think Canada ranks extremely high on its ability and the country's ability to teach, develop, and implement very high corporate responsibility standards.

Mr. Ed Holder: In your earlier testimony, you talked about the last 20 years that Inmet has been in Panama and the periods of what I would call insecurity and uncertainty. What impact would it have for businesses like yours to have a free trade agreement in place with provisions relating to tax treaties, to environmental and labour treaties, to ensure there is...? I'll stop with the advertisement. I want to ask your opinion: why it would matter to a business such as yours?

Mr. Jochen Tilk: It means everything, because Inmet's board of directors made a decision on May 18, after effectively 20 years in studies and investments, to proceed with the investment of \$6.2 billion, which, as you will appreciate, is very significant.

We made that decision in the absence of an agreement but in anticipation that it would come. To take the risk out of uncertainty to the extent that it's eliminated by the pact would be great. It would make the decision for management, for the board of directors, and for other stakeholders a lot easier to proceed with investment and all the benefits that come to Canada from that.

Mr. Ed Holder: Thank you both.

The Chair: Thank you very much.

Mr. Hiebert, the floor is yours for seven minutes.

Mr. Russ Hiebert (South Surrey—White Rock—Cloverdale, CPC): To continue that line of questioning, Mr. Tilk, what value would you place on an FTA with Panama? If the deal that you have just signed is worth \$6.8 billion, and there's a component of risk that you've assumed will be addressed by a free trade agreement, can you put a number on it, just to help the committee understand the value of these kinds of free trade agreements?

Mr. Jochen Tilk: That's very difficult to do. I mean, I could hypothesize that some companies, in some instances, could take the position that without a bilateral agreement that governs the relationship of the countries, they wouldn't go ahead.

We haven't taken that decision, because we are hopeful and have confidence that a bilateral agreement will be developed. From that point, you're talking about billions of dollars—let me quantify that, billions of dollars—that would not be invested because, from a risk perspective, a company or an institution may not be prepared to proceed without the backup of a bilateral agreement that governs everything from taxes to dispute resolution arbitration.

Mr. Russ Hiebert: All right. Perhaps we could unpack that a little bit more for the benefit of the committee. What in particular in a free trade agreement would benefit your company? You've mentioned taxes and you've mentioned dispute resolution mechanisms. Can you just dive into that a little bit further and add anything else that might be relevant?

Mr. Jochen Tilk: I can't really take a specific one and say that my company will specifically benefit from that section, because I think many areas of a free trade agreement or bilateral agreement will govern situations that I can't possibly anticipate. If there is a tax conflict, if there is a customs conflict, if there is any type of dispute, those are all opportunities for us to rely on the existence of a bilateral agreement.

Mr. Russ Hiebert: In the U.S., President Obama has signed an agreement that hasn't yet come into force as a free trade agreement with Panama. Negotiations have concluded between Panama and the European Union. If these agreements went ahead and Canada's FTA was not implemented, what kind of disadvantage would that place you in, as a company?

• (1700)

Mr. Jochen Tilk: I think the point was made earlier on that, but I'll give you one example.

We're currently, as part of our project, negotiating with two companies for the supply of equipment. It's approximately \$300 million to \$400 million. That's mining equipment that will be imported. Both companies are American-based. Both companies have decided to develop a base in Panama far beyond our particular project, on the basis that Panama is a hub, a country where they would like to invest. It's a country that provides benefit.

Both of them are doing that in anticipation of the agreement. Their investments are significant. Their employment is significant.

In that example, without wanting to mention the specific names of the companies, I think those companies will move and develop a competitive advantage in Panama. The Canadian companies, either in the service sector or in another manufacturing sector, could develop but may not, because of not being able to rely on an agreement.

Mr. Russ Hiebert: Fair enough.

Mr. Jochen Tilk: I think you just have competition moving faster and quicker.

Mr. Russ Hiebert: In your opening remarks, you mentioned that you had been working with the Panamanian government for the last 20 years in building capacity. Could you expand a little bit on what that means? How have you worked with them to build capacity?

Mr. Jochen Tilk: Yes, sure. Again I'll give you an example.

We went through the approval of the environmental and social impact assessment. When the question was raised earlier of whether or not such a process exists, I answered, "Yes, it does", and I find it very comparable to the process in Canada or the United States.

We've asked the government to contemplate the support of third party groups that would help it technically and otherwise. The government went ahead and retained a consulting firm from Chile that has a lot of experience in the sector. They retained that company for the period of the evaluation of the ESIA, which is approximately three years. As you would imagine, it's incredibly, significantly important, and it's a large document.

In that instance, the government built that capacity and moved forward. There are similar examples over the past 20 years. I think with every step the government matured and moved forward. I can tell you that there's a very significant difference from 10 years ago to today.

Mr. Russ Hiebert: Mr. Harvey, I'd like your perspective on what kind of opportunities might exist for Canadian direct investment in Panama.

Mr. Michael Harvey: There's everything around the increase in the size of the canal. A lot of engineering, services, banking services, and equipment are going into that. It's a huge thing.

There are also engineering services around the growth in the tourism industry. In Panama I think we sell a lot on the agricultural side. There are Canadian food products that don't necessarily exist there and that can do well. Those are the main ones I'd see.

There are investment opportunities. With this growth in infrastructure, there's going to be a need for capital to build more highways and better ports and airports, etc. That's where maybe our pension funds and our private equity companies can do quite well.

Mr. Russ Hiebert: Would those pension funds and equity firms move into a place like Panama without a free trade agreement?

Mr. Michael Harvey: I think it's just the percentages thing. Some will and some won't, but having a free trade agreement gives you added confidence that can tip the balance a little bit more in your favour.

Mr. Russ Hiebert: I would imagine that specifically in the area of dispute resolution, when there are contracts at stake and breaches occur and negotiations break down, it would be very beneficial to

Canadian companies to know what the rules are in terms of resolving these disputes.

Mr. Michael Harvey: Yes. As I said before, I think for some it could be the deal breaker, and for others it would mean it would be a little bit more expensive to do business, because they'd have to take that risk and compensate for it through buying additional insurance or something.

The Chair: Thank you very much.

Go ahead, Mr. Davies.

Mr. Don Davies: Thank you, Mr. Chairman.

Mr. Harvey, in your talk, you described recent dictatorships in Panama, and you mentioned Noriega and Torrijos. When would you say the dictatorships ended?

Mr. Michael Harvey: What was the year Noriega got grabbed? Was it the early nineties? I don't have it off the top of my head, but it was in the early nineties that Noriega went down. After that, things changed for the better very, very quickly.

• (1705)

Mr. Don Davies: Would you describe it as a fully functioning democracy today?

Mr. Michael Harvey: Yes. Obviously democracy's not a yes-or-no thing; there are different gradations, even in Canada, but it's a fully functioning democracy.

Mr. Don Davies: You also referred to the judiciary as becoming "more and more independent".

Mr. Michael Harvey: Yes.

Mr. Don Davies: I take it that the flip side is that they don't have a fully independent judiciary today.

Mr. Michael Harvey: I don't think "fully independent" judiciary is a yes-or-no answer either. I think it's a judiciary that's moving in the right direction. There are corruption problems, as there are anywhere.

Mr. Don Davies: Would you say there are corruption problems in the Canadian judiciary?

Mr. Michael Harvey: I was a lawyer for about a year before I got into....

Voices: Oh, oh!

Mr. Don Davies: You're not under oath.

The Chair: He can ask whatever question, but you....

Mr. Michael Harvey: There's a corruption commission working on things in Quebec right now, but obviously there's more corruption in Panama than there is in Canada. I'm saying it's a move in the right direction.

Mr. Don Davies: Yes, but I don't think it's looking at the judiciary, though, is it? It's not looking at corruption in the judiciary.

Mr. Michael Harvey: No, no, and I understand what you're saying. My argument is just that things are moving in the right direction. My argument is not that there's no corruption in the Panamanian judiciary.

Mr. Don Davies: Fair enough. I'll grant you that point, but you would grant my point that obviously you wouldn't describe them as having a fully functioning, independent judiciary at this point in time, although they may be moving in that direction.

Mr. Michael Harvey: I don't like the term "fully functioning, independent judiciary". I think these things are levels and not yes or no.

Mr. Don Davies: Fair enough.

Mr. Tilk, I'm sorry, I have three different press releases that I'm looking at. I'm trying to make sense of them. Is Minera Panamá a subsidiary of Inmet?

Mr. Jochen Tilk: That's correct. Minera Panamá is a subsidiary of Inmet Mining. Minera Panamá holds and operates the project. We own 80% of that, and we have a Korean partner that owns 20% of Minera Panamá.

Mr. Don Davies: I'm reading from a press release that says:

...Panama's Supreme Court of Justice made public its decision of July 18, 2011 in which it denied Minera Panamá an injunction against the creation of the Protected Area of Donoso, which is part of the Mesoamerican Biological Corridor along the Panamanian Atlantic.

Does that refresh your memory about a subsidiary of Inmet seeking—

Mr. Jochen Tilk: Yes, of course. I wasn't sure—

Mr. Don Davies: —an injunction? Do you remember that now?

Mr. Jochen Tilk: Of course I do, yes. Was that your earlier question in the beginning?

Mr. Don Davies: Earlier you didn't have any knowledge of an injunction application, sir, which I referred to in my first line of questioning.

Mr. Jochen Tilk: No. You asked me a question that I didn't relate to this one. This is the establishment of a protected area in.... I can't remember the date of that. We had filed an appeal to the way it was put in place. Since then, the government and the authorities have been working with us on the establishment of it.

We're a huge supporter of the establishment of that area. In fact, we think the government should establish it. The circumstances of what you're referring to were actually related to Inmet's desire and Minera Panamá's desire, together with the government, to establish that protected area, so I think you need to be very careful of the context into which you put that.

Mr. Don Davies: Mr. Tilk, again I'm asking.... The release I'm reading from says:

The court's decision responds to an injunction sought by the Panama Mining company (subsidiary of Toronto-based Inmet) submitted in May 2009 with the objective of overturning the resolution by ANAM, that two months earlier, designated the area for conservation.

What I'm asking you to correct, sir.... I read this to say that the Panamanian ANAM designated an area of conservation, and Inmet, through its subsidiary, sought to get an injunction to overturn that designation of the area as an area of conservation.

Do I have that correct, or is that incorrect?

Mr. Jochen Tilk: That is correct, for the purpose of properly establishing the Donoso protected area. That is the objective, which has since been accomplished.

Mr. Don Davies: You propose to establish an open-pit copper mine. Will that be anywhere near the protected area of Donoso?

Mr. Jochen Tilk: That would be in the area of Donoso. That's correct.

Mr. Don Davies: Is that not the area, sir, that is the subject of the conservation declaration?

Mr. Jochen Tilk: That's part of the area. You're talking about a fairly large area.

Mr. Don Davies: Thank you.

The Chair: Thank you.

Mr. Cannan is next.

Hon. Ron Cannan: Thank you, Mr. Chair.

Thanks to our witnesses.

Following up on Mr. Davies' points, Mr. Tilk.... First of all, I want to thank and commend your board and yourself for taking that initiative, that leap of faith in the government, in investing over \$6 billion and proceeding with the project.

With regard to the size of the ecological area versus the footprint of your mine operation, could you put that in perspective for us?

• (1710)

Mr. Jochen Tilk: The area of Donoso is an area that we would like to establish together with the government. The mining area is a fraction of that in terms of size, so when you put it in total dimensions it depends very much on what the Donoso protected area will look like in its final boundaries. We're looking at 5,000 hectares for the entire footprint of the mine. The Donoso area would be a multiple of that, but the final boundaries haven't yet been established.

I don't want to take up the time of the committee, but the objective of Inmet has to be crystal clear: it is, jointly with the Government of Panama, to establish a protected area.

Hon. Ron Cannan: That is obviously a noble cause.

I'll follow up on my colleague's comments about social corporate responsibility: obviously you're trying to lead by example.

Mr. Jochen Tilk: Absolutely. Inmet and people personally—I personally—believe that the Government of Panama needs to and should do more to protect the Meso-American biological corridor. I couldn't agree more. The concerns that people have are the same concerns that we have.

The difference is that we believe, through our presence and with a trade agreement between the countries, that the likelihood of the Meso-American biological corridor being protected is much greater than without it, because without the financial support, without the economic base, without the employment, without the education, and without the infrastructure, the reality is that the Meso-American biological corridor, unfortunately, will probably not survive. If you and your colleagues have the time, I would encourage you to look at that. That's the trend without our presence, but with our presence, which is facilitated—and hopefully would encourage others with the presence of a free trade agreement—the opportunity and the chances to protect it are much greater. That's because the country needs the economic base to do so, and the policies that go with it, and we're a big part of that.

I'm as concerned as you and your colleagues are, but I'm equally encouraged that through our presence—we have another business, and I only speak on behalf of the group as a whole—we have a chance to facilitate the preservation of the area, and the establishment of Donoso is one of them.

Hon. Ron Cannan: Thank you for your commitment and your concern for the environment and social aspects.

I had an opportunity to travel with some of the existing committee members—and we have some new committee members—who went to Panama a few years back and saw the situation on the ground first-hand, which was very interesting.

My concern, obviously, is to have a benefit for both Canada and Panama. You'll have seen the statement that a rising tide lifts all boats; from your understanding of the agreement, do you see this free trade agreement as a benefit for the Panamanians as well?

Mr. Jochen Tilk: I do, absolutely. I think it's a huge benefit for Canadians and Canadian business, obviously, but it's also a tremendous benefit for Panama.

In my 20 years of involvement, and particularly in the last 10 years, I recall a significant difference in the disappearance of the Panamanian rainforest. I can tell you that the area that was pristine 10 years ago is now probably half of what it was. We back it up with facts. We have the surveys and the research. Most of it is based on subsistence farming slash-and-burn, and on the inability, really, to establish an economic base that would allow people to protect the rainforest. Quite frankly, it's just not a priority of Panama right now.

Hon. Ron Cannan: Mr. Harvey, I have one last quick question. Thank you for coming in.

With regard to the trade agreement, have some in your association or among your members been waiting for this FTA to be signed before they'll make a commitment of investment into Panama, or have Panamanians been waiting to invest into Canada, as a mutually beneficial operation, or potentially?

Mr. Michael Harvey: No, I haven't spoken to anybody who specifically told me “No FTA, no investment”. My members have told me that an FTA to them is a positive signal that allows them to invest more easily.

Hon. Ron Cannan: Thank you.

The Chair: Thank you very much.

The bells are going to go at about a quarter past the hour. I believe I have consensus to proceed to the last two questioners—we have one here, one there—if that's okay.

An hon. member: Yes.

The Chair: We'll give each one five minutes.

Go ahead, Mr. Sandhu.

• (1715)

Mr. Jasbir Sandhu (Surrey North, NDP): Thank you, Mr. Chair.

Thank you to the witnesses for being here today.

First, to Mr. Harvey, who are your members?

Mr. Michael Harvey: They are individuals. People sign up as individuals to become members. Our main sponsors are companies. The financial backbone of our organization is our sponsors, but our members are individuals, who generally are the Toronto business community. Others are academics, and some are journalists and individuals who want to join.

Mr. Jasbir Sandhu: They are individuals who represent companies or corporations.

Mr. Michael Harvey: I'd say most of the people who come to our events are involved in business. Sometimes it's their own companies and sometimes they're working for another company. Most of our events have a business focus, although not all do. We do things on foreign policy and human rights. We do different things.

Actually, our organization tries to actively take our business members' interests and expand them a little bit to issues that are a bit more political or human rights in nature, but we don't try to go so far that they'll stop coming to our events.

Mr. Jasbir Sandhu: How many members do you have?

Mr. Michael Harvey: We have around 600; it comes and goes.

Mr. Jasbir Sandhu: What industry or what sectors of our economy would benefit from the trade with Panama?

Mr. Michael Harvey: I think engineering services, very much, because of all this infrastructure development, and banking services, not only because Panama is such an important banking hub in general but also because often our banking services are around these Canadian companies that are doing other kinds of business.

I think our pension funds can do well in Panama if the environment keeps stabilizing, and maybe the funds that are now doing well in places like Chile or Brazil, where there's been a lot longer period of this level of stability, could take a better look at Panama in this environment.

Mr. Jasbir Sandhu: You talked about pension funds benefiting if we had a free trade agreement with Panama.

Mr. Michael Harvey: I think it would help their opportunities.

Mr. Jasbir Sandhu: In what ways?

Mr. Michael Harvey: The funds generally go to places where the legal environment gives them the security they need and where there are growth opportunities. For instance, in Chile there's been a lot of investment, and in Brazil there's been a lot of investment. In the past places like Panama weren't considered very stable for this kind of investment. As Panama keeps developing and keeps becoming richer, and becomes more democratic and more stable, I think you'll see more and more interest in that sense.

Mr. Jasbir Sandhu: Would any sectors or any businesses have negative impacts?

Mr. Michael Harvey: Would there be negative impact from a free trade agreement with Panama? I don't think we have much exactly in the way of competition in products or sectors with Panama. It's not a manufacturing economy; it's mainly services. Off the top of my head, I wouldn't say so, but...

Mr. Jasbir Sandhu: Surely we have tariffs on certain products and services right now. If we eliminate those, that would provide some sort of competitive advantage to those companies.

Mr. Michael Harvey: To Panamanian companies that want to sell to Canada, replacing Canadian products, do you mean?

Mr. Jasbir Sandhu: Yes.

Mr. Michael Harvey: I don't know if Panama is manufacturing so much for export. It's very much a service economy. You have the Panama Canal and the services around that. You have the banking sector, but I don't see them moving into Canada. I don't know of any products they export. They export bananas, where we don't have anything. I don't know of anything, but I could be corrected.

Mr. Jasbir Sandhu: Is Panama considered a tax haven around the world?

Mr. Michael Harvey: In terms of a tax haven, there's that OECD process to determine how transparent they are, but I think Panama has made a lot of progress on that.

Mr. Jasbir Sandhu: When you say "progress", are you saying that there were some issues with the banking system there, or...?

Mr. Michael Harvey: Oh, for sure. Yes, there were.

Mr. Jasbir Sandhu: What sorts of issues?

Mr. Michael Harvey: There were a lot of issues of corruption. There were a lot of issues of lack of transparency. That's what the OECD process was all about: this business of signing tax agreements with other countries and meeting a certain number of standards to be on the list of countries that are reliable. Panama has made the move to that list now, away from the bad old days, I'd say.

The Chair: Thank you very much.

Mr. Shory, you have five minutes, so make it short. Please go ahead.

Mr. Devinder Shory (Calgary Northeast, CPC): As usual, Mr. Chair, thank you so much, and thank you to the witnesses for coming here this afternoon.

I understand that when new business opportunities are created, they bring prosperity. They also, of course, lift up the standard of living. Also, they require change, and improvements are made in working conditions as well. I understand that clearly.

Both of you made the specific statements that many improvements have been made in Panama. I want you to elaborate on them and give some examples. What improvements are we talking about when we talk about working conditions in Panama?

• (1720)

Mr. Michael Harvey: Would you like to start, Mr. Tilk?

Mr. Devinder Shory: Yes, Mr. Tilk, you may want to start.

Mr. Jochen Tilk: Okay. I'm able to go back over the 20-year evolution. By the way, it was December of 1989 when Noriega was forced out of the country, and 1990 was the commencement of democracy in Panama. I have seen the development of free elections. I have no doubt that the elections of the president of the assembly and anyone who has an elected position are proper. I don't believe there was ever any question of manipulation. To me, that's the basis of the democratic system: free elections.

I've seen huge differences in the judicial system and the appointment of Supreme Court judges. There were many judgments that were made by the Supreme Court contrary to government action, whereby the Supreme Court challenged the government. It's usually a sign of independence when that happens. I've seen tremendous improvements in the GDP, in the standard of living, in the educational system, in the general infrastructure, in the availability of health care—a huge improvement there—and in the availability of education to most people.

I still find—and I'm still bothered by—a lack of positive change in the rural areas, which is where Panama as a country has not been able to reach out, but certainly in the other areas there have been very significant improvements.

Mr. Devinder Shory: Do you want to comment?

Mr. Michael Harvey: Yes, I'd agree with everything that was said. Human rights is one that I'd bring up. Under these military dictatorships, they used to kill political opponents and outlaw organizations. They were tough military dictatorships. Those years are way behind us.

I would agree with the comment that probably the improvements in terms of standard of living have been far better in the cities, even in the smaller cities, than in the countryside. That's more from personal experience. One time I rented a car with my wife and we drove around Panama for about 10 days. It's obvious when you go into the countryside that more needs to be done there, that they're not moving forward at the same pace as those in the cities. In the cities, things are booming, and you can just see people moving from poverty to the middle class.

Mr. Devinder Shory: When I see these increased trade activities across the globe, I know that we now live in a global village, basically, as far as trade is concerned. From the previous witnesses we heard that Panama is often referred to as the gateway to Latin America. We also heard that a Canadian company—Mr. Tilk, your company—is already there, and you told us that a business decision was made in anticipation of this agreement. We also heard that a lot of Canadian companies have indicated that they want to increase their business activity in Panama. The question is, what opportunities will Canada lose as far as business goes? Will we lose any opportunities for jobs or economic growth if we do not pursue this agreement?

Mr. Michael Harvey: I think we'd be a bit less competitive than other people, people who have signed agreements. As I say, that includes the U.S, the EU, Colombia, Chile, Costa Rica, and Peru. I'm not sure who else, but—

A voice: Mexico.

Mr. Michael Harvey: Yes, they're in that group of countries too, the Pacific Alliance.

The Chair: Time has gone, but I do want to thank both witnesses, Mr. Harvey and Mr. Tilk, for being with us. Your testimony was candid and very appreciated.

I will remind the committee that we will have witnesses on Thursday, the department and witnesses on Tuesday, and we'll go into clause by clause and finish clause by clause by Thursday's meeting. That's next week.

Thank you. The meeting is adjourned.

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