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The Honourable Rob Merrifield

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● (1535)

[English]

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

We want to thank our witness, the Ambassador of Chile, for being here.

Ambassador Ibarra, thank you for joining us today. To put our committee work into a little bit of context, this committee is studying the benefits right now of Canada joining the Pacific Alliance as a full member. We have observer status at the present time. Next week we'll have DFAIT here on Monday, and representatives from Peru and Colombia on Wednesday. That gives you a little bit of context to what we are studying.

We want to thank you, Ambassador, for coming forward. We have a bilateral agreement with Chile. We look forward to your presentation and I'm sure we will follow it up with some very good questions.

With that, Mr. Ambassador, the floor is-

Hon. Wayne Easter (Malpeque, Lib.): Mr. Chair, I am moving my motion that's on the table.

The Chair: We have a notice of motion from Mr. Easter.

Hon. Wayne Easter: I'll explain why I'm moving it at the moment.

Hon. Ron Cannan (Kelowna—Lake Country, CPC): Mr. Chair, I move that we go in camera.

The Chair: We have a motion to go in camera—

Mr. Gerald Keddy (South Shore—St. Margaret's, CPC): Mr. Chair, just adjourn.

Hon. Wayne Easter: Mr. Chair, I've moved the motion, and I'm speaking to the motion.

The Chair: Just a minute, Mr. Easter.

We have a motion to—

An hon. member: [Inaudible—Editor]

Hon. Wayne Easter: I'll read the motion, Mr. Chair. The motion reads:That, as part of its study of a Comprehensive Economic and Trade Agreement with the European Union—

Hon. Ron Cannan: On a point of order, Mr. Chair, I just want to clarify—

The Chair: Mr. Easter, we have a motion to adjourn debate, I

Hon. Wayne Easter: No, you do not have....

I am speaking, Mr. Chair. Talk to the clerk: you cannot take a point of order when I'm speaking on the motion.

Mr. Gerald Keddy: No, I'm not asking for a point of order.

The Chair: Mr. Easter.

Hon. Wayne Easter: The motion reads:

That, as part of its study of a Comprehensive Economic and Trade Agreement (CETA) with the European Union, the Standing Committee on International Trade invite the Hon. Ed Fast, P.C., M.P., Minister of International Trade, and Canada's Chief Trade Negotiator to appear before the Committee on Wednesday, March 20, 2013 or Monday, March 25, 2013, for the purpose of updating the Committee on the progress of the trade negotiations currently underway.

Ambassador, my apology to you folks for dealing with this motion right now, but if you were to note the committee minutes and the orders of the day, you would see that committee business in this committee seems to be in camera, meaning in secret, and there are a lot of issues this committee should be dealing with in public, especially this one, as it relates to where the CETA negotiation is at, at the moment.

While we see the Pacific Alliance as an important issue, it's critical, I believe, at this moment of time in the life of Canada to hear directly from the minister on an issue the government claims is its priority, for which there are increasingly unanswered questions. Simply put, I believe Canadians deserve to know if the members of the government have permission to allow the Minister of International Trade and our chief negotiator to appear before this committee to explain to Canadians exactly what the heck is going on with the negotiations on the largest trade deal this country has agreed to enter into, namely CETA.

I've even heard you yourself say, Mr. Chair, the CETA agreement will make NAFTA look like a relic. It's a huge agreement, and I know there's strong interest in getting it done.

We now have the spectacle of the Minister of International Trade stating publicly that he is expecting to conclude the CETA sometime this year, 2013. Members will recall that this committee was told the government expected to conclude the CETA by 2012. That commitment was made on October 6, 2011. That's more than 17 months ago.

It's time for the Minister of International Trade to come before this committee and explain why the negotiation is potentially turning into a failure. We see the European trade commissioner talking a lot about the potential deal with the United States, and it's as if we don't exist. We can't allow that to continue.

We have the spectacle of the Prime Minister of France providing to Canadians, through a media event with Prime Minister Harper, the most straightforward indication of the problems between Canada and the EU in terms of the obstacles to reaching a deal. According to a report in *The Globe and Mail* dated March 15, 2013, the French Prime Minister stated that the problem areas are "...in agricultural goods—in particular beef, poultry and pork products—as well as patent protection and cultural diversity." As has occurred in our falling behind the United States in our FTA with South Korea, the *Globe* is reporting that the EU shift towards negotiations with the United States could result in Canada again being marginalized.

Mr. Chair, I don't need to elaborate much on that, but the fact of the matter is that we did have a billion-dollar beef and hog market in South Korea. The Americans have signed their FTA. I was in Washington and I heard Secretary of Agriculture Vilsack talk about how they are expanding their beef trade. We're the losers in the U.S. expanding their beef trade, and we can't allow the same thing to happen in Canada with respect to the European Union.

Members opposite, the government members, in my view, can do two things. They can speak in support of or in opposition to this motion, or they can sit in silence, which in itself, I believe, speaks volumes, if they are permitted to speak at all.

Mr. Chair, let me lay out a few points on why I think the minister and chief negotiator should appear on CETA and do so immediately. The reasons are pretty straightforward.

The last time the minister presented himself to this committee on CETA, or the members opposite allowed him to come, was October 6, 2011—17 months ago. We've had our chief negotiator here for estimates, but not on CETA. The last time our chief negotiator appeared before the committee was in June 2012, nine months ago. Since that time we've had several developments that have not been clarified by the minister or by any member of the government.

• (1540)

On October 15 and again on November 13, 2012, Canadian Press reports indicated that government studies prepared by Health Canada and Industry Canada concluded that the CETA agreement would result in Canadians paying up to \$2 billion in additional drug costs annually. Steve Verheul, the chief negotiator, confirmed the existence of these studies in his testimony of June 19, 2012, at page 5. However, he stated that while he was aware of the studies they had not been shared with him.

In his testimony on October 6, 2011, the minister confirmed that a cost-benefit analysis of the implications of CETA had been done but that he would not share them with the committee. Now that's serious stuff when a minister admits there are studies and won't share them with a committee.

The European Commission in its June 2011 sustainability impact assessment report cited the figure of \$2.8 billion in additional annual costs, the same figure this committee was presented with. In fact, the European Commission report, of some 468 pages, stated on three separate occasions that as a consequence of CETA as it was being negotiated at the time, it would cost Canadians more in drug costs.

On the DFAIT website, in a "message from the Minister" posted on April 16, 2012, the possibility that CETA would result in increased drug costs to Canadians was described as a "myth". The minister owes this committee an explanation as to which it will be. It surely can't be both. It can't be going to cost us, as the Europeans and the studies are saying, and also be a myth at the same time. We need answers on that issue.

Now let's go to November 2012 and the leaked EU documents from the European Commission to the Trade Policy Committee. At page 2 of document DS 1744/12, it states in reference to dairy, poultry, and eggs that:

There is agreement that these products will not be totally liberalised, and new market access will be granted in the form of TRQs.

Don't you think we should as parliamentarians, Mr. Chair, find out from the minister if he thinks this is true? We get questions all the time from industry and we've been pretty steadfast in saying that supply management is protected. But if there are problems here for dairy or poultry, then we should know about them so that we can work with the industry to try to rectify those problems.

We know that on October 6, 2011, the minister told the committee with respect to supply management that "...we have made no concessions on supply management". There is too much of a discrepancy here between what the minister is saying and what others are saying, Mr. Chair.

By March 13, 2012, when the minister appeared on the estimates, he told the committee in response to a question related to supply management that we're prepared to discuss all issues on the table. On June 19 Steve Verheul told the committee that "no formal offers have been put on the table" concerning supply management.

Less than five months later it seems that the government has entered into an agreement that directly affects our supply management sector, if we are to put any credibility to what is coming out of the European Union in terms of leaks.

Mr. Ed Holder (London West, CPC): I have a point of order. \bullet (1545)

Hon. Wayne Easter: There's no point of order allowed, Mr. Chair

The Chair: Go ahead.

Mr. Ed Holder: I'd like to ask a question through you, Mr. Chair.

Mr. Easter made it clear that he apologized to our guests for taking their time as it is. If this is intended to be an extended dialogue, which is appears to be, I'd like to seek the chair's wisdom as to what is the courteous thing to do with our guests—

Hon. Wayne Easter: It's not a point of order, Mr. Chair.

Mr. Ed Holder: —because I find this very distressing.

The Chair: It's not a point of order.

Go ahead, Mr. Easter.

Hon. Wayne Easter: I would say in response to that question, Mr. Chair, that I had a couple of more points to put on the record and I would hope that the members opposite would see the wisdom in allowing—

The Chair: I'll just challenge you, Mr. Easter. If you ask me another question, I'll answer that question and you'll relinquish the floor in doing so.

Hon. Wayne Easter: —the minister to come.

Again, Mr. Chair, this committee and Canadians deserve clarity on the issue; either the leaked EU document is factually incorrect or it's not. The Minister of International Trade owes it to this committee, and the government owes it to this committee, to declare what is fact and what isn't fact.

As I wind down, Mr. Speaker, I'd like to refer to a speech by the European Commissioner for Trade, in which he described the required process by which the European Parliament is kept fully informed of the progress of trade negotiations as a result of the Treaty of Lisbon.

Mr. Chair, I think this is something we could learn from. These trade changes significantly alter the debate over EU trade policy. No one can now claim that EU trade policy-making is a bureaucrat-to-bureaucrat exercise devoid of scrutiny and passion. The European Parliament brings a broader range of voices and opinions to the debates on trade and ensures that these debates happen with full transparency. It is so different from here, Mr. Chair.

In short, the Lisbon treaty requires that the commission shall keep the Parliament informed of trade negotiations.

Those points that were raised were confirmed by the European Parliament in a resolution of June 8, 2011 on Canada-EU trade relations, a resolution that was sent to the federal government and each of the provinces.

Paragraph 19 of the resolution reads:

...since the entry into force of the Lisbon Treaty, the Council has been required to obtain the consent of Parliament for all international trade agreements and both the Council and the Commission have been required to keep Parliament immediately and fully informed at all stages of the procedure; [it] calls on the Council to provide Parliament immediately with all information in the stages of the procedure for which it is responsible, in particular concerning negotiation directives it has adopted and any modifications thereof; [it] calls on the Council and the Commission to keep Parliament involved at all stages of the negotiations and to take Parliament's views fully into account.

The reason I read that, Mr. Chair, is that in Canada we are a democracy too. We're not fully informed. We haven't had the minister here on the CETA agreement for 17 months. It's time we did have him here to answer for whether it's misinformation or a strategic way of trying to get their position forward. I don't know, but we need the minister and his chief negotiator to answer those questions.

As a last point, Mr. Chair, the EU trade commissioner has, in quite a number of speeches now on relations with the U.S., certainly been emphasizing the negotiations with the United States and not mentioning Canada at all. That worries me that we might find ourselves in the same situation as we did with South Korea, that we had in fact been displaced by the United States in our trading relationship there. That would indeed cost the country.

For all of the foregoing, Mr. Chair, it's crucial that we hear from the minister to find out, first, why the negotiations seem to be at a standstill from Canada's point of view and way over the deadline the minister had suggested they would meet; second, determine if the government still believes in and has CETA as a priority; and third, determine what areas, be they supply management, procurement, drug costs or others, that we as a committee need to be addressing.

I've said before this committee a number of times that we're not doing as well in our trade agreements as we had hoped we would—for 10 out of the last 12 months we've had a trade deficit. Two years in a row now there's been a trade deficit in beef.

(1550)

I very sincerely believe that we as a committee should be looking at these things so that we can help the government, industry, Canadians add value by way of the trade agreements. We can't do it if the committee is not willing to have the minister before us and get his views on the matter. Therefore, I would encourage the government members to support the motion and allow the minister to come before this committee so we can get some up-to-date information and answers.

Thank you very much, Mr. Chair.

The Chair: Okay. You've made a passionate plea for your motion.

I will just let the committee know that we have the ambassador here only until 4:30. He has a time restraint.

Mr. Keddy, the floor is yours.

Mr. Gerald Keddy: Mr. Chairman, thank you for recognizing me. I'll try to be succinct as I can.

Obviously, anyone looking at today's orders would see that we have an hour set aside to debate this motion, from 4:30 to 5:30. Unfortunately the honourable member presented absolutely nothing new in the case he made. He managed to turn a motion into a filibuster. Worse yet, we have been extremely discourteous to our guests who were invited here today not just by the chair but also by the entire committee. So this type of behaviour is really quite unconscionable, and I move that we adjourn debate and go back to the orders of the day.

The Chair: Okay. The motion is non-debatable.

All in favour?

(Motion agreed to)

The Chair: Thank you.

Sorry about that.

The floor is yours, Mr. Ambassador.

His Excellency Roberto Cristian Ibarra Garcia (Ambassador of the Republic of Chile to Canada, Embassy of the Republic of Chile): Thank you very much, Mr. President.

Good afternoon, everybody.

[Translation]

Ladies and gentlemen members of the Standing Committee on International Trade, thank you.

[English]

I would like to thank you, Mr. President, and members for their kind invitation to speak on the Chilean perspective with regard to the Pacific Alliance, consisting today of four members, Chile, Colombia, Peru, and Mexico; two observer candidates, Costa Rica and Panama; and six observers. In this last category we find Canada, Australia, Guatemala, Japan, New Zealand, and Spain.

Chile, as all of you know, currently occupies the *pro tempore* presidency of the alliance, which has been created to achieve, in a participatory way and by consensus, an area of integration aimed at developing progressive steps toward the free circulation of goods, services, capital, and people. This big undertaking also aims to prompt the greater growth, development, and competitiveness of our economies, with special emphasis on the Asia-Pacific region.

Since its birth, coming from an initiative of the former President of Peru, Alan Garcia, in April 2011, the Pacific Alliance has developed an intense agenda of meetings at the level of heads of state, ministers, and deputy ministers of foreign affairs and trade. As well, it has constituted a cabinet and nine technical working groups: movement of businesspeople and facilitation of migratory movements, coordinated by Mexico; trade and integration, including trade facilitation measures, coordinated by Chile; trade in services and capital movement, coordinated by Colombia; cooperation, coordinated by Peru; institutional issues, coordinated by Peru; communication strategy, coordinated by Mexico; government procurement, coordinated by Chile; intellectual property, coordinated by Colombia; and regulatory improvement, coordinated by Mexico. These last two groups, intellectual property and regulatory improvement, are only having exploratory talks with no mandate for negotiation.

These working groups have been doing their job in a very disciplined manner; their results are destined to move forward in a series of definitive high-level commitments, among them tariff liberalization, a goal aimed to be achieved for 90% of goods by March 31 this year, within 10 more days.

Likewise, the alliance is engaged in concluding negotiations in several areas this year, deepening the existing bilateral free trade agreements among the four members. These areas include: market access for trade in goods; rules of origin; phytosanitary and sanitary measures; technical obstacles to commerce; facilitation of trade; customs cooperation; services, including financial products; marine transportation; telecommunications; air services; professional services; investments; and public procurement.

At the same time, we have established a mechanism of cooperation between trade promotion agencies to increase the presence of goods and services from members through institutional cooperation in international markets. For instance we are thinking of joint trade offices. We also agreed to attract investment and trade among the members during a macro business round to be held in Cali, Colombia, next June.

In August 2012 the Pacific Alliance Business Council was created to promote initiatives within member countries and the business community in general, as well as to develop recommendations and suggestions to governments to improve this integration process. Their members will suggest joint actions to access foreign markets, mainly in the Asia-Pacific region.

As you can see, ladies and gentlemen, this is an ambitious project that Chile decided to associate with enthusiastically from the beginning. Why? Because we have verified, essential common elements that link us with the other associates or like-minded countries who share fundamental values of democracy, respect for human rights, and all fundamental liberties. There is also our effective commitment to free trade as an instrument destined to

promote the prosperity of our people. Another consideration was the positive behaviour observed in our economies in the last years in terms of political stability, clear rules, and responsible management. Finally, there's the interest in gathering our efforts to face the challenges presented by the international economy and the boom of the Asia-Pacific region as a zone of greater dynamism in the world.

• (1555)

We are aware, Mr. Chairman, of the great dose of strong political will required for this project to function. We know this will require a substantial amount of flexibility and mutual concessions. But our governments have resolved to undertake this road with energy and determination, with the dynamic working plan that seeks to reach agreements gradually in all the areas, about which we are definitely optimistic.

We are also conscious about the interest generated by the Pacific Alliance in the international community, which is explained by the requests received from several countries to participate at different levels. In this sense we took note of the desire expressed by Canada, which became concrete in the summit in Paranal, Chile, in 2012, to which Minister John Baird was invited.

My country has developed an encouraging role in the Canadian accession process and we observe with satisfaction that the Canadian decision is being materialized at an internal level, with examples such as the study initiated today by this committee.

With the purpose of making a further contribution to this exercise, allow me to present some pictures and figures that will illustrate better what is the starting point of the Pacific Alliance and its enormous potential that is committed to develop ahead.

First, you will see a comparison between the GDP of the alliance and the median GDP of Latin America. We have 35.8% of the population of Latin America. We are now the second largest economy of Latin America and the Caribbean, the ninth in the world economy, and we have 2.9% of the world's trade.

Trade openness is 60% of our GDP. In the case of Brazil it is 24%, and in the case of Latin America it is 51.3%.

In this next slide you will see the size of the market. We have a population of 207 million, which represents 34% of Latin America's GDP, and 50% of Latin American exports.

You each have documents that compare Chile and the Pacific Alliance.

As well, you will note the comparative GDP growth of the Pacific Alliance, which is very interesting as you can see that the forecast for this year places the world at 3.6%, and Latin America and the Caribbean at 3.9%, Brazil at 4%, Chile at 4.4%, Colombia at 4.4%, Mexico at 3.5%, and Peru at 5.8%.

You can also see that we are of course very open trading countries. Chile is trading with 72% coverage of the world, Peru 54%, Mexico 65%, and Colombia 39%. That means there is a big net of free trade agreements.

This next slide illustrates a few of the challenges that are affecting us. As you can see, we have some recent free trade agreements, between Chile and Colombia, and Colombia and Peru, which have big coverage. The older agreements are less open, so we will have to face challenges to change that situation.

Here you will note the relationship between the Pacific Alliance and world trade. Chile has \$160 billion; Peru \$83 billion; Colombia \$100.6 billion; and Mexico represents trade of \$700.4 billion.

(1600)

On this next slide there is a sort of formal problem with it, so I would like to pass over it. We are going to replace it afterwards.

Here you have investments, and in investments of course, as you know, Canada is very strong in Latin America, and you can see that in Latin America it has concentrated a huge amount of investments. In Latin America last year Brazil was the number one, and we achieved \$26 billion in investment. Then Mexico, Colombia, Argentina, and Peru. That means the region is becoming a recipient of enormous amounts of investment, and with the projects that are still under study, I think this amount of investment, especially Canadian investment, is going to increase in the next few years.

Here in Latin America we are starting to be investors in our own region, as you can see. Chile has \$55.6 billion U.S. that's invested in the world, but a part of it is in the Pacific Alliance. Peru is at \$1.2 billion, Colombia at \$31.2 billion, and Mexico \$98.5 billion. That's a big space to cover because our investments are not so huge yet in the region, so I think we can do much better with the alliance.

This next slide is very interesting because it shows you the attractive business environments and the position of the four countries of the alliance that are very well positioned if you compare the world and other countries, even very important countries.

Allow me, after this general introduction, to show you a couple of slides about Chile and the Pacific Alliance. This is our bilateral trade. Chile's exports to it were \$4.063 billion, mostly non-mining and chemical goods. Imports were \$6.875 billion U.S. This is the composition of our trade with the Pacific Alliance. As you can see, the mining has been decreasing very dramatically in the last year, probably because nowadays we were selling our mining products much more to Asia and North America. On the contrary, the other products are increasing, so there is much work to do in that sense as well.

Then there are some figures about Canada and the Pacific Alliance. The first one relates to your exports to and imports from Latin America and the Pacific Alliance. This shows you that the

Pacific Alliance countries, as partners for Canada in the region, are probably the most important, or the ones who have the main part. But, of course, there are many things to do if you think that Latin America only accounts for 2.8% of the Canada's exports and 9.2% of its imports. Of course, you import much more from our region than you sell to it, so I think the alliance could be a very good opportunity to balance the situation in the next years.

Then for investment—

● (1605)

The Chair: We have a point of order.

Mr. Don Davies (Vancouver Kingsway, NDP): Excuse me, Ambassador, I have a point of order—

The Chair: Go ahead.

Mr. Don Davies: By your own clock, Mr. Chairman, we're approaching 14 minutes. The witness is entitled to 10 minutes. Although we'd like to hear more, we also want a chance to ask questions.

The Chair: I'll dictate how strict we'll be on that.

H.E. Roberto Cristian Ibarra Garcia: It's very short what I have remaining. I'm trying to do my best and as quickly as possible. I just need 2 minutes.

The Chair: Yes, go ahead.

H.E. Roberto Cristian Ibarra Garcia: All right. This is a slide about foreign investment and you can see how the Pacific Alliance has been concentrating that.

To conclude, Mr. Chairman, ladies and gentlemen, in light of these figures and without prejudice of the careful evaluation that every pertinent instance has to perform in Canada's decision regarding the degree of its involvement in the Pacific Alliance, Chile firmly believes that this instance will definitely generate some new opportunities for Canada in various aspects as follows.

There will be an integrated economy and attractive markets for Canadian investments both for internal markets and as a platform for the Asia-Pacific region.

Market access conditions, flexible and single rules of origin and accumulation, as well as improved services commitments and disciplines will create new opportunities for Canadian companies.

Common disciplines, regulatory harmonization, and trade facilitation measures will make life easier for economic operators.

Membership in the Pacific Alliance would facilitate a more solid position for Canadian businesses in the region and better integration and understanding of Canada regarding Latin America and vice versa, with all the benefits that will come with that.

Even challenges like the free movement of people will be worth facing if you consider the advantages that progressive, flexible migratory aspects will bring for tourism, and better knowledge and exchanges among our students, academics, government officers, and business people.

I will finish this presentation by telling you that my country values the efforts that Canada is making to approach the region. In the case of Chile, we have a solid bilateral relationship politically as well as strong economic ties. As you know, you were the first developed country with which we signed a free trade agreement 15 years ago. It is not a coincidence either that the progressively increasing level of your investments has made your country number one in the mining sector and the third globally in our economy.

Finally, the association agreement signed in 2007 with Canada has opened the door to a proactive agenda in matters such as the environment, defence, science, technology, innovation, and education among others. The link to the Pacific basin that Canada and Chile share has not yet been developed to its potential, and therefore we have a challenge in common that an initiative such as the Pacific Alliance is willing to undertake.

Thank you very much.

The Chair: Thank you very much.

I know the questioners are very eager, so we'll start with Mr. Davies

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

Thank you, Mr. Ambassador.

I don't think there's been a chance to ask you, but would you be able to stay with us for an extra 15 minutes to answer questions, sir?

H.E. Roberto Cristian Ibarra Garcia: Yes. It is important for me to stay. I will have to make an arrangement in my agenda, but I will stay for 15 minutes.

Mr. Don Davies: If it is possible too, we'd like to have you for the full hour.

Thank you.

Mr. Ambassador, obviously there are trade agreements among the four countries involved, and you've explained that at the end of this month a trade agreement that will reduce tariffs on about 90% of goods will come into force.

Canada also has trade agreements with each of the four partners. I'm just wondering if you could explain briefly what you see as the differences between those agreements and the subject matter of the alliance.

H.E. Roberto Cristian Ibarra Garcia: All right. Thank you very much for the question.

Of course, we have these free trade agreements, but some of them are not very comprehensive. There are many products that are excepted from those agreements, and so in the alliance we are trying for much more foreign engagement, for a wider opening of our markets. The negotiations for tariff elimination and rules of origin and accumulation shall be concluded by March 31, 2013, with a minimum of 90% of goods having tariff elimination. That means that

with all the goods that are not considered in our free trade agreements—in the technical committees we have been working on a list—we think that by that point we can manage to be at 90% of our goods with no taxation.

Mr. Don Davies: Just so we understand, the Pacific Alliance announced that a free trade agreement making 90% of products tariff-free should be finalized by March 31, 2013. So if that's done, if that's accomplished, what would be the benefit to Canada joining as a full member if 90% of goods are already tariff-free and we already have free trade agreements with all four participants?

● (1610)

H.E. Roberto Cristian Ibarra Garcia: It's not up to me to evaluate the benefits for Canada. I think I can speak for the members of the Pacific Alliance. I can tell you that for us it's going to be an improvement regarding our free trade agreements, because we will have 10% of sensitive things—

Mr. Don Davies: It's to address the 10% that are not the subject, in part. Is that it?

H.E. Roberto Cristian Ibarra Garcia: No. They will be subject, but not by March 30.

Mr. Don Davies: I understand.

H.E. Roberto Cristian Ibarra Garcia: We have 10%. From that 10%, we have 3% that we are giving ourselves three years to deal with, and the rest seven—

Mr. Don Davies: I see.

I'm sorry, but I have limited time, so I want to try to move to some other subjects.

Do you think the Pacific Alliance would increase Chilean exports to Canada were we to become a full member?

H.E. Roberto Cristian Ibarra Garcia: We hope so. We hope to increase our exports, but we hope also to have more investments from Canada, even more investments. We hope to have more trade with Canada.

Mr. Don Davies: Are there barriers now to Canadian investment in Chile?

H.E. Roberto Cristian Ibarra Garcia: Excuse me?

Mr. Don Davies: Are there barriers now to Canadian investment in Chile? Does Chile have barriers to Canadian investment?

H.E. Roberto Cristian Ibarra Garcia: As you know, the Canadian investments are very concentrated in mining.

Mr. Don Davies: Yes.

Mr. Ambassador, I'm asking if there are barriers in Chile.

H.E. Roberto Cristian Ibarra Garcia: Oh, barriers...no, no.

Mr. Don Davies: So an agreement is not necessary to increase Canadian investment, since there are no barriers now.

H.E. Roberto Cristian Ibarra Garcia: Well, you know, you and I have different points of view. I think what Canada needs is to get to know the economic agents in our region much more. I think you could take much more profit out of your free trade agreement. If you compare, for instance, the evolution of the free trade agreement that we've signed with the Americans, with the United States, they have taken much more profit from it, probably because they have been more present in the region.

Mr. Don Davies: I see.

H.E. Roberto Cristian Ibarra Garcia: I think when you create a net of people working together... If you get into the alliance and we start to get together, you create a net that probably can be a little bit untouchable—

Mr. Don Davies: Yes, I agree with that, Mr. Ambassador. I'm just trying to understand whether there are legal or legislative barriers as opposed to business ones.

H.E. Roberto Cristian Ibarra Garcia: No, no.

Mr. Don Davies: I want to move to the Trans-Pacific Partnership, because four of the five countries involved right now are already members engaged in the Trans-Pacific Partnership. Both talks are explicitly aimed at creating a Pacific-based trade bloc. Canada, Mexico, Peru, and Chile are already at the negotiating table, presumably discussing the very things that would be the subject of the Pacific Alliance. Is that not an inefficient duplication of resources?

H.E. Roberto Cristian Ibarra Garcia: We do not think so. I think it's a different thing. We would like, really, to move on the TPP. We were one of the four countries that created the former TPP at the time. We have been very much looking forward to even having Canada in the TPP. We played an active role to try to get—

• (1615)

Mr. Don Davies: You don't view that as a duplication of resources.

H.E. Roberto Cristian Ibarra Garcia: No, I don't think it's a duplication. I think our countries have the perfect right to.... Because it's going to be easier for us to get together. We need to move forward, and we think that we're moving forward in the quickest way in the Pacific Alliance, rather than in the TPP, for natural reasons—

Mr. Don Davies: Can I ask you, then, who's not there, sir? The Pacific Alliance implies all Pacific nations, but that's not the case. There's no United States. There's no Ecuador. Currently, there are no Central American Pacific nations, so it doesn't include all of the Pacific, including the United States.

H.E. Roberto Cristian Ibarra Garcia: Exactly.

Mr. Don Davies: On the other hand, there are other major economies in South America—you've mentioned some of them—Brazil being a major one. I notice that Uruguay has observer status. They're not a Pacific nation, so clearly we could embrace other countries. Do you see this being successful without the major economies, like the United States and Brazil, taking part in this?

H.E. Roberto Cristian Ibarra Garcia: We have found that there is an interest for these big economies, as you say, to follow our discussions. Only time will tell. We cannot really at this moment foresee if it's going to be good or not, but I think we are trying to do

our best to move.... Also, we are very open to all the interests of the other countries—we're not closed—provided that they are going to fulfill the conditions of the engagement that we have done ourselves.

The Chair: Thank you very much.

Mr. Keddy.

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

Welcome to our witnesses.

Your excellency, it's a pleasure to have you at committee.

I have a couple of points of clarification, perhaps.

The World Bank statistics on the ease of doing business, based on how difficult the regulatory environment is for entrepreneurs to actually invest in a country, show that Chile, Peru, Colombia, and Mexico are very close to one another, with Chile having the best environment and the greatest ease of doing business. Canada is almost 20 points ahead of Chile on the ease of doing business, so obviously, if we join the Pacific Alliance there should be some improvement in the ease of doing business.

Your comment earlier was about the potential for greater investments, not simply in the mining sector, but in other sectors in the Pacific Alliance countries as well. I think that point needs to be made.

But the other point that needs to be made is that this is a huge economy when it's all put together. Although it's an economy that we have bilateral trading relationships with, to work in a more multilateral forum.... Statistically, it's the ninth largest economy in the world, which is significant. So the potential for Canada, quite frankly, should be great, and the potential for the original four founding countries, and others who may join, should be as great.

This is my first question for you. Chile has a history as a long-term and long-time trading partner with Canada. You've signed more free trade agreements with countries around the world than almost any other nation on the planet. You've seen Chile's investment move radically, I would say, over the last two decades for certain, in the last decade in particular. How do you see the advantage here, not just for Chile in particular, but for Chile, your three partners in the Pacific Alliance, and Canada, hopefully, when we join?

What do you see as the immediate advantage for your own country, and for Canada as well? Do you think—because I have to ask this question—that you can reach the March 31, 2013 self-imposed deadline?

H.E. Roberto Cristian Ibarra Garcia: That's a very good question.

Mr. Gerald Keddy: It's a long question.

H.E. Roberto Cristian Ibarra Garcia: I know.

Well, first of all, thank you very much for the question.

What are the advantages for my country? Well, of course we see many advantages. We see that there is still a space of business that we haven't fulfilled in our own region. We've always been, as you said, with a wide net of FTAs. While we have not been neglecting our region, we have not been taking all the advantages that we could.

At the same time, I can tell you that my first embassy was in Malaysia. There I realized how we were so small, attending to the demands and the requirements of our Asian partners. I think in the case of our four countries, it's much better to join efforts to face all these things.

There's also a matter of resources, financial resources. For instance, in this case we joined trade offices. We are saving money, but at the same time we are presenting ourselves, as you know, as a block of people. Even the studies that we have done indicate to us that if Canada joined the Pacific Alliance one day, we would be the fifth economic block in the world, which is something very interesting.

So I see for my country many possibilities in all these areas, but especially to fulfill a space that hasn't been fulfilled in terms of investments, in terms of trade. Our business people are starting to get together and to know each other, even our high officers. I think this is something that we have a big possibility to do now, because we are having very good behaviour economically, and we have political stability and democracy in Latin America.

• (1620)

Mr. Gerald Keddy: Your excellency, the second part of my question was the challenge of putting that together within this rather short timeframe.

H.E. Roberto Cristian Ibarra Garcia: Yes. I know that it looks very challenging. Even I am asking if we are going to do it, but there is a dose of political will that we have put on that. Last week there was a meeting of ministers of trade and foreign affairs in Columbia, which as you know is going to host the next summit in Cali, in May. We are putting very, very strong pressure on our technical groups, and we hope—I cannot tell you if it's going to be the 31st of May, but maybe the first week of April or something...but really, the terms are very short.

With the 10%—the rest—we are going to deal with that. As I told you, we are thinking in two terms—one term of three years for the 3%, and one term of seven years for the 7%. Of course, if we consider that there are some sensitive products that should be considered apart...we will take our time. But we will move on that direction.

Mr. Gerald Keddy: Good for you. That's positive to hear.

Our seeking to become part of this Pacific Alliance very much goes with our Americas strategy of dealing with countries in our own hemisphere and our own time zones—actually it's southern hemisphere here—is a huge boost to doing business.

There are challenges before expanding this into an even bigger group. First of all, we need to join and make that official, but how big could this group get?

H.E. Roberto Cristian Ibarra Garcia: That's a very good question.

We would like to think of a group that is mostly engaged in a real commitment to free trade and free circulation of goods, capital, and persons. We are going to open this group, considering the compromises that will result from the engagement of the countries involved. We aren't thinking about a very extended group in this moment. We prefer the commitment rather than the number of people. We want this group to work efficiently. We want to have a mechanism of integration in the Americas that works and that produces concrete results.

● (1625)

The Chair: Thank you.

Mr. Easter.

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

Welcome, Mr. Ambassador, and the people with you.

I did have the opportunity to be in Chile with our previous speaker for the inauguration of your president and ended up having to sit in the front row and not understanding a word of Spanish for two hours. But it was very interesting to see the country. I might say as well that from the Atlantic Veterinary College in Prince Edward Island, we have people constantly going to Chile, working in your aquaculture industry, which is a very productive industry.

Starting basically with the orders of the day, Mr. Ambassador, we are to do a study of the benefits for Canada in joining the Pacific Alliance as a full member. To me, this seemed to come out of nowhere.

From your perspective, how far along is this initiative in terms of Canada becoming a full member? Who started it? Where did it develop from, in terms of our participation? Do you have any answers on those points?

H.E. Roberto Cristian Ibarra Garcia: I think we felt there was the interest from Canada in this initiative. This initiative, as you mentioned, started in 2011. It was an initiative by the President of Peru and it evolved very fast. Of course, the dynamic has been that many countries are interested in their development.

I don't know how long it's going to take if Canada decides to get full membership. You already have an advantage because you have free trade agreements with the four members of the Pacific Alliance. Of course, there are many other things that probably will appear in the negotiation, and we will have to deal with those if you want. All the decisions in the Pacific Alliance are made by the unanimity of all members

Hon. Wayne Easter: Yes, and that moves right into my next point. In your remarks, I think you mentioned a number of areas where the four countries of the Pacific Alliance at the moment have working groups coordinated by a different country, whether it's intellectual property or investment or whatever. Do you see Canada being involved in that process?

I still haven't determined if we are at the table yet in terms of negotiating Canada's position in the Pacific Alliance, or is it just a concept that the parliamentary secretary brought forward? What's going on? Is there a table where people are talking about this in a direct fashion?

H.E. Roberto Cristian Ibarra Garcia: I think it's a table where people are not only talking about it, but negotiating. As you see, we have goals and we have results and we hope to show them to Canadians in the next weeks.

I can speak for my country. Canada would be most welcome in our group; I think Canada would be an addition to this group. I think you have very good practices in Canada that can also influence all the practices of the alliance, and we can go to public policies that can benefit all the other countries. This is a Chilean perspective. I cannot speak for Mexico or for the other partners in the alliance, but we will really encourage Canada to join the alliance, Mr. Easter.

I think you need to see the South Pacific as well. I think you have been very concentrated, as we have as well, on the other shore of the Pacific.

Hon. Wayne Easter: We're not in any way opposed to being there, but what I'm trying to figure out is are we.... I understand that within the four countries, you are certainly discussing these areas, including intellectual property, and are trying to make more comprehensive agreements than are already in place. But is Canada at the table in any given place?

Or maybe Gerald can answer, I don't know.

• (1630)

H.E. Roberto Cristian Ibarra Garcia: Yes, I think this is a question. I can repeat that we would very much like to have Canada at the table. I think it's going to be important, but it's up to you to decide.

Hon. Wayne Easter: Just a-

The Chair: I believe we have observer status technically, right?

H.E. Roberto Cristian Ibarra Garcia: Yes, you have observer status. Do you know that as observers you are going to be invited to the ministerial meetings and to the summits?

You have this intermediate as a candidate observer. If you want to go along with this, you will have more participation. You can follow the negotiations and you can decide if you want to.... So you have space, you have time.

Hon. Wayne Easter: On slide 16, which talks about the global trade between ourselves and the Pacific Alliance at the moment, with imports and exports, certainly, Canada is very much in a deficit position.

You mentioned earlier that we have FTAs with all four countries, but they're not very comprehensive. You also mentioned that the United States seems to be doing better—although those weren't the exact words—that we could take much more profit with an FTA and that the United States seems to be doing that. How are they doing it, and we're not?

H.E. Roberto Cristian Ibarra Garcia: That's a very difficult question for an ambassador.

Voices:Oh, oh!

H.E. Roberto Cristian Ibarra Garcia: There is probably a business culture in South America to deal more with the Americans. The Americans have always been much more present in South America.

That's the reason we very much appreciate the policy regarding Latin America. We see that something is moving in Canada regarding Latin America. We see you are looking at the region with different eyes and the presence of your people there. I think the investments have also done the job, because we're getting to know each other much better.

I cannot give recipes here, but I think Canada can do much better in our region. I'm going to stop at that.

The Chair: Thank you very much.

Mr. Ambassador, you've given us an extra 15 minutes. Is that accurate?

H.E. Roberto Cristian Ibarra Garcia: Yes.

The Chair: We will hold the committee to that. Is the committee okay with carrying on for 15 more minutes?

I see a consensus.

Mr. Holder, the floor is yours, seven minutes.

Mr. Ed Holder: Thank you, Chair. I need only 14.

Voices: Oh, oh!

Mr. Ed Holder: I'd like to thank our guests for being here today. It's sincerely appreciated.

I recall when I had the great honour to visit your country back in December. We were treated with great grace, and I must say, it's a stunning place. I look forward to going back.

I want to put something to rest if I can. My colleague opposite, Mr. Easter, talks on about trade deficits. I was looking at Canada-Chile trade, and it struck me that in 1996, just after we did a free trade deal with Chile, our two-way merchandise trade was \$718 million. We've more than tripled that. In 2010—the last figures I have—it was \$2.7 billion. The other interesting thing is that Canadian direct investment has reached \$13.3 billion, again going back to 2010.

It strikes me that you can't have this both ways, that somehow if we're helping Chile by taking their exports in our country, it's assisting Chile only. While the members opposite will often say, well, what's in it for the other country, I think it's two-way. I think the opportunity for us to take products and services from Chile certainly assists your country, but at the same time it gives us good-quality products in our country. Conversely, when we look at the opportunities that this trade agreement has resulted in, were it not in place, I believe we would be at a very significant disadvantage.

I'm just talking—with no disrespect—about the country of Chile.

Now we have this new arrangement that you're talking about that is in place, this Pacific Alliance. What I'm curious about, Mr. Ambassador, is that we already have some trade agreements in place with the four countries that we know are there—Chile, Colombia, Mexico, and Peru. But I'm looking at the sideline countries—Australia, Spain, Guatemala, Japan, New Zealand, Uruguay, Costa Rica, Panama. With some we have arrangements, but we trade with every country in the world.

I'm trying to get a sense of what you think. If Canada goes beyond observer status, if this agreement goes beyond just the current four countries to other countries, do you think that will give us—as a country, Canada, but certainly Chile as well—the opportunity to expand those relationships with countries that we don't currently have formal arrangements with?

(1635)

H.E. Roberto Cristian Ibarra Garcia: I think that yes, it will give us the opportunity, but I think we have to settle ourselves beforehand. Most of the countries that you mentioned, Mr. Holder, are really there as observers, such as Japan and Australia. They are very interested in following the negotiations. They are very interested because they see the figures, they see the dynamism of our economies. But I cannot say if it's going to be good for us and how trade with them is going to develop.

But of course, I'm sure that if we present ourselves as a Pacific Alliance we will be stronger, especially to face countries such as China or Japan or whatever.

Mr. Ed Holder: I was pleased to hear my friend Mr. Easter say that they're not opposed to our being there. So my question comes back to you, then, as it relates to Canada.

We currently have observer status. The possibility of going beyond that might be there. I want to be very clear about Chile's position. Should Canada wish to go beyond observer status, what would your response to that be?

H.E. Roberto Cristian Ibarra Garcia: I think we would be, as we have been since the beginning, in favour of Canada's increasing its participation in the Pacific Alliance, provided that you engage in the commitments that we have already, or that we will get in the next years. I think this is a very serious project, and we would like really to establish a win-win relationship with the members.

Mr. Ed Holder: I appreciate that, Ambassador.

Where I'm coming from is that we already have relationships with all of these countries. We don't need to do this, but maybe we do. What I'm looking for is the argument for Canada to do more than just sit at the table and watch. You know, I'm not a very good hockey player; in fact, I'm a very bad one. So I coach, but when I engage my players, I engage them to participate fully. Sitting on the sidelines watching is not nearly as much fun.

In terms of direct involvement, what contribution could Canada make to the Pacific Alliance by getting off the bench and becoming a participant?

H.E. Roberto Cristian Ibarra Garcia: Yes. First, in my view it's going to be good for the alliance to have a partner like Canada, with the credentials of Canada in the world, and to have Canada on our

side. Of course, it's going to strengthen the relationship with countries that are like-minded countries.

If you consider it well, the four countries of the Pacific Alliance are privileged partners of Canada. I think it would be good for Canada to be there, to improve your business there, to sell more goods, to talk about services, and even to develop things that are very weak at the moment, such as tourism, for instance. With the exception of Mexico, probably, tourism is very weak. I have some figures somewhere showing that 32,000 or 38,000 Canadians went to Chile last year and only 40,000 Chileans came to Canada. Why is that? In order to have much more of a relationship, we should ask ourselves what we are not doing well.

As I said, it's a win-win relationship. I think you will add to our association. You will add value, you will add good practices, and you will get to know much better the Latin American markets that you are doing now.... I think it's a good deal—

The Chair: Thank you very much.

H.E. Roberto Cristian Ibarra Garcia: —provided that you fulfill the conditions. That's important.

● (1640)

The Chair: Okay. Thank you.

We'll split the time between Mr. Sandhu and Mr. Shipley with two and a half minutes each.

Go ahead, Mr. Sandhu.

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

Thank you, Ambassador.

Canada, as has been pointed out, has observer status right now. You have ambitious plans to have the four countries complete this deal by the end of March, in a few days, to have 90% of the goods traded tariff free. You also talked about other countries joining in if they meet certain conditions.

Would Canada be able to negotiate what has been negotiated already in that 90%? Or would we have to sign on to that 90% free trade agreement of goods right off the bat?

H.E. Roberto Cristian Ibarra Garcia: It's very difficult for me to say. Once the technical negotiations are finished by the end of this month, we will have the situation of what was achieved. As you are an observer member, I think you will have all that time to appreciate how you can get into those conditions. Probably it's going to be easier than you think, or probably it's going to be more difficult than you think, but again, we will have to finish the technical negotiations among the members.

At that point, you will have a situation in Canada where you will say, "These guys have done that and they have achieved that, so is Canada ready for that?" Are there sectors that you are not going to get into? Can there be some exceptions? What can you offer to the alliance if the case is that you would like to get full membership?

Mr. Jasbir Sandhu: If I understand you correctly, we can still negotiate part of the agreement that is going to be signed by March 31.

H.E. Roberto Cristian Ibarra Garcia: No, because this is an internal negotiation—if I understand you correctly—among the members of the alliance. Once it's finished, it's finished. Canada is just an observer. If Canada wants to get into the other category at the level of a full member, it will start negotiations. There is at least a year to negotiate some sensitive points, and then there is going to be a decision of the Council of Ministers of the foreign alliance to decide if Canada or another country has fulfilled the conditions to get in.

The Chair: Go ahead, Mr. Shipley.

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

Thank you, Ambassador. It's great to see you again.

In the discussions that you see in terms of Chile, where is the significance of agriculture in terms of the trade between Canada and Chile, for example? Or you may expand that to the Pacific Alliance. To follow up a little bit, I was told a couple of times by countries that when the Americans go, they go en masse. Canada needs to show up. To follow up on the comments of one of my colleagues in terms of Canada's position on the world stage and in trade, we are showing up, and I think that is so important for us as Canadians.

Can you just help me a little in terms of where the significance of agriculture is in your terms and in terms of the Pacific Alliance?

H.E. Roberto Cristian Ibarra Garcia: Agriculture is exactly one of the areas where we have a deficit, if you like. In terms of what we export from Chile—fruit, for instance, for which Canada is a good customer as well—it's only 14%.

We have had a variation in our exports of fruits, but with salmon.... Well, salmon isn't agriculture; it's aquaculture. In terms of

wine, for instance, and you know very well Chilean wine, we are also improving our exports.

We can do much more. I think agriculture is still very...I'm not going to say "neglected", but I'm going to say that we have concentrated on mining, on natural resources in general. Agriculture and agro-industrial products are not on the map, but we are intending to include them.

• (1645)

Mr. Bev Shipley: I think that's it, Mr. Chair.

Thank you, Mr. Ambassador.

The Chair: I want to thank you very much, Mr. Ambassador. We gave you a little extra time for your presentation. You gave a great overview and introduction to the Pacific Alliance.

H.E. Roberto Cristian Ibarra Garcia: It was very interesting to listen to Mr. Easter, anyway.

Voices: Oh, oh!

H.E. Roberto Cristian Ibarra Garcia: Thank you very much.

Hon. Wayne Easter: Yes, tell them, tell them—

The Chair: No, no, don't encourage him.

Voices: Oh, oh!

The Chair: With that, we'll suspend.

Thank you very much.

[Proceedings continue in camera]

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