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Chair

The Honourable Rob Merrifield

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•(0850)

[English]

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

I want to thank our committee and the witnesses for being here. Our minister is here, the Minister of International Trade. We're pleased to have you here, Minister.

We're starting our study on CETA, the Canada-European Union comprehensive economic and trade agreement. It's historic and very important to Canada. We're excited as a committee to get into this study.

Steve Verheul, you've done phenomenal work on this.

We want to congratulate both of you on your outstanding work. You have your team of people with you.

We'll start with opening remarks. I yield the floor to the minister.

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

Good morning to all of you.

[Translation]

Good morning, colleagues.

[English]

It is my pleasure to be here today to speak about the Canada-European Union trade agreement.

As all of you know, Prime Minister Harper and EU President Barroso announced a historic trade agreement in principle on October 18. At that time you may recall that we released an outline of the agreement. About 10 days after that, we tabled in the House of Commons the technical summary of the final negotiated outcomes. That document, and the other comprehensive information that has been made available, has everything Canadians need to know about the agreement. It will provide them with an opportunity to understand what it means to them and why this is important to Canada.

This is a continued commitment to what were the most open, transparent, and collaborative negotiations that Canada has ever undertaken in its trade negotiations around the world. I am very proud of the working relationship we've established with the provinces and territories right from the beginning. Together, we ensured that an agreement with the EU served their interests as well as the broader interests of the Canadian economy.

I'm pleased to inform you that all provincial and territorial governments have expressed their full support for what truly is the most ambitious and comprehensive agreement in Canada's history. This agreement, just so you know, is broader in scope and deeper in ambition than any agreement Canada has ever signed, and it may be broader in scope than any agreement that's been signed anywhere in the world.

Additionally, we have consulted with stakeholders across the country from all of our key economic sectors covering all regions of the country. Those consultations helped to inform Canada's negotiating positions at the table and helped to inform the outcomes that we now have in this agreement. In fact, countless industry and business leaders and people representing businesses of all sizes have enthusiastically endorsed this agreement.

Canadians clearly understand the benefits of this agreement and what it means to have preferential access to the largest consumer market in the world. By the way, it's also the most lucrative consumer market in the world.

I know that time is short and that many of you have questions, so I'll conclude by saying this. Mr. Chair, our government understands the importance of trade and exports to our economy. Exports are responsible for one out of every five Canadian jobs. We believe that deeper trade with the EU will be good for Canadian workers, Canadian consumers, and the families they serve. The benefits are estimated to add almost 80,000 jobs to our economy and \$12 billion of additional economic activity. As the foundation of what is the most ambitious pro-trade plan to open new markets in Canadian history, this agreement is, as the Prime Minister said, a historic win for Canada.

I thank the committee for the opportunity to speak with you today. I've kept my remarks short. I know you have lots of questions to ask, so I'd be happy to take those questions at this time.

I should also add that I'm joined by colleagues from the negotiating team, Ana Renart and Steve Verheul. Steve was our chief negotiator with the EU.

The Chair: Thank you very much.

It is truly an exciting agreement. We're very keen to take a look at it, now that it's in the political realm, as it goes through our Parliament, and when we get the final text.

We'll yield the floor to Mr. Davies. You have seven minutes.

Mr. Don Davies (Vancouver Kingsway, NDP): Thank you, Mr. Chairman.

Thank you, Mr. Minister, Ms. Renart, and Mr. Verheul, for being here.

Mr. Minister, as I said before the meeting, we have a number of questions, and I think Canadians have a lot of questions about this deal. I will try to ask you some direct questions. I would ask that you try to keep your answers as concise as possible so we can get as much of this information out as we can.

Mr. Minister, we understand that technical discussions between Canada and the EU are still ongoing. Briefly, which elements or sections are still being discussed between Canada and the EU?

Hon. Ed Fast: You're absolutely correct, Mr. Davies. All of the substantive and political issues have been resolved between Canada and the EU, but there are modalities across a range of chapters that still have to be resolved.

Those discussions are ongoing. We expect those to conclude over a period of, say, two to three months. We're hoping to get them done sooner rather than later, because this agreement is important to Canadians and we want to make sure that we start to realize the benefits of the agreement as soon as possible.

I'll pass this on to Mr. Verheul. He perhaps can be more specific as to the chapters that remain to be addressed in terms of technical discussions.

Mr. Don Davies: Thank you.

Mr. Steve Verheul (Chief Trade Negotiator, Canada-European Union, Department of Foreign Affairs and International Trade): I think there are probably three categories of issues that remain to be completed. For some of them, it's simply a matter of getting the language right.

First, with the agreement in principle, some of that has to be translated into actual textual language in the various chapters. We have some language issues across a number of chapters that have to be resolved.

Second, we have some outstanding technical issues in areas like rules of origin, which is always a huge task in any free trade agreement negotiation, and there's more work to be done there. We have some more work to do on services and investment reservations and describing exactly what those reservations are going to capture. The basic decisions on the level of ambition have already been completed, but there are some drafting issues that remain there as well.

Third, we also need to sort out the entire structure of the text. It's figuring out what is going to be a chapter compared to a potential annex to one chapter or another. It's figuring out how the text is going to look at the end of the day.

• (0855)

Mr. Don Davies: Thank you.

Ballpark estimate, when can Canadians expect to see the final text of CETA?

Hon. Ed Fast: I'm not going to give you a firm date because that's difficult to determine. As I said, we expect it will take a number of months to sort out the technical discussions that were just referenced by Mr. Verheul. Beyond that, the drafting of the text then takes place.

Understand that this is not unlike any other trade negotiation. When you come to an agreement in principle, you've basically settled upon all of the key elements, but at the same time, the actual legal text will likely occupy hundreds, if not thousands, of pages as you put flesh to the bones of this agreement. The commitment—

Mr. Don Davies: So we're talking months.

Hon. Ed Fast: Yes. The commitment we've made is that as soon as we have a text available, we will make it available to the public, just as we made this detailed summary of the outcomes available to the public last week.

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

Let's get into some of those details.

Due to the provisions extending patent protection for brand-name pharmaceuticals, the Prime Minister has indicated that CETA will increase the cost of pharmaceutical drugs in Canada. What is the government's estimated cost for these extensions?

Hon. Ed Fast: Well, Mr. Davies, you're wrong. The Prime Minister did not say that the additional patent protection is going to increase the cost of drugs. He said it's possible that it may. There are steps we can take as a government to make sure that delays in the patent processing system are reduced or perhaps even eliminated. That would make this additional protection unnecessary.

We have, however, said to the provinces, "Listen, if there are additional costs"—which won't kick in until eight to ten years from now—"we're prepared to keep you whole." That was the commitment we made to the provinces, and as you know, every province and territory came out very clearly in support of this agreement.

Mr. Don Davies: Mr. Minister, do you have an estimated range of that potential liability?

Hon. Ed Fast: It would be very difficult to determine that because this would be eight to ten years out. There have been a lot of figures floated in the media as to what it might be. All of them are based on speculation. Some of them have ranges of a billion dollars, and I can tell you that our internal calculations indicate it's nowhere close to that.

Mr. Don Davies: Well, that's what I'm asking. What are those internal calculations, Mr. Minister?

Hon. Ed Fast: Those continue to be done. As I say, it would be speculation to try to determine to an exact dollar figure what that could be. It of course does not take into account, Mr. Davies, the fact that we have every intention of taking steps to try to minimize the delays that this additional protection is intended to cover.

Mr. Don Davies: Mr. Minister, I want to move to water, because Canadians are always concerned about the provision of clean, safe public water. Does the agreement in principle include a market access and national treatment reservation for the collection, purification, and distribution of water services in Canada?

Mr. Steve Verheul: With respect to water, we've taken the same kind of approach that reflects commitments we've made in previous agreements, primarily the General Agreement on Trade in Services at the WTO. There we do have openings for sanitary sewage treatment and various forms of water treatment. Those we've reflected in CETA as well.

We have taken reservations where we do have areas that we have not previously committed to, but we don't have any new obligations in CETA that we haven't had in previous agreements.

Hon. Ed Fast: Mr. Davies, I can add to that by saying that bulk water sales have never been on the table. There is nothing in this agreement that will require Canadian municipalities to privatize their water systems.

Essentially, water has not been on the table, despite suggestions to the contrary.

• (0900)

Mr. Don Davies: Mr. Minister, thank you for that.

Is there anything in the agreement that would prohibit or impair the republicizing of public services once they've been privatized?

Let's say a city decides they want to privatize their sewer treatment, as Hamilton did, and they decide 10 years later that the costs are too high, or the service isn't good, and they want to bring it back in the public realm, as Hamilton did.

Is there anything in CETA that would prohibit the taking back of that service to the public sphere or that would subject the municipality or province to a lawsuit from corporations for loss of profits?

Hon. Ed Fast: You'd have to be very clear on exactly what you mean. There's nothing limiting at all a municipality's right to determine whether their water system is public or private.

If a municipality made the decision that they wanted to go private, and halfway through a contract that they'd signed they decided they wanted to change, they obviously would have to negotiate an outcome with that private service provider.

I can tell you that we've made it very clear that municipalities will not in any way be committed to privatizing their water systems. There are significant carve-outs in other areas as well, including health services and social services. We've provided a lot of flexibility to the municipalities to address such things as grants and loans to promote local economic development. As you know, there are very reasonable thresholds we've ensured are in place under which municipalities have the ability to contract locally rather than more broadly.

We believe we've arrived at the kind of balance Canadians were looking for, and certainly the balance that municipalities were looking for, because the Federation of Canadian Municipalities has actually come out and endorsed this agreement.

The Chair: Thank you very much.

Mr. O'Toole.

Mr. Erin O'Toole (Durham, CPC): Thank you, Mr. Chair.

Welcome, Minister. I'd like to echo the chair's comments on congratulating you and Mr. Verheul and your team on such a historic agreement.

In my first question, I want to dive a little deeper into something you said, Minister. You described the European trade agreement as broader in scope and deeper in ambition than previous deals.

Can you talk a little more about that and perhaps about the key sectors of our economy that will benefit?

Hon. Ed Fast: Thank you very much for that question.

What makes this agreement broader in scope than any other agreement we've signed is that it covers so many areas that were never even contemplated in NAFTA. For example, the issue we were just talking about, which is government procurement; this agreement actually extends government procurement obligations down to the provincial and municipal levels, including listed crown corporations. This is very significant. It benefits both sides because it's fully reciprocal. Canadian companies have access to the EU's government procurement market of \$2.7 trillion a year.

Government procurement is an issue that was never addressed to that extent in NAFTA, for example. Issues such as intellectual property, issues such as environment and labour and sustainability, issues such as regulatory cooperation.... This is a source of great opportunity for us with the EU because many of the barriers that Canadian companies face in the EU are not necessarily tariffs, although many of those tariffs are high and 99% of them will be eliminated, but beyond that, it's all the rules and regulations and standards behind the border that really frustrate Canadians. By engaging in regular discussions with the EU on such things as regulatory cooperation, we're going to be able to improve the environment in which Canadians do business when they look to the EU.

This agreement really goes beyond many of the traditional areas of negotiation. Essentially what we've negotiated here is a 21st century outcome. NAFTA was a 20th century outcome. We believe this agreement will be the gold standard for the 21st century going forward.

Mr. Erin O'Toole: Thank you.

I'm not sure if you are aware, Minister, but a few weeks ago a former European Parliament president, Patrick Cox, was in Ottawa and gave a speech. He talked about how he had followed the negotiations closely and truly felt that Canada had secured an incredible deal and has the unique distinction now of being the only country in the world with a North American Free Trade Agreement and a burgeoning European agreement across the Atlantic.

He also singled out the most favoured nation element to this, so that if the European Union, which we know is entering into discussions with the United States.... If better terms are secured in the future for another country, Canada will then benefit from those terms. Could you perhaps discuss that in more detail?

• (0905)

Hon. Ed Fast: Thank you for that question.

Most favoured nation treatment essentially extends to Canada any future trade liberalization that the European Union may agree to in other negotiations it undertakes. This is of significant benefit for Canada. Because Canada will have an agreement with the European Union before many of its other key trading partners, we are in the position of having the opportunity to carve out market share well ahead of our competitors. That is even made easier because we know that as the EU continues to liberalize into the future, Canada may stand to gain significantly from that liberalization.

Mr. Erin O'Toole: One of the other unique hallmarks of CETA, of the European discussions, in my estimation, was really the engagement of the provinces, the territories, and key stakeholders. Certainly our friends in the NDP are saying we can't make a decision until we see the final text, but all of these key stakeholder groups have seen the agreement in principle. They've seen the final negotiated terms, and they all seem to be praising the agreement.

Could you describe really how that helped the government reach this deal, by engaging other levels of government and key stakeholders, and do you see that as a new trend for future negotiations, either bilateral or with other groups?

Hon. Ed Fast: That's a good question.

I am somewhat surprised at the reluctance of the NDP to be open with Canadians and say where it stands on this agreement.

Right from the outset when we announced it, we immediately released an overview of the agreement. Within 10 days we had our officials craft a very detailed summary of all the key outcomes of this agreement.

All along the way, the provinces knew what was in the detail. The territories knew what was in this agreement. The municipalities, the Federation of Canadian Municipalities, understand what's in the agreement. Thousands of businesses across Canada understand what's in the deal. All of the key industry associations understand what's in the deal. Why? Because these have been open and transparent negotiations, where it's actually the stakeholders themselves who have informed the outcome.

That's why I'm so surprised that the NDP simply doesn't want to take a stand on this issue. It's a yea or a nay, because the information is out there. I welcome a more forthright response from the NDP. It cannot sit on the fence. We know that historically NDP members have voted against almost every trade agreement Canada has ever signed. I think it's time for them to let Canadians know where they stand on this agreement that will have such a positive impact on economic growth within Canada.

The Chair: Ask one quick question.

Mr. Erin O'Toole: Here's one quick question.

There has been a lot of discussion about the positives for agriculture, forestry, seafood, and all industry. One area that hasn't been covered a lot in the media has been services, professional services and the services industry that are caught by this agreement. Could you go into that in a little more detail, Minister?

Hon. Ed Fast: I can assure you that one of the key offensive interests we had as we embarked upon negotiations was to achieve a robust outcome on services. As you know, services covers a wide range of activities. As you probably know, Canada is one of the

world leaders in technical services, in design services. Canada is the fourth largest exporter in the world of engineering expertise. That's why it's so important that we have an outcome in services that works for Canada. In fact, the outcome we have been able to achieve in this agreement is the best outcome the European Union has ever given to any of its trade partners around the world.

By the way, services doesn't include solely the services themselves. It includes such things as labour mobility, temporary entry, intra-company transfers to allow companies to remain efficient so they can get their officials across to other countries where they do business, to transact business, to allow their technical personnel to go in and install machinery, and service machinery.

The agreement also addresses the issue of mutual recognition of qualifications, something which has really been a challenge for many of our professionals. For example, say Canada and Germany would like to recognize each other's credentials in engineering, where we desperately need engineers in Canada in certain sectors of our economy. This agreement will now expedite that. It will allow professional organizations, like the engineers, to agree among themselves that they will recognize each other's qualifications, thereby allowing them to do business across the Atlantic.

● (0910)

The Chair: Thank you very much.

We'll now move to the Liberal Party. We have Mr. McKay.

Welcome to the committee.

Hon. John McKay (Scarborough—Guildwood, Lib.): Thank you, Chair, and thank you, Minister. I particularly appreciated your short speech. It leaves more opportunity. Recommend it to your colleagues.

My first question is about the fuel quality directive issued by the EU. It's a bad precedent and it's clearly discriminatory against Alberta crude.

Have your negotiations addressed this, and is it contained in the agreement?

Hon. Ed Fast: The fuel quality directive issue has been kept on a completely separate track from these trade negotiations. By the way, that was agreed to by both sides. There are from time to time irritants that occur between trading partners. The fuel quality directive is just one between Canada and the EU. There are others.

It was very clear from the start that our focus was to negotiate a trade outcome which really served the needs of both sides. It had to be a win-win, and it appears that it has become a win-win agreement. At the same time, we don't want irritants not directly bearing on that agreement to find their way into the negotiations in a manner that would frustrate our ability to bring this agreement into force. Both the EU and Canada agreed that we would keep the fuel quality directive on a separate track.

We are very forcefully engaging with our European counterparts to again highlight the fact that the current draft of the directive is discriminatory. It singles out our oil sands on a non-scientific basis, and we believe all decisions of this nature should be based on science.

Hon. John McKay: I don't disagree with you. It is regrettable when you're at the table that some of these significant irritants.... If you haven't dealt with it directly, does it get dealt with indirectly? A lot of Alberta crude ends up being mixed with U.S. crude and then shipped offshore sometimes to the European Union. Do labelling origins and things of that nature get involved in any of this discussion?

Hon. Ed Fast: Labelling is something that was considered in our negotiations. In fact, we have sought and actually have secured outcomes that put in place processes and mechanisms, working groups, and joint committees that will be functioning on an ongoing basis to address these non-tariff barriers you refer to. Labelling is one of those. We believe there is great prospect here for Canada and the EU to resolve these kinds of issues in a proactive way before they become irritants between our two entities.

Hon. John McKay: That's actually good to hear.

The beef industry and the pork industry are not using the quota that they presently have. It's primarily due to the fact of non-tariff barriers, sanitary, phytosanitary, and that sort of stuff. While the agreement may say this, the reality for a producer is that.

If in fact this is a 21st century agreement, how are the non-tariff barriers incorporated into what is in other respects a good agreement?

Hon. Ed Fast: You're quite right to raise it as an issue, because as I mentioned earlier, some of the biggest frustrations our exporters have are not on the tariff side; they're on the non-tariff side. These are all the barriers behind the borders.

You mentioned sanitary and phytosanitary challenges. That is something that is actually addressed in this agreement. I'm going to ask our chief negotiator to outline more specifically the kinds of mechanisms we put in place to address them.

Steve, do you want to jump in?

● (0915)

Mr. Steve Verheul: Sure.

There are a number of elements to this. We do have a chapter on sanitary and phytosanitary measures that goes well beyond any chapter in previous agreements. It reinforces the notion that we have to follow science-based risk assessments and science-based processes when we're addressing those kinds of issues.

We also have established a biotechnology working group with an orientation of looking at this from a science-based perspective. That will address issues like low-level presence of—

Hon. John McKay: Will that actually—

The Chair: Excuse me, Mr. McKay, your time has gone, but go ahead and finish.

Hon. John McKay: Will that actually circumscribe a legislation... like a European Union...actually prevent them from imposing non-science-based—

The Chair: We'll allow a short answer.

Mr. Steve Verheul: Clearly both sides will retain their sovereign rights and take measures to protect their people and their animal health if need be, so it won't be entirely circumscribed. But I think what we've set out goes much further down that track than any previous agreement, in the chapter on sanitary measures, on the understandings we have already negotiated in specific areas like red meats, canola, and others. This goes far beyond what we've ever done before.

The Chair: Thank you.

Mr. Cannan, you have seven minutes.

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

Thanks, Minister Fast, and Steve and your team, for the outstanding job on this historic agreement and the opportunity to inform Canadians a little more about the magnitude of this agreement. I know you said that Canadians are aware, but I don't believe there is the awareness level that we need to bring to our businesses. An agreement is only as good as the businesses that engage and take advantage of the open markets.

I come from the Okanagan, home of the number one Pinot Noir in the world, and Stockwell Day, who was your predecessor as the trade minister. I was on the trade committee back in 2009 when our committee adopted the European Free Trade Association agreement, EFTA, as it's known. The four countries of that association.... It was ratified and was opposed by the opposition, by the NDP. Now we're not sure about this agreement with 28 CETA member state countries.

Could you elaborate on the difference between the countries of CETA and EFTA?

Hon. Ed Fast: Four countries chose not to join the European Union. You mentioned them: Norway, Iceland, Switzerland, and Liechtenstein. Canada negotiated a trade agreement with them a number of years ago. We are actually having discussions about modernizing that agreement to make it more comprehensive, like the CETA agreement will be.

That said, both EFTA, which is the organization of four countries you spoke to, as well as this agreement with the EU.... The EU is a group of countries that do share our common values, which is why we believe we've been able to secure such a comprehensive outcome here. Both sides knew that there were tremendous opportunities to remove trade barriers and really drive economic growth.

For Canada it's an issue of almost immediate access to a market of 500 million consumers. This is a market that is extremely wealthy, comparatively speaking. It is a market that thousands upon thousands of Canadian businesses have been unable to penetrate because of high tariff barriers and because of all these non-tariff barriers that Mr. McKay referenced. We've worked very hard to secure an agreement that actually measurably removes these barriers to trade and provides new opportunities for Canadians.

As I said in my opening remarks, we expect there to be tremendous additional economic activity generated by this agreement. We expect there to be an additional \$12 billion of GDP added to our economy, the equivalent of about 80,000 new Canadian jobs, the equivalent of \$1,000 for the average Canadian family.

Now, that doesn't mean every Canadian family will receive \$1,000; it means that on average that would be the impact of this agreement.

That's something we should be celebrating.

Hon. Ron Cannan: You mentioned in your opening comments about NAFTA, and alluded to the fact that 20 years ago the sky was falling according to the naysayers on the agreement. In the Okanagan, the growers were ripping out all the grapes and replanting. They had no idea of the opportunities that were there.

Could you elaborate a little more as to what you see are some of the benefits of this agreement? I know agriculture spoke highly about the pork and beef industry, for those sectors. Are there any other ones? One in five jobs is trade related, 20% of our GDP. In the last 20 years there's been about 4.5 million jobs created through NAFTA. You alluded to the potential 80,000 jobs through this agreement.

Could you expand a bit more as far as some of the other benefits across sectors are concerned, for not only today but 20 years down the road? What are the spin-off effects?

● (0920)

Hon. Ed Fast: I'd be glad to. You referenced the naysayers 25 years ago when Canada first negotiated a trade deal with the United States, which then morphed into NAFTA. As you know, those naysayers alleged we were going to lose our sovereignty, lose our control over water. They said we were going to hollow out our economy, lose millions of jobs, that Canadian culture as we knew it would be gone. Well, none of that came true.

The reality is that NAFTA has been a huge benefit to Canada. Our trade is three times today what it was back then. In fact, our trade with Mexico has gone up almost seven times since NAFTA was signed. Freer and more open trade is to Canada's benefit. It's a great benefit to the global economy, which is still struggling to move out of the recession.

In terms of broader benefits, we've talked about services and about government procurement. Some of the sectors that have lauded this agreement would be the beef industry and the pork industry. The people in the canola industry I just met with are completely excited about having this new opportunity.

I've travelled across Canada since we signed the agreement in principle. I've been in Atlantic Canada, where they are excited about the new opportunities for fish and seafood products. I've been in Quebec, where they talked about their aerospace industry and their advanced manufacturing industry. I've been in Ontario. We talked about the auto industry. We've opened up a new market to them in the EU. I've talked about the forestry industry across the country, but specifically in my home province of British Columbia, where tariffs will be removed. They have opportunities now to very significantly increase their exports into the EU market. This is a great agreement for Canadians.

Quite frankly, we won't even experience the fullness of these benefits until a generation has passed. As more and more Canadians and Canadian businesses understand the opportunities they now have in the EU market, more and more of them, over time, will take advantage of it.

Hon. Ron Cannan: Thank you. I think that's important,

Some of us, our children or our grandchildren will benefit from the previous trade agreements moving forward. It's a very visionary agreement. As you mentioned, it's a 21st century agreement.

I've been on this committee since we formed government in January 2006. Prior to that, the Liberals had signed three free trade agreements.

Since 2006, how many agreements has our government signed? Also, is this a template for further aggressive agreements in the future?

The Chair: A very quick answer.

Hon. Ed Fast: Since we were elected in 2006, we have signed trade agreements with 37 different countries, if you include the EU. Trade and investment have been the linchpin of our economic growth policy, which we call our global commerce strategy, identifying the key markets around the world that we need to open up for Canadian investors and exporters. We believe we've been very successful in doing that.

This is another milestone along the way. We have other negotiations, such as the trans-Pacific partnership. We have bilateral trade negotiations with Japan, with South Korea, with India. These are all markets that matter to Canada, and we're absolutely committed to opening them to Canadians.

The Chair: Thank you very much.

Now back to Mr. Davies, for five minutes.

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

Mr. Minister, you referred earlier to the fact that you have internal documents and studies estimating the potential increased costs for pharmaceuticals. You've also talked about your commitment to transparency.

Will you table those internal documents estimating the costs regarding pharmaceuticals with this committee in the next 30 days?

Hon. Ed Fast: I think you correctly said that these are all estimates. We're talking about outcomes that will happen eight to ten years down the road. We have continued to refine those. We're trying to determine exactly what the impact will be on the sector. We cannot do that until we know what steps we will be taking to minimize the impact of that additional protection. For example, we have the ability, the tools, as a government, to speed up the process of having patents approved. Doing that, of course, will have a significant impact on whether the additional patent protection will even be needed, or to what degree it will be needed.

• (0925)

Mr. Don Davies: Mr. Minister, do you actually have a clear understanding of what the potential increased pharmaceutical costs to Canadians are or are not? Do you not have an idea of what the range may be? If so, why don't you share those with Canadians? If not, how can you expect Canadians to evaluate a deal that may or may not drive up pharmaceutical costs by a billion dollars a year? How can anybody evaluate that if they don't know and you won't tell them?

Hon. Ed Fast: Well, actually we have been very open and—

Mr. Don Davies: Well, I'm giving you the opportunity to be open.

The Chair: Well, let's let him answer this question.

Hon. Ed Fast: Listen, Mr. Davies, we are not going to provide you or the public with information that is speculative in nature. The information you've been provided is speculative.

We're saying that we are quite confident, based on the work we have done so far, that the impact on our medicines, the cost of medicines in Canada, will be mitigated by steps that we can take—

Mr. Don Davies: I understand.

Hon. Ed Fast:—to introduce that.

I understand that the NDP is anti-trade. We know that. You have voted against almost every trade agreement Canada has ever signed.

Mr. Don Davies: Mr. Minister, could you stick to the questions? Canadians want answers not politics, Mr. Minister.

The Chair: Just let the minister answer, Mr. Davies.

Mr. Don Davies: Would you not say that the proposed benefits—

The Chair: Mr. Davies—

Mr. Don Davies: I have the floor, Mr. Chairman, and I—

The Chair: Mr. Davies, I have the floor.

Mr. Don Davies: Well, if the minister's not going to answer some questions, I have limited time and I'm going to try to control a dissembling witness.

The Chair: Who's got the microphone?

Please shut it off.

Thank you very much.

Minister, go ahead.

Hon. Ed Fast: Thank you.

What I was saying is these have been the most open and transparent negotiations we've ever undertaken. Every step along the way, Mr. Davies, our outcomes have been informed by the consultations we've had with the pharmaceutical industry.

In fact, it may surprise you to know that the generic industry has actually provided us with a letter, understanding that we worked very hard and in fact arrived at a balance. They have lauded us for carving out exports of generic drugs and—

Mr. Don Davies: Okay.

Mr. Chairman, if I may—

Hon. Ed Fast:—understanding that represents about 40% of their income.

Mr. Don Davies: Mr. Fast, I have other questions.

The Chair: Go ahead.

Mr. Don Davies: Canada has agreed to acknowledge EU requests regarding 179 geographical indicators. How many did Canada get in return?

Hon. Ed Fast: First of all, let me talk about geographical indications before I turn it—

Mr. Don Davies: I just want to know a number, Mr. Chairman. It should be transparent—

Hon. Ed Fast: You'll get that.

Mr. Don Davies:—a direct answer so we can evaluate the deal. How many did we get?

Hon. Ed Fast: Mr. Davies, we knew this was of great interest, certainly symbolic interest, to the EU. This is very, very important to them.

Mr. Don Davies: It's important to Canada, too.

Hon. Ed Fast: We brought enough flexibility to the table to be able to secure an outcome in other areas of the negotiations that are very beneficial to Canada.

Yes, you're correct; there are 179 geographical indications which, for clarification, are essentially regional trademarks that the EU wanted Canada to recognize.

Mr. Don Davies: Mr. Minister, I know what they are. I'm just asking how many Canada got. It's a simple question.

Hon. Ed Fast: We have ensured that those trademarks do not in any way impact our current producers because they have been grandfathered.

Now I'm going to turn it over to Mr. Verheul—

Mr. Don Davies: We have Mr. Verheul for the next hour, so—

Hon. Ed Fast:—to be more specific as you've asked us to be.

Mr. Don Davies:—we'll come back to Mr. Verheul in the next hour.

Hon. Ed Fast: I'm going to have Mr. Verheul answer.

The Chair: Mr. Davies—

Mr. Don Davies: We have him for two hours—

The Chair:—you asked a question. I'm going to let the witness answer.

Mr. Verheul, go ahead.

Mr. Don Davies: I would be delighted if there's an answer.

Mr. Steve Verheul: Well, thank you.

This was very much an EU ask. It comes out of the EU domestic considerations that they have. GIs are very important in their market. They're not in ours. We don't use them; we use trademarks, so we—

Mr. Don Davies: And we got zero.

Mr. Steve Verheul: We weren't looking for any.

Mr. Don Davies: Thank you. That's the answer I'm looking for.

The Chair: That's good, your time has gone.

Mr. Holder, you have five minutes.

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

I'd like to thank our guests.

Minister, it's great to have you here.

Mr. Verheul, Ms. Renart, and to your team, congratulations on where you've brought us to this point.

It's rather interesting. I appreciate that the role of—

The Chair: Just to let the committee know, you'll be the last. I think the minister's got to leave right after this.

Mr. Ed Holder: You saved the best for last. Is that what you meant, Chair?

The Chair: Yes.

Mr. Ed Holder: All right, thank you.

I understand that the role of the opposition is to oppose, but that doesn't mean they need to be rude. I'm going to take a different approach and ask some thoughtful questions, if I may.

You made a comment, Minister, that with the kind of agreement put in place, engineers in Germany would be able to have their qualifications recognized in Canada, and vice versa. I only wish that interprovincial wisdom took in such considerations in our country. Perhaps that might be another initiative, inter-trade.

The question of supply management has come up in the past. That's always been one of those concerns we heard as the negotiations were taking place. I think it's an interesting story, what I've heard thus far about it. Could you elaborate more, for my benefit and perhaps for the public's benefit, on what the impact of supply management is with the deal that has been struck to this point?

● (0930)

Hon. Ed Fast: From the very beginning, we were focused on achieving for Canadians a balanced outcome, and when it came to dairy, clearly, like the GIs that Mr. Davies just referenced, the EU had a keen interest in improving its access to our cheese market.

For us, we had other areas of key offensive interests where we wanted to secure outcomes, which we have secured, by the way, so this is what we did. We said to the EU that we would provide it with an additional 4% access to our market for cheese, understanding that at the end of the day, 92% of all cheese consumption would still be produced in Canada. What did we receive in return from the EU? We received unfettered access to their dairy market.

On top of that, of course, there's also the fact that the cheese market continues to grow in Canada. It's somewhere in the order of 1% per year. When you look at 4% over four years, all of that additional cheese access from the EU would actually be absorbed by additional growth in our domestic market. We believe this is a very good outcome for Canada. It's balanced and achieves unlimited access to the EU market. We're now encouraging our dairy producers to start looking at this market of 500 million consumers and find new creative ways of accessing that market, because we know Canadians can compete if they put their minds to it. We make some of the best artisanal cheeses in the world. Quebec is known for its artisanal cheeses, and we're asking why it would just sell to Canadians. There

is now this huge market over there in the EU. Quebec should take advantage of it.

Again, we believe we've achieved a balanced outcome that truly serves the long-term interests of Canadians.

Mr. Ed Holder: You know, in the spirit of that, Minister, one of my colleagues opposite and I are actually getting together to bring Quebec cheese producers here, so that parliamentarians can experience their great products.

This is a political question as opposed to a trade question, I think. We're that much farther ahead than the United States in terms of signing a free trade deal. I'm not sure, as a result of some of the things that have happened recently, where they are in the process. I'd be curious for an opinion, but I have a bigger question. For Canada's sake, what do you feel is the benefit of our putting this agreement in place well before the United States does? What does that mean to Canada?

Hon. Ed Fast: It means what some people have referred to as first-mover advantage. The United States is a fierce competitor of ours. At the same time, the U.S. is also our biggest trade partner. We collaborate with it and we partner with it, but it's always nice to be ahead of the United States and have opportunities to carve out market share before the United States does, and some of our other competitors carve out their own shares.

We're very pleased that we were able to come to an agreement in principle. As I've mentioned, there is still work to be done. The remaining modalities have to be negotiated. Then there's the drafting of the legal text, translation of that text into 24 languages, and of course, the ratification process. Each of the 28 member states of the EU has to ratify this agreement. On our side, each of the provinces and territories has to introduce implementing legislation, but we're confident on our side that our provinces and territories fully understand the outcomes that are in this agreement. They've all come out very clearly in strong support of this trade agreement with the EU.

The Chair: Thank you very much. Minister, first of all, thank you very much for appearing, given the very short notice you had when we asked you to come before the committee as a witness and share this time with us.

I know we have Mr. Verheul and the team for the rest of the committee time, so I don't want to impose on you any further.

Let's suspend as we bid farewell to our witnesses and grab a coffee.

● _____ (Pause) _____

●

● (0940)

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

We will start this round with Mr. Shory, as soon as it is quiet at the back.

Mr. Shory, the floor is yours.

Mr. Devinder Shory (Calgary Northeast, CPC): Thank you, Mr. Chair.

My thanks to you, Mr. Verheul, and your team for coming here today. I understand you are not here in a political role. It is so unfortunate that I have to make this comment, that on the one hand, 80% of Canadians, according to an Ipsos poll, support the Canada-EU trade agreement, but on the other hand, everybody knows the NDP is anti-trade. They have never supported any trade. They have already said that it will be the worst trade agreement, that we have sold out our lumber and all kinds of things. They have been asking for the text now, and they have never asked for it before.

Is there enough information out upon which to base a decision on whether to support it or to oppose it?

Mr. Steve Verheul: Well, this is the first time we have given out this kind of detailed information before we have had a final text. I think the technical summary illustrates all of the issues, where we've landed on the question of ambition, the question of sensitivity. All of the main core elements of the agreement are there. The text, when it finally comes out, is probably going to be about a foot high. I'm not sure there will be a lot of people reading through the entire text to look for things.

What you've seen in that technical summary is the heart of the agreement. The rest is details. We have a complicated language in the trade world, and that's what the text is going to look like.

Mr. Devinder Shory: Like the budget, they will never read the whole text, but that's another story.

How will CETA make it easier for Canadian companies to do business in Europe, and how will CETA impact Canadian families at home?

Mr. Steve Verheul: First of all, with regard to making it easier for Canadians to do business in Europe, this is something we had as a key objective right from the beginning. We knew that a lot of Canadian businesses have been frustrated in getting into the European Union market. It's not as easy as the domestic market or the U.S. market. Part of our task was to remove some of those concerns, so we have done that. Right from the time that you approach the border, we have simplified customs arrangements. We're allowing for more transparent processes. We have a chapter on customs and trade facilitation that is entirely geared toward getting product across the border more easily than in the past. We also have provisions that will require Canadian companies to be treated in exactly the same fashion as European companies, competing on a level playing field.

For Canadian companies there is the potential for significant benefits. Part of our challenge over the next while is going to be to convince them they should be looking at that seriously and taking advantage of those opportunities. We need to gear up for that.

As to the impact on Canada, we have seen our trade with our largest trading partner decline somewhat over the years. We've seen it become volatile at times. It is in our country's interest to diversify our trade. When you look at it like that, the largest market in the world seems like a reasonable place to focus. Canadians will benefit from this huge new opportunity for the Canadian economy.

Mr. Devinder Shory: Mr. Verheul, you are a person who has virtually all kinds of knowledge on this agreement. You have talked about significant benefits for Canadians and Canadian businesses. I'd

like you to put some dollar figures on that. What do you project to be the increase in bilateral trade as a result of CETA?

Mr. Steve Verheul: It's difficult to put a number on it. The study we did jointly with the EU before the negotiations commenced had about a 20% increase in bilateral trade. I happen to think that this is greatly underestimated, partly because of certain flaws in the study. We can design an agreement, and I think we have designed a good one, but it's going to be up to Canadian companies, Canadian business, Canadian entrepreneurs to look at the European market in ways they haven't before.

The opportunities are going to be limitless, but we're going to have to take advantage of them, so I'm hesitant to put any number on it, but I'm quite confident that in various sectors those increases are going to be much more than 20%

Mr. Devinder Shory: Okay, the last—

● (0945)

The Chair: No, you've already had the last one. Thank you very much.

Mr. Masse.

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

Thank you for being here today.

I think it's quite reasonable for Canadians and us to want to see the text. I wouldn't sign a mortgage based just on the pamphlet from the actual provider. That's kind of what we have right now. We have that pamphlet. I'm not saying the pamphlet is misleading, but at the same time, there has to be a lot of trust. I'm not sure that this government has earned the entire trust outright.

Having said that, I'll say that trade agreements have winners and losers. When we signed the NAFTA, we lost the Auto Pact. What happened is that Japan took Canada to the WTO and we lost the Auto Pact. We went from number two in the world in auto production to number nine now. We're losing further footprint under this government in terms of our percentage to the United States.

Have you done an estimate in terms of the winners and losers in this deal and what industries are going to be affected negatively so that we can ameliorate that for them in this trade agreement?

Mr. Steve Verheul: Well, certainly we've spent a lot of time with each of the industries that are going to be affected one way or the other in this negotiation, and we've tried to accommodate the concerns they have in every respect.

Now, clearly there's been some public attention on the dairy sector, and the increase in access for cheese could potentially have an impact on their interests. This is why the government has indicated that it would provide a compensation in those cases.

At the same time, I think that on that issue, as on many others, we've also built in opportunities into that sector, including an opening to the largest dairy market in the world.

Mr. Brian Masse: Is dairy the only sector that could have a negative impact from this agreement? If we provide financial assistance to that sector, could that potentially be contested by other trade agreements as government intervention on those trade agreements that we already have with other countries?

Mr. Steve Verheul: To answer your first question, no. Certainly there's going to be a bit of a mix over time, and part of that will depend on how things develop after the agreement is in place, because we're essentially removing tariff protection on both sides. We're going to find out what kinds of niche markets can be found and what kinds of advantages can be found.

The more important element is that in the European market we will have an advantage over every other exporter into that market, including the U.S. I think we have the advantage there.

The second part of your question was....

Mr. Brian Masse: It was related to it. If we are going to use government intervention for those industries that are negatively impacted by the government intervention on the rules of business that we currently have, could that financial or other government contribution to those industries, the subsidies or grants or whatever it might be, possibly interfere with other trade agreements, and could that be challenged?

Mr. Steve Verheul: Our assessment would be no, because to begin with, if we're providing compensation to sectors that are being negatively affected, there are various ways we can do it that are not vulnerable to trade sanctions or to being against our trade obligations.

The second thing to remember, particularly when it comes to dairy, is that we may not...we will see that assistance generated towards adjustment in that sector, not towards providing export subsidies to allow them to export more cheaply, which would be a contentious problem. So it depends on how you do it.

Mr. Brian Masse: You would be looking for ways around our current trade agreements and our current trade partners to subsidize those businesses that would be affected negatively by CETA.

Mr. Steve Verheul: Well, I think that would be quite easy to do. Certainly every government provides that kind of assistance. That's understood. There are rules around how you do it, but I'm not anticipating any difficulty on that front.

• (0950)

Mr. Brian Masse: With regard to fish processing in Newfoundland, there are vulnerabilities. Can you highlight specific strategies that can deal with those vulnerabilities?

Mr. Steve Verheul: With respect to fish processing?

Mr. Brian Masse: Yes.

Mr. Steve Verheul: Well, on what we've done in the CETA, we have said that after a three-year period, Newfoundland and Labrador would no longer have the right to apply minimum processing requirements on exports to the EU.

Now, the minimum processing requirements are generally not applied to the EU as it stands now. These are generally policies that are used between provinces and between Canada and the U.S. When you're talking about a market that's as far away as the EU, they start

to lose their relevance, and we do not have a long history of needing to use minimum processing requirements on exports to the EU.

I think the impact of that will be minimal. I think it will be highly offset by the new opportunities into the EU fish and seafood market.

The Chair: Thank you, Mr. Masse.

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

The Chair: Go ahead, Mr. McKay.

Hon. John McKay: Thank you, Chair.

The NAFTA has been, in some respects, a source of frustration for some in regard to the dispute resolution mechanism. I'm thinking back to the lumber issue. My recollection is our industry made nine interventions in a row and lost every one of them, partly because of intervention by Congress and Lord knows what else.

If in fact we've moved from the 20th century on this agreement to the 21st century, what's going to be the actual difference between the NAFTA and this agreement in terms of the dispute resolution mechanism?

Mr. Steve Verheul: We've certainly learned a large number of lessons from our NAFTA experiences over the years, both with respect to the government-to-government type of dispute settlement mechanism, which was the case in many of the softwood lumber disputes, and with the investor-state dispute settlement approach, which comes to investment issues. We've applied those lessons and have made a significant number of changes to dispute settlement under CETA.

When it comes to government-to-government disputes, this will be by far the most efficient and innovative process of any of our free trade agreements and, I would argue, of any other free trade agreements. Another feature will be that we will have a voluntary mediation option, which is quite thorough and spelled out, to avoid getting into that dispute in the first place. We will have a shorter process than in previous agreements so that these can be resolved quickly and those that are interested can move on.

We have some specialized rosters in certain places for specialized issues. Financial services is an example. The numerous changes that we've made, including a much more transparent approach to dispute settlement, make this significantly different from NAFTA in those respects.

Hon. John McKay: I suppose we'll just have to see how this plays through, because that has been a source of considerable frustration.

My NDP colleagues talk about concerns about the costs around patents and various other issues. When you table this report, will you table provision for what these trade implications might actually cost, either in patents or any other industry that needs to be made whole at some point or another? Will there be a tabling of that amount, and will there be a set-aside in the budget for potential hits on the taxpayer?

Mr. Steve Verheul: In the cases where we've suggested there could be compensation, in both the dairy and the pharmaceutical cases, those are very difficult to predict from where we are now.

The minister mentioned that after CETA comes into effect, we've still got at least an eight- to ten-year period before we would first start to see some of those products coming off patent protection. We don't know what kind of drugs will be in the system exactly at that point. If there are blockbuster drugs, some of the ones we've seen in the past, then we could see more significant impacts. If there don't happen to be blockbuster drugs, then the impacts will be much less. It doesn't factor in what else is going to happen in domestic policy with respect to patents on pharmaceuticals, at either the federal or provincial levels.

When we talk about patents, we're going to be discussing with provinces and territories in the coming months what kind of approach makes the most sense. I certainly wouldn't want to predict the outcome of that ahead of time, given that's an open dialogue in consultation.

Similarly, when it comes to the dairy side, again we're not sure exactly what kind of impact will occur, because consumption of cheese in particular is continually rising. The economic hit may be fairly minimal if that trend continues, so we would want to see what happens there.

As with pharma, we are talking to provinces and territories about how that process would be designed. We're also holding consultations with the dairy industry to get its views. I wouldn't want to prejudge any of that or attempt to suggest we could put dollar figures on it before we know what the design is.

• (0955)

The Chair: The time is gone.

Mr. Hiebert, the floor is yours.

Mr. Russ Hiebert (South Surrey—White Rock—Cloverdale, CPC): Thank you, Mr. Chair, and thank you, Mr. Verheul and Ms. Renart, for being here again. It's always interesting to get updates from you. This is one of the more favourable times as we've had a chance to hear about the progress that's been made. Congratulations on that.

My first question relates to the benefits to jobs and GDP that had been emphasized a great deal on a macro scale. We hear about the \$10 billion to \$15 billion, the 80,000 jobs. I'm wondering if you could help us understand it on an industry by industry basis.

For example, I'm from British Columbia where forestry is an important industry. I'm told that forestry is about a \$20 billion addition to the Canadian GDP. There are about 230,000 employees in this industry in Canada.

As a result of CETA, can you help me and the viewers who are watching understand what impact this will have on that industry, for example? Do you anticipate increased jobs or an increase in the value of jobs or increased trade, specifically as it relates to forestry? Could you unpack it as it relates to other industries as well, break down what those big numbers mean industry by industry?

Mr. Steve Verheul: I'm afraid that's a bit of a challenge at this point. Certainly we've heard from the forestry and wood products sectors that they anticipate significant gains here. Exactly how large those gains are going to be is a bit difficult to calculate. Significant

tariffs on things like plywood and other forms of wood will be removed and will give us a significant advantage in the industry.

We've also heard some other industries outline how much they anticipate they would gain in their industry. I think we've heard from the Canadian Agri-Food Trade Alliance that they expect to expand exports by \$1.5 billion a year, which is something like a 63% increase. This is really not a matter where the government can entirely predict the actions of the private sector. The openings and the advantages over other trading partners are going to be there, so the potential is huge. How much we can realize will depend on what the private sector does in taking that advantage.

Mr. Russ Hiebert: I appreciate that.

In terms of next steps, we've been told this morning that there's this need for translation, for ratification. Can you help us understand the European Parliament ratification process and where it goes from here over the next 18 to 24 months?

Mr. Steve Verheul: Sure.

The first step is once we finish the technical negotiations, we'll submit it to our respective legal counsels for legal scrubbing. We're anticipating that will take anywhere from five to six months. The EU will then have to translate it into a total of 22 languages, which is going to take a bit of time as well. Following that, once we have a final legal text, and it has been translated, it will then go through the ratification process in the EU.

The first step in that is to go through the Council of Europe, the European Council, which has representatives from all member states. If they approve it, it then goes through the European Parliament for a vote. If they approve it, the European Commission would then be in a position to provisionally apply in our case probably 98% or 99% of the agreement at that point.

If there are elements that member states have to approve, they would then go on to the process of member state ratification, but in the meantime, we could have that 98% or 99% of the agreement in place while that is occurring.

We're estimating the time from when we finish the negotiations to get through the scrub, the translation and ratification to be a total of about two years. We're hoping for a little less, but about two years.

• (1000)

Mr. Russ Hiebert: There's been some talk about a strategic partnership agreement. I know there's perhaps a difference of opinion as to how it's related to the CETA.

Could you explain your view to the committee as to whether or not there's a linkage between the CETA and the SPA and where that's going?

Mr. Steve Verheul: As you point out, those negotiations are ongoing as well. One key issue is left that relates to whether there would be the ability to suspend the CETA in the event of a dispute between Canada and the EU over weapons of mass destruction or human rights violations.

From our perspective, we have not wanted to link trade agreements to issues of that type. I think, more importantly, we don't want to be in a position where we have that kind of a provision in an agreement we have with the EU and our closest trading partner, the U.S., does not. We have no differences of view with the European Union on those issues, but we would want a common approach with some of our other trading partners.

The Chair: Thank you very much.

We'll now move to Mr. Davies and Mr. Morin. I believe you want to split your time.

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

Mr. Verheul, it's been asked why a party can't decide on the most complex and largest trade agreement in the history of Canada based on a technical summary. I'm going to refer to the technical summary and put some questions to you, and we'll see how clear they are.

Under the ISDS provision, on page 14, it says you have negotiated a "transparent ISDS process, making submissions to the arbitral panel public and generally opening hearings to anyone interested".

With regard to the word "generally", does that mean there are circumstances where hearings will not be open to the public? If so, what are those circumstances?

Mr. Steve Verheul: Yes, there will be circumstances where the hearings won't be open to the public. Those are in cases where there is business confidential information that would be prejudicial to the businesses in question.

Mr. Don Davies: Thank you.

I'll pause by saying that Canadians know that one of the main reasons we've weathered the recession quite well for the last five years is that we had a very strong and well-regulated financial services sector. You told Canadians that you've negotiated "a robust prudential exception that will protect reasonable measures taken for prudential reasons".

What exactly was negotiated there, Mr. Verheul?

Mr. Steve Verheul: I think if you look at the prudential carve-out, and you will see it in a text at some point, you will find it goes well beyond what we had in NAFTA with respect to a prudential carve-out. This was an issue that we discussed for a long time with the Europeans. We also included a number of other elements, including that members of the dispute settlement body would have to give due diligence, due deference, to the regulators who were making the decision. In other words, they had to give deference to their findings on fact, the decisions they have made.

The prudential carve-out we have secured here is well beyond anything we have done before in terms of protecting our regulators.

Mr. Don Davies: Would you agree with me, sir, that the details of that carve-out would be of some significance and interest to Canadians?

Mr. Steve Verheul: I'm sure there are many elements in the final text that will be of interest, but I think they will reflect what we have been saying consistently in terms of the outcome.

Mr. Don Davies: Mr. Verheul, you're aware that many Canadians are concerned about the investor-state provision. Nobel laureate in

economics Joseph Stiglitz has expressed concerns about investor-state provisions. The worry, of course, is that Canadian governments can be sued by corporations for legislation taken to protect the environment, or for the health of Canadians, or for social services or public enterprise, if they deem it to interfere with their profits.

Can you give Canadians the assurance that will not be the case with CETA?

● (1005)

Mr. Steve Verheul: I can tell you that the CETA outcome is very much different from other approaches we have followed in the past. There will be no ability to overturn environmental decisions or restrict governments from regulating in the interests of environment, or anything along those lines, whether it's social services, health services, or others.

I can also tell you that under CETA, the investor-state dispute settlement will be much more transparent. We will have open hearings. Anybody that has an interest can go to those kinds of proceedings. I think we have a number of other elements there, too, in terms of not allowing frivolous claims to proceed, which we have seen in the past, sometimes successfully. We've introduced a number of additional elements.

There's one that's probably most fundamental. One of the debates we had with the Europeans, having experienced NAFTA over the years in chapter 11, is that we wanted to have a very strong representation, a very strong protection, on the right to regulate, giving and defending governments' ability to regulate. That's in the text.

Mr. Don Davies: Thank you.

Mr. Steve Verheul: That balance is definitely going to preserve the ability of governments to act.

Mr. Don Davies: Thank you.

I'm going to pass it over to my colleague.

[Translation]

Mr. Marc-André Morin (Laurentides—Labelle, NDP): Good morning. Thank you for having come here to answer our questions.

The government should follow up on the impacts, and provide compensation to the dairy industry if there are negative repercussions. What form could this compensation take? Is there an estimate of the cost of these measures?

[English]

Mr. Steve Verheul: I think at this point we have been doing a lot of work on how that would be designed. We want to consult closely with the Government of Quebec, the Government of Ontario, and other governments that have a strong interest in this.

Essentially, what we're going to do is monitor the income and revenues received by dairy farmers throughout this period and after the agreement comes into effect. If we see declines in revenue as a result of the increased access to cheese, we will fully compensate the producers who have been affected.

Some of those design elements remain to be determined, but that's the general overview of the design. If producers are seeing their revenues decline because of this, the government will compensate.

[*Translation*]

Mr. Marc-André Morin: In other words, we are going to have to wait for the negative repercussions to occur before we know how much the compensation amounts will be. Is there no way of introducing some mitigation measures ahead of time?

[*English*]

Mr. Steve Verheul: I think there will be other avenues that will be looked at to make sure that the industry, particularly the cheese producers, is in the best position it can be to compete, and this will involve marketing and plans.

Trying to guess the actual numbers at this stage when we're quite far away from seeing this come in to effect would be a disservice. The government has made it clear that if there were losses, those would be compensated, but they haven't set a limit on it. We don't know exactly what they are now, but we will as we get a little closer.

I can tell you that there are ongoing discussions between dairy farmer representatives and the government to figure out how best to do that in Quebec, Ontario, and other provinces.

The Chair: Thank you very much.

Mr. O'Toole.

Mr. Erin O'Toole: Thank you, Mr. Chair, and thank you, Mr. Verheul.

I asked the minister briefly about the engagement of stakeholders and the provincial and territorial teams. I know that many of the provinces had a chief negotiator. I think that's one of the more novel and important parts of the CETA process.

Can you describe how your team interacted with the chief negotiators from the provinces and territories, and how that brought the group together towards the deal?

• (1010)

Mr. Steve Verheul: When we started this process, there was a certain amount of apprehension on the part of the federal government, on the one hand, and the provinces and territories, on the other, because we'd never done anything like this before.

Essentially, we had briefing sessions with the provinces before every negotiating session so that they could understand what would be expected and what our strategy was.

We would regularly report back to them. We had a debriefing session every evening after the negotiations were finished to tell them exactly what had been achieved, to get their reactions, and to make sure we had their support on an ongoing basis. On many issues we would take them into the room and have a debate on what Canada's position should be.

When we first went to Brussels, there were up to 60 provincial and territorial representatives who came with us. We briefed them every evening, without exception. We met them individually if they had one-on-one concerns. Over time, and bear in mind this has been more than four years, we've developed a very cohesive and

constructive team, and I think we've all been extremely pleased with how it's worked out.

Mr. Erin O'Toole: Thank you.

Recently, the Government of Newfoundland and Labrador, with some assistance from the federal government, has come up with some money to modernize the seafood and fishing industry to take advantage of the tremendous new market of 500 million consumers in Europe.

In your discussions with stakeholders and key industry groups, have you seen other groups evolve and start designing strategies in order to take advantage of this export market?

Can you suggest what roles government could play to help some of these industries come up with an action plan to take advantage of this new market? Some of this market had high tariff barriers and wasn't previously on their radar, but now industries are going to have to adapt to come up with an export strategy.

Can you talk about any sectors that are working on this, and is there a role for government?

Mr. Steve Verheul: Yes, certainly. There are a number that are well under way in terms of developing their strategies. Others are certainly getting started and still others we will want to try to coax a bit to make sure that they're ready to hit the ground running.

Agriculture...I've certainly spent a fair amount of time with some of those groups. They are very well advanced in terms of being able to access the EU market. They're already starting to make decisions about how to prepare for that. Similarly, on the fish and seafood side, I think there was some skepticism about whether we would ever achieve something like this with the European Union. Now that we have, that has certainly geared up in Newfoundland and Labrador, and in B.C. and other provinces as well, particularly in the Maritimes.

I think we've seen it in some of the other areas of more manufactured products. Chemicals and plastics are very well advanced in terms of being ready to enter the EU market in a bigger way than they do now.

There's quite a long list. We were hampered a bit by the fact that some were perhaps having a few doubts about whether this would be achieved. Now that the announcements have been made, now that the signal has been given, I think there are all kinds of companies and sectors that are gearing up to start preparing for when this comes into effect.

Mr. Erin O'Toole: Thank you.

You referenced supply management in some of your earlier remarks. I have several dairy producers in my riding of Durham, and I've been talking to them one on one about CETA and the outcome, and the fact that the three pillars of supply management were maintained with an adjustment to import levels. On average, there have been around 6,000 tonnes of new growth in specialty cheese in Canada—the minister mentioned 1% growth—and the phase-in time for CETA should see the demand rise to an extent that it absorbs the new imports. Beyond that, on the mechanism that will be in place if those measures or those volume estimates don't come to pass—farmers will be made whole—was the dairy industry consulted? The three pillars of supply management, were they an important part of our negotiating posture?

• (1015)

Mr. Steve Verheul: Yes. The dairy farmers, the dairy industry more broadly, was also consulted very closely throughout the negotiations. I met with them regularly. We were somewhat constrained in terms of what we could tell them, particularly near the end of the negotiations, because those issues were sensitive inside the negotiations, but that consultation did take place.

I think we need to bear in mind that one of the early messages we have received not just in this negotiation but in any negotiation is the dairy farmers' position that under no circumstances should over-quota tariff cuts take place. Other than milk protein substances where we already provide duty-free access from the U.S., no over-quota tariff cut is going to take place under CETA.

Full protection is remaining at the border. We excluded poultry and eggs entirely from any kind of increased access or tariff cuts, so the only dairy commodities we're touching really are cheese, and to a lesser extent the milk protein substances. That's not to say cheese isn't an important commodity in dairy. Of course it is, which is why we've said that we would monitor any potential impact that may take place as this is being implemented. As you point out, cheese is also a product where consumption is continually rising, or has been over quite a period of time. If that trend continues, then we do anticipate that would be absorbed fairly quickly.

The Chair: Thank you very much.

Mr. McKay.

Hon. John McKay: Thank you, Chair.

I just want to follow up on the issue of making producers whole at the end of the day. One of the frustrations that frequently happens is that in the course of these negotiations, promises get made, the industry has an understanding, etc., etc., and then two or three years later, the rubber hits the road and the producer has to hire a flock of accountants and lawyers just to prove that he lost something.

Can you tell me whether you have, with the industry, particularly cheese and dairy, a methodology whereby a loss will be easily and simply recognized so that producers don't have to waste tons of money on lawyers and accountants?

Mr. Steve Verheul: In the case of dairy, that is one of the driving features of the design for compensation that we'll be looking at. In its simplest terms, if revenues decline as a result of new imports, then we will compensate.

It's fairly easy to measure declines in revenue. I think we'll be able to design it in quite a simple fashion. That's certainly our intention, so that that does not create a problem.

Hon. John McKay: [*Inaudible—Editor*]...Mr. O'Toole's riding can actually do it?

Mr. Steve Verheul: Mr. O'Toole is going to be part of the process represented by his organization that's going to be a part of the design of this. They will provide their input.

We have the desire to have a very simple system. I think that's shared by Ontario and Quebec, who are also going to be part of this process. I don't think, even if we wanted to, we would have much of an interest or ability to come up with a system that was clearly not going to work.

Hon. John McKay: I guess I'm going to have to accept that answer, aren't I?

The Chair: Sounds like a good one to me.

Hon. John McKay: The European Union has a particularly aggressive attitude towards GHG emissions; here not so much. Clearly, the argument is that in order to be able to reduce your GHGs, you have to enter into systems of either direct mitigation or other forms of compensation.

Is Kyoto, or the absence of Canada's being in the Kyoto treaty, affected by this particular set of negotiations and treaty?

• (1020)

Mr. Steve Verheul: No, it hasn't been. We don't have any provisions relating to those types of measures in the agreement. We do have a very strong environment chapter. We do have various mechanisms of cooperation that would touch on elements of this. I think we do have a strong interest in bringing both our scientific communities together, much more closely than they have been in the past, as well as those experts following the environmental issues, and that has been set up as part of the process under the agreement.

Hon. John McKay: My final question is the technical summary says "no change to current rules; locks in future liberalization". What does that mean?

Mr. Steve Verheul: Could you point me to where that is?

Hon. John McKay: This is in the telecommunications sector.

Mr. Steve Verheul: Okay. I apologize if this is a bit arcane. We have two types of reservations for services and investment provisions.

Annex II reservations provide complete policy flexibility. You're essentially taking something off the table and saying you're not liberalizing it.

In the case of telecoms, we've moved it to an annex I reservation, which means that any unilateral liberalization you might make over a period of time would be captured, and you would be locked in at that new level of liberalization.

The Chair: Thank you very much.

Mr. Cannan, the floor is yours.

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

Thanks again, Mr. Verheul.

At the beginning of the year, there was a lot of pressure for you to sign this agreement. Many Canadians didn't realize that you had been working on this for a while and asked what the holdup was. At one point you had a five-week span at the table.

Maybe you could enlighten Canadians and our trade committee on how the process evolved to the point it did. A good agreement is when both people leave the table happy, and it appears that way from the reports we're hearing from both sides. Maybe you could share a little bit about that, as well as some of the biggest challenges you encountered during the couple of years of your life that you invested in this agreement.

Mr. Steve Verheul: I think it's getting closer to five years of my life and the lives of some others that we've invested in this agreement, and it did include many ups and downs.

The first few years were really about laying the building blocks. We certainly ran into some challenges through that first period, but I had a clear understanding with my counterpart that when we ran into a roadblock, we would look to solve it by moving the level of ambition up rather than lowering it to find a common ground. We consistently stuck to that, which is why we have the level of ambition in the agreement we have now.

Over the last year or year and a half, we essentially got through all of the issues except for the most difficult ones. We came close to being able to have a crunch point in the negotiations once in November of last year and again in February of this year, and we came very close at the end of July of this year. Things didn't quite hold together at that point, but we were very close. We had to pick up some of the pieces again in September. Then we had a core set of issues where the gaps were quite narrow but the issues were still quite difficult.

This has been a big effort that's taken numbers of people from provinces and territories. Our first delegations to Brussels were 120 people, including provinces and territories. Now we're down to negotiations that involve a handful of people. Basically we've been working seven days a week and in many cases twenty-hour days for a very long time. The remaining issues always are the most sensitive, the most difficult, and those require a particularly sustained effort to get through.

Hon. Ron Cannan: Well, on behalf of all Canadians, thank you for doing this for, as I've said, a historic agreement. Sometimes the last mile is the hardest. With your patience and perseverance, I'm confident you'll complete the agreement.

There is another aspect. As you mentioned, this is the building block for this agreement, but it is also, as Minister Fast said, a 21st century trade agreement. From your perspective, is this going to be something that you and others will be able to use for future agreements? Canada is a trading nation. For those who want to turn back the clock and are against globalization, the reality is... I'd like to hear from you. I believe that our Canadian businesses can

compete in the world if we have a level playing field. With this building block template in place, will that provide Canada with that competitive edge going forward?

• (1025)

Mr. Steve Verheul: I'm certainly entirely convinced of that.

In many sectors we have relied for a long period of time on the domestic market or the U.S. market. The European market is—we've all said it—the largest market in the world. Gaining preferential access to that not only gives us an advantage in that market, and a significant advantage, but it also positions us to go further into other markets, Asia and other markets that others are trying to get into. We now have a competitive advantage. We have an ambitious agreement with Europe, as well as the NAFTA that we have with the U.S.

As far as its setting the standard is concerned, I think that's important in two respects. In one respect, in many ways, what we did with the Europeans was that we created a bridge between what the European Union had done internally with its 28 countries and what Canada and the U.S. had done in terms of the North American market. We integrated that. There are different paths, different structures, different approaches to individual chapters. We built the bridge between those, which will serve the U.S.-EU negotiations well, but more broadly, this will be seen as a model going forward. There are many innovative elements to this, many improvements over previous practices. I think we've set a marker in terms of the level of ambition that will be difficult for others to achieve.

Hon. Ron Cannan: I have one last question. My colleague Mr. Holder asked the minister about this.

As for our situation to the south, about 75% of our trade is with the U.S. right now. It continues to be our biggest ally and trading partner, and it will always be. With our getting our agreement signed before theirs, do you think it'll be ratified and in place before the Americans have theirs, or are they planning on working in parallel, similar to what we did with Colombia? We tried to get in the door before them, and they're in South Korea, so we're always battling and we want to stay competitive and at least have a level playing field for our Canadian business. Will we have an advantage, being first out of the gate in this case?

Mr. Steve Verheul: Yes, I think we have a significant advantage. For one thing, in the negotiations themselves, in the way we've designed the outcome on a lot of the chapters, a lot of the provisions are obviously done in a way that's favourable to Canada. The EU will be taking a lot of that to the negotiations with the U.S., so we already have a model that's going to be represented that way.

When the agreement, the CETA, comes into effect, we will have a significant advantage over our U.S. competitors. In many cases, it's going to be a 10% to 15% advantage, which is not huge but will make the difference in a lot of contracts. In other cases, it's far, far larger than that, and we will be into markets that the U.S. will not be able to negotiate their way into. I think we have an advantage in forming customer relationships in the EU ahead of the U.S. All of that we'll be able to pursue first.

We need to keep in mind that in a negotiation like that it's not a given that you're going to be able to complete it. We certainly had periods where we weren't certain. The U.S. and the EU are going to have a number of significant obstacles to get over in order to complete an agreement between the two of them.

Hon. Ron Cannan: Thank you for looking forward and not back. It's a great future.

The Chair: Thank you very much.

Mr. Davies, the floor is yours.

Mr. Don Davies: Mr. Verheul, page 12 of the summary states, under services and investment, "Recognition of governments' right to regulate and right to sovereign control over the development of natural resources." That's as you've talked about, but later on it states, "Binding of future autonomous liberalization (i.e. the "ratchet"—whenever a government liberalizes, that level of liberalization is locked in)."

Can you give me some examples of the kinds of things that will be locked in once the government liberalizes? Can you tell me, does that mean those services can never be brought back within the public sphere or regulated in the same way again?

•(1030)

Mr. Steve Verheul: Again, it depends on which parts of our concessions under services and investment we have placed in this annex I reservation type that I've explained before. If you placed your reservations in annex II, you're not subject to the ratchet. You can have full policy flexibility going forward. We've done that and the provinces have done that for any areas that we consider sensitive or where we want to protect the policy space going forward.

In those areas where we were prepared to go further and put them in annex I, we've recognized that we're probably moving towards a more liberal regime in most of those anyhow.

Mr. Don Davies: Are those annexes available to the public?

Mr. Steve Verheul: Not at this point, no. That will be part of the final text.

Mr. Don Davies: Would you agree with me that whether something is in annex I or annex II is of relative importance in terms of the ratchet effect?

Mr. Steve Verheul: Certainly I do, and we're happy to respond to individual questions.

Mr. Don Davies: Thank you.

Under procurement on page 16, it says that Canada has "maintained ability to include social and environmental criteria in contractual requirements". I take it that means tendering. Will this allow local governments, municipalities or provinces, or any type of government in Canada to pursue local job creation initiatives?

Mr. Steve Verheul: Well, I think, in consultations with the municipalities, that we've managed to preserve that ability in a number of different ways. Certainly, there are no rules that will apply underneath the thresholds, and the thresholds are quite high under CETA. In construction, for example, the threshold is close to \$8 million. Any—

Mr. Don Davies: For capital projects.

Mr. Steve Verheul: For capital projects, yes.

Mr. Don Davies: And for service contracts, it's \$300,000?

Mr. Steve Verheul: For service contracts, you're right; it's about \$300,000.

Underneath that, there are no obligations at all. There is full flexibility to specify environmental and social criteria. There's full flexibility to have relevant experience as part of the requirement for the tender, which would tend to favour local operations, and—

Mr. Don Davies: Permit me to interrupt you, if I could, Mr. Verheul. Do the social criteria include creating local jobs for local people? Is that a valid social criteria under that exception?

Mr. Steve Verheul: Well, it depends on how it is done. If there is, as part of the tender, a requirement for training of local manpower in order to fulfill the contract, that's certainly legit and not an issue. If you're going to say that you're going to give the contract to a particular company because it's local, then that would probably be challengeable.

Mr. Don Davies: Now, for the first time, we have sub-federal procurement, and obviously those entities are subject to investor-state lawsuits. Is that correct?

Mr. Steve Verheul: No, that is not correct.

Mr. Don Davies: They're not. If that city did put in, let's say, a requirement that contracts had to go to a local supplier, you're saying that an investor could not take that municipality under the investor-state provision.

Mr. Steve Verheul: No, there's a separate provision under government procurement where an investor who felt that he'd been aggrieved as a result of the process could conduct a bid challenge process, which is a separate procurement process that we have now.

Mr. Don Davies: Are there any provisions concerning an effective appeal of an ISDS panel decision? If it goes to the dispute panel and they make a decision, is there any appeal?

Mr. Steve Verheul: No, there's not a strict appeal mechanism under the investor-state dispute settlement process.

The Chair: Thank you very much.

Mr. Holder.

Mr. Ed Holder: Thank you, Chair.

I want to come back to a point that was brought up in earlier testimony. Actually, it was an earlier question by a colleague opposite. I want to set the record straight.

It's not about the European Union agreement; it has to do with trade with the United States. I know, Mr. Verheul, you made some comments about it. I want to be clear.

Just before NAFTA was put in place, Canada exported some \$69 billion to the United States. My best numbers, which are from 2012—I think that's about as current as we can get—we now export some \$324 billion to the United States. That's almost a 500% growth in exports to the United States. It is totally false for anyone to suggest that the arrangement we have between Canada and the United States has not improved as a result of NAFTA.

Mr. Verheul, I can anticipate that as we look at this deal going into the next decades we're going to have that same kind of significant growth.

Imagine this. As a result of free trade that was negotiated with the United States, we have almost 500% growth. In fact, we have an additional \$255 billion per year as a result of this deal. I have to tell you, you look too young to be the person that negotiated NAFTA, but I have to say that was a totally a positive thing for Canada. If you were a kid back then and you did it, my congratulations.

Here's what happens. In 2015, not only will this come into play based on your earlier testimony, but Canada's going to get a balanced budget, taxes are going to be lower for Canadians, and we're going to eliminate the deficit. Do you know what happens as a result of what you and your team have negotiated? It's going to mean removal, by your testimony, of 98% or 99% of tariffs immediately, which means lower costs to consumers, to Canadians in my city of London and all across this country. I say bravo to you for what that means and to the government for taking that initiative. Anyone opposite who suggests that this isn't a great deal for Canada obviously hasn't read it. They don't get it. They don't understand it. I say to you, thank you for what you've done.

Here's my question. One of the things that's been elaborated on all of this is that businesses want a rules-based system. We already trade with every one of those 28 countries that you have negotiated with as a bloc. Canadian business currently trades with them. What we've been asking for is a rules-based system that could be put in place so that business has the security of knowing where it's going. Could you please tell us what the dispute settlement mechanism is? Help us understand that a little bit to give businesses additional confidence going forward.

• (1035)

Mr. Steve Verheul: Sure. I'll preface my remarks on that by saying that we've not only developed dispute settlement processes that are going to be far more effective than previous ones, but we've also put in a number of mechanisms to prevent disputes from occurring in the first place.

Our regulatory cooperation chapter is geared towards preventing issues from becoming disputes. We will have greater interaction, greater dialogue between Canadian and EU participants. It will be the same in technical barriers to trade. It will also hold true in sanitary and phytosanitary barriers. This is about more cooperation, closer cooperation, so you don't get disputes.

If you do end up with a dispute, then clearly we don't want those disputes to be frivolous, so we have provisions to prevent frivolous disputes. We want to try mediation first, to resolve the dispute more quickly. We have mediation provisions in the general dispute settlement mechanism as well as in the investor-state dispute settlement mechanism.

If you finally do get to a dispute, we have an open, transparent system, but one that will move a lot more quickly than the ones we've seen in the past. We have confidence that the clear-cut language in these provisions will make disputes fairly easy to resolve.

Mr. Ed Holder: My Cape Breton mom always used to say that everything starts with understanding. What I'm trying to understand is there's been some speculation that some parts of this deal might come into effect prior to the actual signing, that there might be some pieces that aren't necessarily part of the actual...they might well be part of the arrangement. Is there any merit to those comments that we've heard flutter through that some potential parts of this deal may come into place prior to the two years from now when it's officially approved by all the countries?

Mr. Steve Verheul: No. I think most of that has come out of some confusion with the notion of the EU being able to provisionally apply the results of the agreement. That only comes after the approval of the European Council and the European Parliament. That would essentially mean the full deal, or as I said 98%, 99% of it would come into effect when we're both prepared to put it into effect. Some of the less significant issues that aren't under member state jurisdiction, if there are any, would have to come into effect at a later date. Nothing will come into effect before we've gone through all of the necessary processes, legal and parliamentary, to approve and finalize the deal.

• (1040)

Mr. Ed Holder: Thank you.

The Chair: Thank you very much.

Mr. Shory, I'll give you four minutes or so.

Mr. Devinder Shory: Great, thank you, Chair.

I'm still stuck with my question and confusion about what the NDP are looking for in the text. My friend and my colleague from the NDP, Brian, gave a bad example. He mentioned mortgages. I would be surprised if many people read each and every line of their mortgage. The only thing they're concerned about is the mortgage interest rate, the prepayment terms, default provisions, and repayment penalties.

We on this side, Mr. Verheul, are really excited about this deal, and I'm sure Canadians are. The vast majority of Canadians are excited. You are excited. Your team is excited. For the benefit of those who are watching today's proceedings, I would like you to elaborate on the provision of ratification in Canada. My colleague, Russ, talked about the ratification process in the European Union countries, so you may want to talk about the process of ratification here in Canada.

Mr. Steve Verheul: Sure.

Not surprisingly it's a bit simpler than it is in the European Union with 28 sovereign states. Once we finish the remainder of the technical negotiations, chief negotiators will initial that agreement. It will be sent off for legal scrubbing. It will go through the translation process. It will then be brought back, and there will be a cabinet approval process at that point. That will be followed by tabling the agreement in the House of Commons for a sitting period of 21 days. That will give the opportunity for debate. It could go to committee. Eventually it would go through that process and get approval.

At the same time, or shortly after that, we would have to go through the process of designing what kinds of changes to legislation would need to be made in order to bring ourselves into compliance with the new obligations under the agreement. That bill would have to go through the House, through the usual process, through committee, to be approved as part of the whole package in moving the CETA forward and ratifying it.

Those are essentially the steps that we would take before we'd be prepared to put the agreement into place.

Mr. Devinder Shory: Mr. Hiebert would like to ask a question.

Mr. Russ Hiebert: Mr. Verheul, the European Union is going to be negotiating with the United States on a similar comprehensive agreement. I'm wondering if you could elaborate for us what kind of precedent our agreement with the European Union sets for those negotiations. In light of the fact that the national and state governments in the United States have a unique or different relationship than we have here in Canada, is there the potential for it to be as ambitious and as deep as we currently have concluded with the European Union?

Mr. Steve Verheul: Certainly the outcome of our negotiations will be seen as a precedent in a number of areas.

As I mentioned a little bit earlier, we've had to basically draw a bridge between the NAFTA model of a free trade agreement and the European Union model of a free trade agreement and make those come together.

Some of those are easier than others, but I think we've paved the way for how rules of origin can be negotiated, how investment rules can be negotiated, and for regulatory standards, approaches that could be followed. There is a whole series. Virtually every chapter, since we followed a very similar model to the U.S. up until now, will provide guidance to the U.S. as well.

I don't want to speculate too much on what the U.S. and EU negotiations might go like, but certainly in our negotiations, one of the key EU objectives was government procurement, in particular subnational procurement, so at the provincial level and at the municipal level.

You're quite right in pointing out that in the U.S. it's quite a different situation. The states are far less willing to go along with the federal government in that kind of direction. It's probably inevitable that we will see a less ambitious outcome on government procurement, which will give us a greater preference in the EU market for government procurement contracts.

They'll also have some considerable challenges in some other areas, even on the market access side. Agriculture will be problematic for them, probably even more than it was for us. I

think in a whole series of issues they will face significant challenges, but again, for them the stakes will be very high with the two largest economies in the world. We'll have to see how it comes out.

I'll just add one final point. As we negotiated in particular the final stages of the agreement, we made a number of connections or linkages to a potential outcome between the U.S. and the EU, so if the U.S. and the EU get an agreement, that will trigger certain things to happen in our agreement that will provide us with greater benefits. We've done that in various chapters throughout the agreement.

● (1045)

The Chair: Thank you very much.

I want to use the chair's prerogative for one question.

The committee was actually in Brussels two years ago, I think almost to the day, meeting with you and your counterpart on this deal and suggesting the optimism that was there. We also had a visit with the EU negotiating group or trade committee. Their number one concern was whether the provinces were going to comply and buy in. You have just described that all of them have signed off in Canada.

I'd like to turn that around and ask, because there was some confusion on our trip as to what was happening on the other side, are the 28 countries going to sign on and comply?

I'd like to ask you what your position is on what you expect to see on process on the other side.

Mr. Steve Verheul: The EU commission has been updating the member states throughout this negotiation. They received their mandate before they began as to what they could and couldn't negotiate, and member states have been very well informed all of the way.

I spoke with my counterpart early last week, and he said they've been having extensive conversations with member states. They are not getting any signal of opposition from anyone. In fact, the reception has been quite positive.

There are certainly pockets of concern. Agriculture is a concern. There are specific issues where people are concerned. But they have seen no signal, and they don't seem concerned at all about getting member states on board and about keeping them on board with this negotiation.

The Chair: Thank you very much to your team and for your time with us here. You've done a tremendous job for the country. We look forward to passing this agreement finally.

● (1050)

The meeting is adjourned.

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