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Chair

The Honourable Rob Merrifield

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● (1100)

[*English*]

The Chair (Hon. Rob Merrifield (Yellowhead, CPC)): We'd like to call the meeting to order. If members would take their seats, we'll get started.

We are continuing our study on the Canada-European Union comprehensive economic and trade agreement, CETA. We will be doing that today and again on Thursday. Then we'll be in all-day hearings in Vancouver next week, one on CETA and one on the TPP, the Trans-Pacific Partnership.

We are excited to have with us today in our first session two witnesses. From the Canadian Health Coalition, we have Michael McBane, executive director, here with us in the room. Also, from the Council of Canadians, we have Stuart Trew, trade campaigner.

Stuart, can you hear us? Are we coming through okay?

Mr. Stuart Trew (Trade Campaigner, Council of Canadians): Yes, thanks.

The Chair: We can hear you, so we're all set to go.

We'll start with you, Mr. McBane. The floor is yours.

Mr. Michael McBane (Executive Director, Canadian Health Coalition): On behalf of the Canadian Health Coalition, I want to thank the chair, Rob Merrifield, and members of this committee for the opportunity to raise with you serious concerns about the negative impact of the Canada-European Union comprehensive economic and trade agreement on Canada's health care system.

The Canadian Health Coalition has been working on international trade issues as they impact on public health care for over 20 years. Despite the announcement of the agreement in principle in October 2013, the text of the CETA itself remains a secret. Nonetheless, the parliamentary committee mandated to study the CETA must have access to the text itself.

I would like to raise two issues with you. The first one is the general threats to Canada's health care system from the flawed reservations for health care in the CETA. In the second point, I want to raise the specific threats to the sustainability of Canada's prescription drug plans from pharmaceutical provisions in the CETA.

For the first point, the legal principles in the Canada Health Act which governs Canada's public health care system are in blunt opposition to the principles that regulate the market. The Canada Health Act removes the delivery of health services from market rules to ensure access based on need; so-called unprofitable services, unprofitable populations, and unprofitable regions are not abandoned by a reliance on the market.

Canada's public health care system reflects Canadians' values. In the words of the Romanow commission, “Canadians view medicare as a moral enterprise, not a business venture.” Health care in Canada is legislated with federal legislation as a public good, not a commercial commodity.

Our public system is based on the Canada Health Act, as I mentioned, wherein health care is delivered solely on the criteria of the need of patients, without regard for their ability to pay, or their socio-economic status, or, I may add, regardless of where they live. The act also offers the best guarantees, by the way, of cost-effectiveness and sustainability.

On the other hand, the central objective of international trade agreements, including the CETA, is trade liberalization through the reduction of barriers to trade. The rationale is that goods and services are to be allocated solely on the basis of purchasing power. Concern with equity of distribution and access is seen as a barrier to trade.

The mix of public and private interests on the delivery side of the health care system makes it difficult to draw a sharp line between what is public and what is private. This causes problems when applying Canada's reservations and exemptions in trade agreements like NAFTA and GATS, as well as CETA. These trade agreements assume a clear demarcation between public and private.

Both Canada and the European Union, as you know, have said that they intend to exclude health care services from the CETA. However, one of the EU's highest priorities in these negotiations was to expand access to provincial and local government services.

Accordingly, the EU has demanded that Canada abandon the general reservation in NAFTA's annex I, which provides some protection for health services. Canada has reportedly agreed to abandon this reservation, which means that provincial and territorial governments will be required to negotiate exemptions for specific non-conforming measures in the health sector or else rely exclusively on protection in the annex II reservation. It would be interesting to know which provinces have submitted a list of exclusions.

The annex II reservation does not shield the health care sector from the full force of trade agreements. Instead, it is a limited and qualified reservation that only shields a health service to the extent that it is a social service "established or maintained for a public purpose". The scope of this protection is uncertain, because Canada and the United States do not agree on the interpretation of this language. As a result of this uncertainty in annex II-C-9 of NAFTA, and responding to pressure from provincial and state governments and civil society, including a legal opinion commissioned by the Canadian Health Coalition in 1996, the Government of Canada negotiated a second general reservation with the United States and Mexico. This reservation will be removed under the CETA.

To address the seriously flawed nature of the one reservation the Government of Canada is relying on to protect federal, provincial, and territorial health systems, the Romanow commission on the future of health care recommended that Canada negotiate a new, more effective exemption for health care in all future trade and investment agreements. In order to provide maximum protection for health services and to safeguard its ability to expand coverage of public health insurance, the new exemption for health services required a complete carve-out for health services, like the NAFTA completely carved out law enforcement.

Therefore, the one recommendation I would make is that the Government of Canada negotiate a new exemption that reads: "Nothing in the CETA shall be construed to apply to measures adopted or maintained by a party with respect to health care, health services or health insurance."

● (1105)

The second point I want to raise concerns drug costs.

Canadians are very concerned by the fact that the Harper government has negotiated a trade agreement that will result in higher prescription drug costs. According to a recent independent study, the announced details of the CETA will likely cost Canadians hundreds of millions of dollars more for prescription drugs annually. The report says that concessions by the federal government to cement the deal will delay the arrival cheaper generics. This delay will add between $850 million and $1.65 billion annually, an increase of 13% to the total drug bill paid annually by Canadians, who will be paying either directly or through insurance plans.

The study examined the latest revelations about the tentative trade agreement and finds it will: one, commit Canada to creating a new system of patent term extension that will delay the entry of generics; two, lock in Canada's current terms of data protection, making it difficult or impossible for future governments to reverse them; and three, implement a new right of appeal under the patent linkage system, again designed to create further delays.

On a per capita basis, Canadian drug costs are already the second highest after the United States. According to the study, the federal government has promised to compensate provinces and territories for any additional costs; however, that simply means instead of Canadian taxpayers paying at the provincial level, they will be paying at the federal level. Importantly, people paying for their own drugs at the pharmacy out of pocket or through private insurance will be hit twice: through the higher costs and through their taxes.

While the text of the CETA is being kept secret, one thing is clear: the agreement will seriously impact the ability of Canadians to afford quality health care.

It is also a matter of public record that the Minister of International Trade told Canadians a while back that it is a myth that a Canada-EU free trade agreement would increase drug and health care costs.

Canadians are being misled by the Harper government's claim that the CETA provision dealing with the pharmaceutical industry strikes a balance "between promoting innovation and job creation...and ensuring that Canadians continue to have access to the affordable drugs they need."

A critical examination of the pharmaceutical industry's economic performance—and I would really urge this committee to examine the performance of the brand name drug industry in Canada—reveals that there's no link between higher drug profits and innovation or job creation. There's no link whatsoever. Nor is it credible to claim that Canadians will continue to have affordable prices when cheaper generic drugs are further delayed.

According to the federal government's own agency, the Patented Medicine Prices Review Board, in its most recent annual report, "Several comparator countries, which have patented drug prices that are, on average, substantially less than prices in Canada, have achieved R and D-to-sales ratios well above those in Canada". For example, France and the United Kingdom have an R and D-to-sales ratio that's twice that of Canada's and have prices between 10% and 20% lower than Canada's prices.

It should be noted in this context that with the adoption of changes in 1987, the brand name drug industry made a public commitment to increase their annual R and D expenditures to 10% of sales by 1996. The Rx and D industry ratio of investment has been less than 10% for the last 10 consecutive years. These are the facts.

This means that Canadians began paying 15% to 20% more for new patented drugs since the Mulroney government brought in these changes in exchange for a promise they have systematically broken, a promise of innovation and jobs. The higher prices in Canada for new brand name drugs are costing us at least an additional $2 billion a year through the methodology used by the Patented Medicine Prices Review Board. Add to that another billion dollars through the CETA, and that's another $3 billion extra. This amounts to a subsidy to the drug industry coming out of health care budgets, but to make it worse, it's coming out of provincial governments' budgets to pay for a federal concession.

To add salt to the wounds, imagine how the provinces and territories feel about being lectured to by Prime Minister Harper about getting their health care costs under control.

To make matters worse, the drug industry uses this money not for innovation, but to buy influence with the federal regulator, physicians, politicians, consumers, and the media through their advertising departments. Is there a word for being bribed with our own money?

Canadians get nothing in return for these massive concessions.

● (1110)

Mr. Ed Holder (London West, CPC): On a point of order, Chair, with great respect to the witness, and it's never my intent to challenge, but when we use a word like “bribe” as it relates to any government, I don't care what government it is, I would just caution our witness, who I'd very much like to hear from, just to be mindful of the language, please.

The Chair: It's not a point of order but the member will have a chance to question the witness later on that.

Go ahead, Mr. McBane.

Mr. Michael McBane: Some say this one single concession, as we mentioned, close to $1.6 billion, is worth more than all the savings on the reduced tariff barriers with the European Union, which are estimated to be only $225 million. That's a massive concession. What are we getting back?

The Chair: You are over time. Very quickly, I'll let you wrap it up but I'm not going to—

Mr. Michael McBane: Okay, the second recommendation, in light of these concerns of seriously inflated drug costs, is that the Government of Canada remove all matters related to pharmaceutical patents from trade agreements, including CETA, and that instead, Canada needs to impose conditions on the pharmaceutical industry that benefit the public interest to protect the public good from private monopoly.

Thank you.

The Chair: Thank you very much.

We'll now move to Mr. Trew. The floor is yours, sir.

Mr. Stuart Trew: Thanks very much, Chair and committee, for this opportunity to come to address you again about the Canada-Europe trade negotiations. I'm a trade campaigner with the Council of Canadians. We're Canada’s leading social justice citizens advocacy organization, with over 100,000 supporters across the country.

We were here way back in 2011 to present to committee some of our concerns with the agreement as it was shaping up at that point. I'm going to repeat some of that today because, from the information we've learned from the technical briefing that was released by the government at the end of October and from some more leaked documents, we still feel very concerned about these specific areas. I'm going to make the case that our views are actually shared by a lot of Canadians, by a majority of Canadians in some cases, such as on procurement, and that these concerns are shared across the political spectrum as well.

For the sake of not running out of time, because you have the presentation in front of you, I'm going to skip to the main points here.

In November we did a poll where we tried to look behind some of the numbers we were seeing around support for CETA. The government statistics for polls saying—

The Chair: Excuse me for just a second. Just for clarification, your remarks have only come in English so the committee doesn't have them, just to let you know that during your presentation.

Mr. Stuart Trew: Okay. I appreciate that.

Polls have consistently shown that there's fairly high support for the idea, or the general idea, of a trade deal with the European Union. We've seen this in the range of 70% to 80%. We got those same numbers when we polled Canadians in November. We decided to ask a few extra questions around some of the more controversial aspects of the deal, because we felt that those polling numbers showing high support don't actually get behind this. They might be concealing more than they're telling us.

I'll focus on procurement, investment, and pharmaceuticals.

For example, in procurement rules in the Canada-Europe trade deal, they will essentially force Canadian municipalities, crown corporations, and other provincial agencies to treat all bidders on public contracts equally, regardless of whether they're from Canada or from Europe. Not only that—I would say that's a minor part of it —they will prohibit covered public entities, which will include cities according to the technical briefing note, from putting local content requirements into contracts, no matter who is bidding on the projects, or from considering other offsets that would increase local development benefits from public spending.

Together these changes will stop communities from being able to give extra consideration, or perhaps extra points in the RFP process, to firms that can guarantee more economic activity in Canada or more jobs being kept in Canada.

We asked Canadians how they felt about that: Should municipalities retain the right to prefer bids from local or Canadian companies? In fact, an impressive 77% of people said they should hold on to that right. That was highest among NDP and Green supporters. We had 87% of NDP supporters, 82% of Greens and Bloc, 76% of Liberals, and even 71% of Conservatives agreeing that local preferences on public spending are important.

This is also, we find, the sentiment of a lot of municipalities in Canada, including the municipality of Toronto. They want to be excluded from the deal and specifically these procurement rules. The technical briefing note suggests that they have not been excluded.

I would say that this is odd when the federal government itself acknowledges that buy Canadian policies work. They acknowledge this specifically in military procurement. It's backed by several studies, including one called “Canada First: Leveraging Defence Procurement Through Key Industrial Capabilities”. Let me quote from that study for a moment:

> The significant number of success stories in Canada demonstrate clearly the value of a supportive, proactive procurement strategy and the exceptional long-run economic impact that can result when government investment is well-targeted.

The report talks about the use of offsets, requiring companies to invest a certain amount of the money and the profits they make back into the economy. It talks about getting the best return on investment by using these buy local conditions, about high-value Canadian jobs, high-growth companies, all these things encouraged in military procurement and yet now banned forever through this Canada-Europe trade agreement for municipalities or crown corporations or provincial entities. I would suggest there's a contradiction, if not a hypocrisy, in banning that very successful policy from our municipal governments.

We asked about pharmaceutical policy changes. I won't go into that in much detail, simply because the previous speaker dealt with it in his presentation. Suffice it to say that I think 65% of Canadians, according to our poll, oppose extending patent protections in the trade agreement with Europe. It was highest in Atlantic Canada, at about 70%. It was high among earners in the high-income bracket: 74% of people whose incomes fall between $100,000 and $1 million would oppose that, as would 55% of Conservative supporters.

Now, the federal government acknowledges that there will be additional costs to public health plans and has promised to compensate provinces, but like the previous speaker, I would argue that this is simply transferring the money around. It's transferring the public cost around. Essentially we're padding the budgets of these already highly profitable brand-name drug sectors without really producing any jobs here in Canada in the process.

The third polling question we asked was around investment protection. I think this is again the sleeper issue in the CETA negotiations. This is the NAFTA chapter 11 that allows companies to pursue governments in private tribunals when they feel their investments have been impacted by a government decision. Despite the obscurity of the issue, 54% of Canadians don't like the idea of including this with the CETA negotiations.

● (1115)

Canadian negotiators have suggested at this committee that they've learned the lessons of NAFTA and that the CETA investment chapter will make frivolous cases less likely. But as you heard a few weeks ago from Howard Mann at the International Institute for Sustainable Development, in fact CETA might give investors more opportunities and more rights than ever before, even more than existed in NAFTA, and he says this was done knowingly and deliberately.

I would argue that the international trend is moving in the opposite direction. For example, we've seen South Africa cancelling investment treaties with European countries, finding no economic benefit but a large risk of costly lawsuits against public interest legislation. We've seen Australia not including this process with its deal with the United States as Canada has and still resisting it in the Trans-Pacific Partnership. Of course Brazil in Latin America attracts more foreign investment than any other Latin American country, but it does not have any of these treaties ratified. Clearly there is not a good connection between investment quantities and the existence of a treaty.

Right now the commission itself has paused its negotiations with the European Union, at least on investment, while it holds a public consultation. I would argue that this committee and the federal government in general should probably use this opportunity, and I would encourage them to use this opportunity, to review Canada's policy of signing these investment treaties and including investor-state dispute settlements in free trade agreements as the European Union is doing right now. There would be broad support for this. Again, our poll found very high support among Green and NDP supporters to oppose NAFTA-like investment rules, and even less than half of Conservative Party supporters actually support the idea of a right to sue, a right for corporations to take these challenges outside the courts before private arbitrary tribunals, with little accountability and no accountability to voters, we should say.

To sum up, our poll also asked about the idea of holding a public consultation. A previous speaker mentioned this as well. It's great that we're having this discussion now on the technical briefing. It's not enough information to make an informed decision regarding how we feel about the deal. I would urge that probably the whole text should be made public. There is 80% support across the board, across political parties, for cross-Canada public hearings when that happens. Before the deal can be signed, after which we know it's impossible to make any changes—and it's going to be a knock-down vote in Parliament after a little bit of debate—Canadians are asking that this deal be brought to them, that you go out across Canada, hold public consultations and have those consultations actually be able to affect the outcome of the agreement before it's signed.

I'll wrap up there. The alternative course of action for the government if they don't do this is basically to tell Canadians that a deal that was negotiated without their input is going to be finalized without their consent. I think that's not a good alternative. I think it's best if we do take this to the public at some point in the next few months.

Thanks very much.

● (1120)

The Chair: We'll start our questions and answers with Mr. Davies. The floor is yours, sir.

Mr. Don Davies (Vancouver Kingsway, NDP): Thank you, Mr. Trew and Mr. McBane, for being with us today, and welcome to the committee.

I agree that process is important. We know that the negotiations started in 2009 and took about four or five years. We also know that the government has consulted quite actively with a number of private sector...and private actors in Canada. Many of them have testified before this committee. They've had to sign confidentiality agreements.

Mr. Trew, was your group, the Council of Canadians, consulted by the government at any stage during the last five years?

Mr. Stuart Trew: We were part of briefings that took place after the first of the nine negotiating rounds. These were briefing sessions held with many different groups, academics, and NGOs. We felt that they were mostly one-way communications. Of course there was an opportunity to ask questions, and it was quite a useful exercise to some extent, but it wasn't a consultation in the sense that there was no way to determine if the input groups were providing was being taken into consideration.

I'm not sure if I mentioned this in November 2011—I don't think I did—but we were told that, in fact, the input was not being recorded and there were no minutes taken of those briefing sessions. We felt they weren't really consultations in the strict sense, and we would argue that they weren't happening in a very public way. When we think of public consultations, we think they should be accessible to more people than are perhaps on those telephone calls.

Mr. Don Davies: Mr. Trew, did you have to sign a confidentiality agreement prior to taking part in those negotiations or consultations?

Mr. Stuart Trew: No, we didn't.

Mr. Don Davies: Okay.

Mr. McBane, was your group consulted by the government throughout negotiations?

Mr. Michael McBane: I wouldn't say we were consulted exclusively. We did request a meeting with a previous minister of international trade and were given a meeting, so our concerns were presented, but there was no participation in any technical consultations.

Mr. Don Davies: Thank you.

I'm trying to get the difference. We've heard witnesses testify that they had access to negotiators and had to sign confidentiality agreements. Both of you have confirmed that wasn't the case. I'm just wondering if we're talking about the same thing. Are we talking about your groups providing input to the government and having access to what was being negotiated, or are we talking about just briefings?

Mr. Michael McBane: For the Canadian Health Coalition, we had access like citizens in a democracy to our elected officials. There was no consultation on technical matters. In that sense, we were not treated the way industry is being treated in terms of inside information.

● (1125)

Mr. Don Davies: Mr. McBane, you said, "The annex II reservation does not shield the health care sector from the full force of trade agreements." You went on to say that, "In order to provide maximum protection for health services and to safeguard its ability to expand coverage of public health insurance, a new exemption for health services is required."

Can you expand on that for us? Specifically, I want to know your opinion. Are you concerned that something in CETA may prevent the future expansion of Canadian medicare, for instance the national pharmacare program or dental care, or some other expansion?

Mr. Michael McBane: There are a number of problems with the clauses in the reservations, in that, as I mentioned, they were not complete carve-outs for the sector. They were conditional. There's also ambiguity in Canada's health care system as to what's public, what's private. So there is a concern about international health industries using the trade agreements to push back government policy. In fact, we saw a case launched recently by Eli Lilly against the Government of Canada under NAFTA, so these are not theoretical problems.

I guess what we don't understand is if there is this risk, why take it? We don't take risks with our law enforcement, a complete carve-out, so why is there a limited carve-out for health care? That's playing with fire. We don't understand why we'd want to take a risk, especially since U.S. negotiators are already on public record as disagreeing about what constitutes a public service in health care. I think we're asking for trouble in not having a much stronger carve-out for health care.

Mr. Don Davies: Mr. McBane, you quote Minister Fast when he told Canadians that it is a myth that a Canada-EU free trade agreement would increase drug and health care costs. What is the coalition's position on that? Do you believe that CETA will increase Canadian drug and health care costs? If so, do you have an estimate for the committee?

Mr. Michael McBane: We work with a couple of experts in the sector who studied what the industry was asking for, who studied the government briefing, and gave us the impression of what's in the new agreement. To the best of their ability, they estimated a range of what the additional costs would be.

There's no question there's going to be greater cost because there's going to be some delay in bringing generics to the market. It's not clear exactly what all the measures are. That's why there's a range. But there is going to be added cost, so I don't think it's credible for the government to say there's no impact on cost. In fact, the government's gone on since then to say if there is an impact, they will find a way to compensate. I think clearly there will be an impact on the cost.

Our other point is that we're rewarding bad behaviour with giving them more subsidies, when they're not investing here. We're already paying such excessive price levels, way more than Europeans are paying.

Mr. Don Davies: Mr. Trew, we have been told that nothing in CETA will require the privatization of any public services, such as provision of water or sewage and the like, particularly at the municipal level, but it is unclear whether CETA will impair or prohibit the retaking of such services back into the public sphere once they are privatized. Do you have any comment on that?

Mr. Stuart Trew: Yes. This is another concern we have around the coverage of services in the agreement, coverage of municipal services in particular. We've seen investor-to-state lawsuits in Europe related to re-municipalization, in this case it was health services. They haven't carved that out of CETA. There's going to be a standstill on municipal services, any attempts to bring those back into public hands, say, if the costs went up through the roof or if the service was poorly provided, those would be very susceptible to investor-to-state disputes. We think the government should take measures to make sure that's not going to happen and that would require complete carve-out for those water services, for example.

The Chair: Mr. O'Toole.

Mr. Erin O'Toole (Durham, CPC): Thank you, Mr. Chair. Welcome back. Thank you for your continued leadership on the committee. Also, thank you to our clerk and researchers.

As well, thanks to both witnesses for appearing.

I'm going to try to divide my questions between our two witnesses, starting with Mr. McBane.

Your presentation is replete with what you describe as threats to our health care system. That led me to look into more of the reports that you have on your website.

I found it curious that your group challenges population aging and describes population and demographic change as a myth in regard to demographic change putting more pressure on our health care system. If I look at the other end of the spectrum, at the Fraser Institute report, say, that studied rising health care costs of 30% between 2006 and 2010, attributable mainly to demographic changes, how do you explain that?

I know that the two respective bodies are on opposite sides of the spectrum, but in many ways, trade, as you highlight, is to help with purchasing power, and increased trade could actually be a benefit in making health care more affordable in the long term, leaving aside the pharmaceutical question. How do you explain the difference in opinion on demographics and its impact on our health care system?

● (1130)

Mr. Michael McBane: Thank you for the question.

We don't believe that there isn't an aging population. What we believe is a myth is that the aging population is primarily responsible for the increase in health care costs. We think that's the myth part, not the fact that the population is aging.

The cost increase due to an aging population is less than one per cent of health care spending, so we shouldn't be scapegoating seniors as driving the health care bills. That's what our point is on demographics, that there are factors driving the costs other than the fact of an aging population.

Mr. Erin O'Toole: Well, your report says that you feel that profit is driving the costs, but you're saying to this committee today that—and there's no scapegoating here—increased reliance on health care as people age, which is natural and understandable, contributes to less than one per cent of the pressure on provincial budgets. Is that what you're telling this committee?

Mr. Michael McBane: Yes. The cost pressures are not primarily from seniors, so we shouldn't be focusing on them if we're concerned about cost controls. The biggest cost escalation is the private sector involvement in health care.

Fundamentally, the biggest driver is pharmaceuticals, so we should be doing everything we can to get better value for money for pharmaceuticals if we're concerned about costs. Obviously, if we're concerned about costs, we should be having home care and other continuing care programs to keep seniors well and keep them at home.

Mr. Erin O'Toole: My second question relates to page 4 of your presentation and your second recommendation dealing specifically with drugs. You quote a study that you describe as recent. There have been a few studies on this subject. Most were actually undertaken prior to the agreement in principle in the final terms. Is this study one of those prior to the agreement in principle, or is it more recent?

Mr. Michael McBane: It's more recent. We worked with the experts on this after we got the Government of Canada's briefing on what's in CETA. This came out in October 2013.

Mr. Erin O'Toole: We did have representatives both from the generic industry and from the branded side of the pharmaceutical industry, and curiously enough, they both indicate that there is a balance struck through CETA. I haven't been in politics that long, but when you get two groups that are generally opposed saying there's a balance, that is generally an indication of a positive outcome. How can you say that it's not a positive outcome in light of that?

Mr. Michael McBane: Well, we're not an industry voice, so if the industry thinks it's balanced, then I guess the public interest needs to ask if it's in the public interest. I would say no. We're paying too much for generic drugs and we're paying too much for brand-name drugs. The fact that they're both happy is not necessarily a good thing if you're concerned about a sustainable public health policy.

Mr. Erin O'Toole: You mention the U.K. and France on page 5 with respect to pricing. The changes in CETA would actually harmonize our intellectual property rules or guidelines with those countries. Does your group have more concerns inherently with intellectual property and the concept of patents?

Mr. Michael McBane: We certainly have a problem with patenting life essential medicines or any other public good, but in a sense, that's a separate philosophical issue. We think there's a social mortgage on all intellectual property, and so does international law. The patent question aside, because we don't really get into patents, we believe that regardless of what the patents say, governments should not have to pay the price that the brand names are asking. Most countries negotiate much lower prices through bulk purchasing agreements, which the Europeans do—

● (1135)

Mr. Erin O'Toole: Which the provinces are now engaged in....

Mr. Michael McBane: —and which is starting to happen in Canada.

Mr. Erin O'Toole: Thank you very much. I have to move on to Mr. Trew.

Thank you for appearing by video, Mr. Trew.

First off, I've followed the Council of Canadians for years. I haven't been an MP for long, and I see you're the trade lead or the trade researcher for the council.

Does the council support any trade? Can you point to an agreement that Canada has, either a protection agreement or an FTA, that the Council of Canadians supports?

Mr. Stuart Trew: Well, of course we support trade. In fact, most Canadians obviously support trade. It shows in the polling data. Eighty per cent of Canadians like the idea of a trade deal with Europe. We're no different.

We don't support the types of agreements that Canada typically pursues, the free trade agreements, and for some of the reasons we outlined today, the extent they go beyond trade issues to deal with intellectual property, to deal with procurement, to deal with investment protections which we think go too far. Having said that, if we look at the agreement we signed with the European Free Trade Association, we wouldn't object to signing the same thing with the other members of the European Union.

Mr. Erin O'Toole: Getting back to what I was asking, Mr. Trew, I think for most Canadians Maude Barlow rose to prominence around the NAFTA and FTA. Can you point to a current FTA that Canada has which your council supports?

Mr. Stuart Trew: Of course not, because they are all based on the NAFTA model, which we continue to oppose for some of the reasons we laid out today. We think they give far too much power to corporations, that they have not been as good for the general public as we are told frequently that they were, and so long as they keep looking like NAFTA—

Mr. Erin O'Toole: The answer is none. I can take that. None.

The Chair: Thank you very much.

We're going to move on to our next one, but before we do that, Mr. McBane, you had mentioned that one per cent of growing health care costs is attributed to the aging population. Do you have a study that we can refer the committee to?

Mr. Michael McBane: Sure. There are some independent health research organizations that have estimated the cost impact of an aging population. I can forward that to you.

The Chair: I'd appreciate that.

Mr. Pacetti, the floor is yours.

Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.): Thank you, Mr. Chair. Thank you to the witnesses for appearing.

Mr. McBane, I have a quick question. I'm viewing health care as services and products. I want to take the product side out, the pharmaceuticals, because we've had representation come before committee, whether it be from generics or research based.

Is the service part in jeopardy? Are there any services that are going to be more costly? I'm talking about services in terms of medical staffing, nurses, doctors, and specialists.

Mr. Michael McBane: I think that's a potential risk. There certainly is a desire in the health industry to be trading and selling in services. There certainly is a serious international industry. That's why we think we need a general carve-out, and not to be....

Mr. Massimo Pacetti: Would that be beneficial because we would be able to get more specialists or attract them, or would we be the losers in this free trade in the health care sector?

Mr. Michael McBane: Our position, which I think is reflected by a lot of health professionals, is we don't think there should be free trade in health professionals, because what we would be doing would be robbing from the third world. We would be taking scarce human health resources from other regions. We just don't think it's a healthy way to build your health care system. It's just like in the north, where we're trying to train local professionals.

Mr. Massimo Pacetti: Your position is a complete carve-out of all types of health services.

Who do you represent? Do you represent any of the provinces?

Mr. Michael McBane: We do have provincial affiliates in most provinces and one territorial affiliate, but our task is really focused on the responsibilities of the federal government in health care.

Mr. Massimo Pacetti: One question would be, would Canada be able to get together with the European countries and buy in bulk all these pharmaceutical products that are needed? Would that help reduce some of the prices? Instead of competing against each other, perhaps they could buy in bulk, as I was saying.

Mr. Michael McBane: I'd start with Canada doing that as a federation.

Mr. Massimo Pacetti: I'm looking ahead.

Mr. Michael McBane: It's very complicated to try to do that with the European Union because there are all kinds of different interests over there. I think we're.... A member referred to the provinces already starting that. I think that's the direction.

Mr. Massimo Pacetti: It's just to get them to....

Mr. Michael McBane: Bulk purchase is the way to go.

Mr. Massimo Pacetti: Yes. Push them to move a little bit faster and move a little bit quicker.

Thank you, Mr. McBane.

Mr. Trew, I have two quick questions for you.

In terms of local procurement, is that really a threat? Are companies from Europe going to come here and bid on local procurement projects? I'm thinking more of sidewalks and construction type of infrastructure projects that are going to be up for submissions where equipment is going to be needed. Is equipment going to be imported and sent over from Europe? Is that the threat, or is it on the bigger, huge projects?

● (1140)

Mr. Stuart Trew: There will still be thresholds for the projects that will be covered. I think the European Union and its corporations that were pushing hard for these procurement rules in the deal would argue that this will be beneficial for them. In fact, in the summaries of the deal that's been achieved in principle, we see the European Union kind of gloating about this, that this was a very good package for them.

Again, our concerns are that we lose the ability at the city level and the provincial level to maximize these economic benefits, to get the maximum bang for your buck, if you will. As they frequently do in places like the United States, cities in the United States will retain the ability to require offsets for small and medium-sized businesses, or to include, for example, a 25% local content requirement on a hydro project or a big transit project.

I know there are some carve-outs in CETA, from the look of the technical briefing. For some, we don't know exactly where they will be, but on the whole we'll lose that right to apply those public procurement rules, which are actually quite beneficial.

Mr. Massimo Pacetti: But do you feel that will be a threat? Even if a European consortium were to win a contract, wouldn't they still hire locally? Wouldn't there still be the local benefits?

I'm looking at some of the big engineering companies out of Montreal. Their claim to fame now is doing all these projects outside Canada. They're obviously benefiting from international markets and not necessarily the Canadian market.

Mr. Stuart Trew: We're not concerned so much about this kind of ability to compete. I think Canadian companies do have that ability to compete. I think when you take away all these options from cities, though, on big projects, they have been successful at creating jobs. I think the defence procurement strategy shows that. Taking away that option forever doesn't seem like the best deal for Canada in this circumstance.

Mr. Massimo Pacetti: Just as a quick—

The Chair: I'm sorry, I have to go to Mr. Cannan now.

The floor is yours, sir.

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

Mr. Trew, welcome back to the committee, and Mr. McBane, welcome to the committee. It's great to have you here. We appreciate your valuable input.

Maybe just as a recap for you, if you aren't aware of the background of this, it was about May 2009 when Canadian and European leaders started to embark on this comprehensive economic and trade agreement. It's not something that just happened overnight.

There has been a historic amount of consultation as far as a trade agreement goes. I've been on the trade committee just over eight years now. We've been out to the Maritimes, and we're going to Vancouver next week to hear from Canadians. Basically from all parts of Canada we've heard from various stakeholders, including from you, Mr. Trew and Mr. McBane. You had an opportunity to meet with the minister at the time. We've also consulted with the provinces and territories. All along they've signed off. This includes the Federation of Canadian Municipalities.

I represent the riding of Kelowna—Lake Country. I served nine years as a city councillor. The Minister of International Trade, Minister Fast, also was a city councillor for nine years in Abbotsford, so he understands working closely with local government.

Going back to 2012, the FCM president of the day said:

> The Federation of Canadian Municipalities applauds today's commitment by International Trade Minister Ed Fast to protect municipal interests in a CETA deal and in future trade agreements.
>
> FCM has been strongly advocating for concrete assurance that cities and communities will be protected in any trade agreement. Today, by promising to ensure FCM's 7 principles on international trade are respected, Minister Fast was unequivocal.

Later that year, the new president said that while in fact the majority of our membership has not asked for exemptions, and the minister has delivered a public commitment to the seven principles that FCM endorsed, those seven principles are the basis for negotiations that are occurring in regard to the local government sector. She went on to say that the seven principles are reasonable procurement thresholds, streamlined administration, progressive enforcement, dispute resolution mechanisms, consultation, and communications. She said that their line of communication with the minister's office and chief negotiator are extremely open, and that whenever they have questions, they are answered. She said that they are firm believers that the minister understands the position of local government and has put that forward at the negotiations table of CETA.

When the agreement was released last fall, we heard again from the FCM. They put a statement out on October 18, 2013:

> This morning's announcement shows that the voice of Canada's local governments has been heard and respected in trade negotiations with Europe, and opens the door to a much stronger economic partnership between the federal government and Canada's cities and communities.

It goes on from there.

I reiterate this because this is a historic agreement. It's something that is of concern not only today, but it's also a great opportunity for Canadians for generations. If I look back 20 years from today, we were celebrating NAFTA and its success. That's created opportunities.

In the wine region that I represent, in 1989-90 the sky was falling. The world was coming to an end. Grape growers were going to rip out all their grape vines. They replanted, and now we have a wine province and country, in many cases winning international awards.

We see a lot of opportunities in British Columbia for CETA. I'm just wondering if you see any benefits to Canadians from the comprehensive economic and trade agreement that's been proposed. That's for either of you, Mr. Trew or Mr. McBane.

● (1145)

Mr. Michael McBane: Well, I do what I can to support the wine industry.

Voices: Oh, oh!

Hon. Ron Cannan: Thank you. I appreciate it. Cheers.

I have my colleague from the Niagara region subbing in today.

Mr. Michael McBane: We're not here to make a technical judgment on all aspects of the CETA. Of course there are some good aspects. Our job is to protect the health care system.

I was asked earlier about patents and intellectual property. There isn't a worse place to deal with patents and intellectual property than in trade negotiations. What we've been told by everybody close to the negotiations is that there's horse-trading, and we end up with bad patent policy because it was horse-traded for something in agriculture or something somewhere else. That's why we're saying that health care is too important to be a target for horse-trading for other sectors.

Those are the dynamics of international trade negotiations. It's not that there aren't some good parts to this. We're just saying that this is a flaw and we can fix it. We should fix it.

Hon. Ron Cannan: Mr. Trew.

Mr. Stuart Trew: I have comments on a couple of things you mentioned.

First, on the municipal side of things, I agree. I've seen those FCM statements. But I would argue that the verdict is still out on whether all of the conditions have been met, specifically that fourth condition around the space to apply domestic preferences on strategic sectors, for example, like transit and hydro. It would be great if those have been carved out. We just don't know yet because we don't have that final agreement. I think the verdict is still out.

Certainly, cities like Toronto remain concerned. Just a few weeks ago, and I think it was unanimous, they said they would like a consultation from the province on what's been agreed to. They want some kind of vote or some kind of say on whether they are going to be bound by the deal.

In B.C., the UBCM, the Union of British Columbia Municipalities, takes a very different position from what the FCM does. The UBCM has decided that it would like to be carved out of these procurement rules entirely. I think that's partly based on the experience they've had under the agreement with Alberta, the TILMA, where municipalities have had some issues that are quite similar around the procurement rules in that agreement.

On the scope and size of the deal, I'm just repeating what Mr. McBane was saying about how of course we don't oppose every aspect of this. In fact, if we were able to wrangle a great trade deal out of the European Union on tariffs for our fisheries and for our agricultural export sectors, I think that would be great. It's the inability of this committee or Parliament to pull out those parts that are found, after consideration, to be not in the best interests of Canadians that we're worried about. That's what we're opposed to. We think we should be able to say yes to some parts of it and no to others. It absolutely involves a lot more public discussion than is possible in the current way that negotiations are concluded.

Finally, on the extent and scope of the deal, I don't think it's actually as big a deal as we've been told. In terms of the benefits, they're potentially going to be significant for some export sectors. Of course, we hear about beef and pork; we don't know yet what kind of cuts are going to be let into the European Union.

Apart from that, we're not looking here at a massive boost to trade from this deal, even by the government's own numbers, and subsequent studies have said that those numbers are actually quite exaggerated. There are a lot of concessions we seem to be making for very few gains here, I would argue.

● (1150)

Hon. Ron Cannan: Thank you.

I think the folks in Toronto have some other issues that they're dealing with as well.

The Chair: We don't have time for that.

Mr. Davies, we'll split the time. We'll give you three minutes and Mr. Holder three minutes. Then we'll bring the session to an end.

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

Mr. Trew, I want to talk about investor-state provisions. Canada and the European Union nations are all modern democracies with well-functioning judicial systems. They respect the rule of law. Their judicial systems incorporate the concepts of transparency, security of tenure for judges, and appropriate appellate processes.

Critics of investor-state provisions point out the serious deficiencies in this regard, where trade disputes are not heard in domestic courts with all those protections, but rather are heard before international tribunals where the adjudicators don't have security of tenure. In fact, there are allegations of conflict of interest, because they slide in and out of adjudicating and then acting for the various corporations that may have complaints. Also, there is no appropriate appeal process, and transparency issues exist as well.

Is there any reason that Canada and the European Union shouldn't subject trade disputes to our domestic judiciaries?

Mr. Stuart Trew: No, I don't think there is any reason. I don't think there's a good reason to include investor-state arbitration in CETA. I'm not convinced, nor are many groups or lawyers who have looked at this text, which is available publicly now on certain websites, that it addresses the issues you've just mentioned, such as the good issues around the process itself and the fairness of the arbitral process. I don't think there is a good argument to include it, but there are a lot of good arguments to take it out of CETA.

Mr. Don Davies: Do you have any concern, as some critics have raised, that the very investor-state provision may have the effect of restricting the jurisdictions', Canada and the EU, ability to make sovereign policy decisions without worrying about being sued by corporations on either side, and therefore having their policy-making room restricted because of the trade agreement? Do you share that concern?

Mr. Stuart Trew: I do. In fact, the federal government shares that concern as well. We saw that in the financial services negotiations as part of the CETA talks. They clearly didn't want to allow investor-state challenges to be directed at financial measures here in Canada. They expressly said that if that were the case there would be this kind of chill effect on our ability to put in place prudential measures to protect the financial system, for example to avert crisis.

If there's a chill effect in finance, I think it stands to reason that there's a chill effect in other areas: environmental policy, decisions related to mining concessions, oil and gas projects. In fact, we see globally that this is where the disputes are happening. Even here in Canada they're taking place against the fracking moratorium in Quebec. In Latin America the main focus is around very controversial public interest decisions related to mining, oil, gas, fracking, these kinds of things. We're just opening the floodgates, I think, with CETA to those kinds of challenges here in Canada.

The Chair: Thank you very much.

Mr. Holder, three minutes.

Mr. Ed Holder: Thank you, Chair, and thank you to our guests.

Mr. Trew, you made a comment, as it relates to CETA, that it's not as big a deal as we think.

Can I ask you, do you know the size of the European Union's gross domestic product?

Mr. Stuart Trew: It's the largest economy in the world—

Mr. Ed Holder: Good for you.

Mr. Stuart Trew: —I know that.

Mr. Ed Holder: Keep going. Do you have a dollar amount? You were right on it being the largest economy.

Mr. Stuart Trew: To be fair, we have access to that market. It's not a closed market. There are very few trade barriers to doing business with Europe. We do 10% of our trade with the European Union. That's the highest amount after the United States. There are almost no problems with respect to doing trade or business with the European Union.

Mr. Ed Holder: Do you know how big our exports are to the United States right now, Canada's export value?

Mr. Stuart Trew: It's in the $200-billion range.

Mr. Ed Holder: Well, combined between exports and imports, in 2012 it was over $600 billion. But in exports, no, it wasn't $200 billion; it was over $325 billion.

Do you know what it was in 1988, when we started the free trade deal, just our exports? It's not fair because you don't have these stats in front of you, I'm sure, so let me help you. It was just over $81 billion in Canadian exports. We've raised it 400%. I'm not even talking about imports in this chain-link economy that we have between the two. In fact, what we've done is we've had a 400% increase in exports alone from Canada to the United States. Yet I hear, from what you say, that you don't support NAFTA, and that you don't think Europe, which you rightly said was the world's largest economy, and the access that Canada has, as the only country in the G-8 that will have a link between the two most significant economies in the world.... We've proven with NAFTA, that you don't support.... We've increased our exports—and, again, ignoring imports for a moment—by 400% because we removed those barriers.

I will be one to say that it isn't always the gentlest and smoothest relationship with the United States, but we've done that, and that has meant jobs for Canada. When we link it to Europe, and that opportunity for the world's largest economy.... By the way, $17 trillion is the number, just to give you a sense of the size of that economy.

Without you having those numbers in front of you, what I've heard you say, and what I've heard Mr. McBane say, is that the job creators, the ones who are, frankly, going to be the ones that keep you and Mr. McBane, and all of us as Canadians employed and create new opportunities...those are the agreements that you don't support. My colleague was trying to get a sense from both of you.

The Chair: Very quickly.

Mr. Ed Holder: That one trade agreement that you supported, you said, “We don't oppose every aspect” of this agreement. Can you tell me, then, what you do support within the agreement, please?

● (1155)

The Chair: Okay, a very quick answer.

Mr. Stuart Trew: The Atlantic fisheries, for example, stand potentially to gain from lower tariffs in that area. Now that's an area where tariffs are actually quite high, but if you look at most of the other areas of the Canadian economy, you know Canada-EU trade, the tariffs are quite low. I think going back to the NAFTA experience, it's non-reproducible with Europe. We have a very integrated North American economy here. It's difficult to say to what extent NAFTA or the free trade deal did actually lead to—and I'm being serious here—that four times growth. Even when we signed that deal with the United States, tariffs were already quite low.

In terms of trying to reproduce that with Europe, I mean even the federal government's own study doesn't say that's going to happen. They're looking at a larger trade deficit of about $8 billion after we sign CETA.

The Chair: Thank you very much to both of our witnesses. This takes us to the end of this session. We will now suspend for a couple of minutes as we set up the table for the next set of witnesses.

Thank you again. We appreciate your comments.

● (1155)

(Pause)

● (1200)

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

We have our witnesses in their chairs ready to go. We want to thank them for being here.

From the Canadian Agri-Food Trade Alliance, we have Mr. Martin Rice. You've been here before. We appreciate your coming back.

From the Information Technology Association of Canada, we have Lynda Leonard, senior vice-president. Thank you for being here.

We'll start with you, Mr. Rice. The floor is yours.

Mr. Martin Rice (Director, Canadian Agri-Food Trade Alliance): Thank you very much. *Bonjour*. Good morning.

My name is Martin Rice. I'm a director of the Canadian Agri-Food Trade Alliance. I represent the Canadian Pork Council, and I am pleased to be here on CAFTA's behalf to speak to committee members on the Canada-European Union comprehensive economic and trade agreement, or CETA.

CAFTA, as perhaps all of you are aware, is a coalition of national and regional producer groups and industry associations in support of open and transparent conditions for international trade of agrifood products. Taken collectively, our members account for roughly 80% of Canada's annual agrifood exports.

CAFTA was able to immediately and unequivocally voice its support of the agreement in principle on CETA when Prime Minister Harper and European Commission President Barroso announced it on October 18 last year.

CETA secures real and substantial access to one of the world's few multi-billion dollar agrifood export markets and importantly, it does so ahead of our major competitors. We concur with the observation made by many international trade experts that the Canada-EU trade deal, when implemented, will be Canada's most significant trade agreement since NAFTA. CETA covers a significant range of issues, including tariffs, non-tariff barriers, services and investment, financial services, government procurement, and much more.

Very significantly and for the first time in the history of Canada's trade deals, CETA covers issues that fall within the jurisdiction of provincial governments, leading to Canada's 13 provinces and territories having played a significant and important role during the negotiation process. We compliment them on their contributions in this precedent-setting international negotiation.

The European Union, with Croatia's accession in 2013, now includes 28 individual countries, whose combined population exceeds 500 million.

Today, Canada ships just $2.4 billion in agriculture and food products to the EU, only about 5% of our total. CETA offers tremendous potential for our members. Canada's exports really should be much higher. l would like to share with you a sample of CAFTA members' projections of the additional opportunities that are seen to be provided by CETA. The Canola Council of Canada estimates the deal will provide that sector's exporters the opportunity to increase sales by up to $90 million.

The Canadian Cattlemen's Association points to new duty-free access for almost 65,000 tonnes of beef at a value they estimate to be nearly $600 million.

Opportunities from CETA for the grain sector are seen to be both direct and indirect. The Western Grain Elevator Association has identified duty-free wheat sales on top of the grain utilized in feed for livestock to meet the increased EU demand for Canadian meat.

The Canadian Meat Council, which represents meat processors, has pointed out that the value of EU agricultural imports has increased by some 145% in just over a decade, from 2000 to 2012. It sees important export growth opportunities for bison, veal, and prepared meats in addition to pork and beef.

The sugar industry, through the Canadian Sugar Institute, expects CETA will secure an additional $100 million in exports of sugar-containing products to the European Union.

My own organization, the Canadian Pork Council, representing Canada's hog producers, has projected, based on existing market intelligence and the anticipated market opportunities for specific cuts of pork, that this deal could, in a few short years, lead to annual sales from Canada to the EU of $400 million.

Taken together, we believe the Canada-European Union comprehensive economic and trade agreement, when fully implemented, could result in $1.5 billion in new Canadian agrifood exports to the EU.

On the day of implementation of CETA, tariffs on almost 94% of Canada's agrifood exports to the EU will be eliminated effective immediately. Over the course of the implementation period, virtually all tariffs, other than for beef and pork, will also be eliminated.

Also contributing to the value of CETA for the Canadian agrifood industry is the fact that the negotiations have gone beyond tariffs, taking on a wide range of non-tariff issues critical to Canada's agriculture and food exporters.

● (1205)

CETA has included discussion in areas such as technical barriers to trade, sanitary and phytosanitary issues, regulatory cooperation, and export subsidies. These issues can often be the most significant barriers facing our exports, as important even, in some cases, as the tariffs themselves in the case of the European Union.

CETA has established mechanisms that will promote cooperation and discussion on regulatory issues and non-tariff barriers that impede trade. Through CETA, Canada and the EU have also committed to work together to advance a number of non-tariff issues, including approval of meat processing facilities and timely approval of biotech traits. These and other issues still need to be more fully resolved before CETA is implemented, but we are confident that the Canadian government is committed to doing that.

It is my own view that Canadian agriculture and food exporters have individually and collectively through CAFTA invested significantly more time and effort on assisting Canada in achieving a favourable outcome from CETA negotiations than for any other set of trade negotiations. We firmly believe CETA provides the net national benefit to Canada that merits this agreement being finalized and implemented. We look forward to continued support of the federal and provincial governments in achieving these outcomes.

Thank you very much.

The Chair: Thank you very much.

We'll now move to our second presenter. Ms. Leonard, the floor is yours.

Ms. Lynda Leonard (Senior Vice-President, Information Technology Association of Canada): Thank you very much for inviting ITAC to meet with you today to talk about the comprehensive economic trade agreement.

I am here this afternoon as a poor substitute for my boss, Karna Gupta. Karna is in Dubai today, leading a trade mission at the Arab health conference. He's with seven of our members who are active in electronic health delivery.

This is our second mission to emerging markets in as many months, which I hope gives you a sense of the importance of global markets to the technology companies that we represent.

To my knowledge, this is the first appearance ITAC has had before you. Thank you again for the opportunity. Let me begin, therefore, with a quick thumbnail of the information and communications industry within Canada.

There are over 30,000 ICT companies across the country. In total, they generate about $155 billion in annual revenue and contribute about 5% to the Canadian GDP. They employ 521,000 Canadians directly. When you calculate the number of techies employed by other sectors, our workforce swells to about 800,000 people.

Our employees are very well educated: 45% of ICT employees have university degrees, compared with the national average of 26%. They're also well compensated, earning an average salary 52% higher than the Canadian average.

The sector leads the economy in investments in research and development, accounting for nearly a third of business investment in R and D in Canada.

While some of ITAC's members are over 100 years old, and the organization itself has existed for 60 years, we're still a relatively young industry. Our sector experienced its most rapid stage of growth from the period of roughly 1976 to 2001. I believe it's fair to say that our industry very much grew up in a period of freer trade, and we're clear beneficiaries of historic trade agreements.

Our growth and our success are closely tied to our ability to export. Well over half of what we produce is exported. The simple reality is that the Canadian market is simply too small to ever be sufficient to support the growth and leadership of Canadian producers of computers, software, wireless devices, applications, and microelectronics.

ICT companies know from the moment they emerge from their incubators that they must find customers in global markets or they will fail. A key mandate of our association is to do whatever we can to assist in the development of effective international business development strategies as early as possible in the evolution of these companies, and to assist them in any way we can. We rely very heavily on the resources of the Department of Foreign Affairs, Trade and Development and its trade commissioner services, as well as Export Development Canada, to help us fulfill this mandate.

In 2011 we exported $20.7 billion in goods and services. The nature of ICT exporting is changing. The United States and our close connections with the U.S. ICT industry have been very important to us. The legacy of freer North American trade has positioned us to be viewed, or to think of ourselves, without hubris, as Silicon Valley north.

The freer flow of talent across the 49th parallel has also had a profound impact on our industry. Silicon Valley experience is prized in the Canadian industry. Many, many ambitious ICT entrepreneurs have tested themselves in the valley, or the alley, or the other centres of ICT excellence. Frequently they return home to build stronger enterprises of their own here in Canada.

Access to U.S.-based global giants is also prized. Partnerships with these companies can set a course for global success for Canadian firms in their supply chains. Of course the U.S. business and consumer markets, exponentially larger than Canada's, also have a magnetic power on Canadian ICT. For all these reasons, the United States is and will continue to be vitally important to our industry, and receives about 64% of our exports.

But other markets are growing in importance as well. The size of Canada's ICT exports to the United States actually declined in 2011, while exports to the European Union increased by 8% to constitute 12% of ICT exports, totalling approximately $1.4 billion. We've seen significant growth in Asia Pacific trade as well.

The nature of what we're exporting is also changing. The computer and software space is currently accountable for about 86% of our industry, and is its fastest growing segment.

● (1210)

Canadian companies are proving themselves to be world class in solving enterprise transformation challenges for organizations throughout the world. We're seeing the services component command an increasing larger share of ICT exports, accounting in 2011 for just under half of our exports.

This requires new thinking about the nature of 21st century knowledge exports and challenges us in our use of terms like shipments and ports of entry. It challenges us to think about the increasingly digital nature of what we produce and the invisible and instantaneous way that it is delivered to global markets. One of the things we like about the comprehensive economic and trade agreement is the admirable way it's met many of these challenges. I'm pleased to say that we can observe the same forward thinking in other trade agreements currently under discussion.

When CETA was announced last fall, we welcomed it as good news for technology, giving our companies unprecedented access to a sophisticated market of 28 countries. We hope we were sufficiently enthusiastic in our response. Here are some of the specific elements of CETA that we welcome.

CETA expresses an understanding of the importance of the global trade in services. As the CETA overview so clearly expresses, "Trade isn't just about importing and exporting goods. Ideas and expertise are also traded in the form of services and investment flows from one country to another to create jobs and growth in both the originating and destination countries."

The agreement understands and makes provisions for a trade context where a major Canadian export is brainpower. CETA also understands that knowledge exports require the freer flow of people. Thanks to digital technology, brainpower can be exported in a variety of ways but sometimes exporting brainpower requires the physical relocation of the human being attached to the brain.

Because the importance of exporting is such a fundamental tenet of our industry and because we've become adept at succeeding in global markets, we've learned pretty quickly that no country has a monopoly on creativity or innovation, so Canadian ICT companies have developed a sharp appreciation for the highly qualified talent found throughout the world. We believe it's important to safeguard and protect Canadian jobs and protect Canadian employees from abuse, but because our primary product is knowledge, we view the pursuit of freer access to global labour markets as part of the same impulse that drives us to seek new opportunities in global goods and service markets. This isn't necessarily a widely held belief, so it is encouraging to see this idea captured in some of the thinking behind CETA.

CETA explicitly includes knowledge-based sectors, once again expressing recognition that there are no natural monopolies on knowledge. CETA seeks to create stronger ties for discussion and cooperation in science-based sectors, including ours. It also underscores the importance of clearly understood and shared mechanisms for the protection of intellectual property. With a focus on the ways that regulation can impede or foster innovation, it provides for an environment of regulatory cooperation.

CETA understands the role that government procurement plays in economic growth. The provisions of the agreement aim to expand and secure opportunities for Canadian companies to supply their goods and services to governments in Europe. European companies will have similar access to Canadian procurement, which should lead to robust competition for government business and better outcomes for taxpayers.

Finally, CETA is forward looking and encourages Canadians to be forward looking. With its focus on knowledge sectors, its understanding of electronic commerce, and its fundamental recognition that the world of modern business is so dynamic that even trade agreements must be adaptable to new realities, CETA is a very modern trade agreement.

We look forward to its formalization. When this occurs, Canada will have freer access to markets in half of the world and for global traders like Canada's technology sector, this is good news indeed.

● (1215)

The Chair: Thank you very much for your testimony.

We'll now move to questions and answers. We'll start with Monsieur Morin. The floor is yours.

[*Translation*]

Mr. Marc-André Morin (Laurentides—Labelle, NDP): Mr. Rice, the technical summary provides general information on biotechnology.

Could you please explain the main issues affecting members of your alliance?

[*English*]

Mr. Martin Rice: I would not be doing justice to the Canola Council to suggest that I really understand their biotech issues in depth, but I have been part of delegations that have gone over. I think their major issue at the moment is in terms of the EU inability to accommodate any level in the infinitesimal amounts of biotech products, genetically modified corn or soybeans that have not yet been approved by the EU and which render shipping quantities of non-genetically modified crops very risky because of the inability to know ahead of time that there won't be this tiniest bit of GM residue found in the container vehicle. They are looking for the EU to accommodate some level of maximum residue tolerance, very low, until they reach the point where they can approve these items.

That would be the major issue in terms of the EU, their inflexibility currently under their existing regime to allow any residue when the amounts that would be in these shipments would be of no public health concern.

● (1220)

[*Translation*]

Mr. Marc-André Morin: It's a bit like genetically modified organisms. Most European countries are much less eager than Canada when it comes to genetically modified organisms.

For example, could the use of growth hormones in beef farming pose a challenge or prevent us from increasing our exports to Europe?

[*English*]

Mr. Martin Rice: Certainly in the case of beef their supply chains are already looking at how they will ensure that the product meets the EU specifications. It's the same case for my sector, pork, where we're not using it. Even though their products are approved in most pork-producing countries of the world, they are not in the EU, so we respect we need to produce it without the use of it.

In the GM area the industry in Canada is, and they do export like we do to dozens of countries, I think they know how to provide the exact specifications, whether it's GM or non-genetically modified products. I think they can do that. I think it's just this fairly ridiculous requirement they have, which probably most would like to change, as they do approve additional GM products. They can't approve them all at once. I think that's the problem, the timing of them approving it and allowing shipment of non-GM varieties into the EU.

[*Translation*]

Mr. Marc-André Morin: In the event that the Europeans were to refuse a product or category of products, our producers would have to adapt and change their farming methods if they really wanted to develop the market. Do you have a sense of how much more it would cost our producers to adapt to such conditions?

We are hopeful that the Europeans will accept everything, but they seem to be closed for the time being. If necessary, our producers will have to adapt to European standards, and that will mean extra costs for them. Have you or your members estimated what those costs would be?

[*English*]

Mr. Martin Rice: We know we have four companies already in Canada that are in a position to ship to the European Union. They meet all the requirements in terms of the feeding, in terms of the processing, and they have the supply lines that meet those requirements. Beef is a little bit further behind on that in that they just haven't had these market opportunities present themselves.

There is an additional cost, but the markets over time, particularly when we have duty-free access, will provide the additional revenue. In my mind, no doubt that will make it attractive to ship under that quota.

[*Translation*]

Mr. Marc-André Morin: Canada already has access to a certain share of the market: 50,000 tonnes of beef and approximately 80,000 tonnes of pork. Are we meeting the export quotas we were given?

[*English*]

Mr. Martin Rice: We don't ship very much under our existing quotas because they have very, very high tariffs. We do have actually a Canada quota that we achieved when the European Union expanded to include countries like Hungary and Poland. We have never used that because there is a tariff on that which is approaching a dollar a kilogram. It has just made it totally uninteresting for the trade. When we look at zero tariff per kilogram, then we have major interest. We ship some under those quotas, but not a great deal because in our business, 10¢ or 20¢ a kilogram is enough to make or break a deal.

● (1225)

The Chair: Thank you very much.

We'll now move to Mr. Hoback. Welcome to the committee. The floor is yours, sir.

Mr. Randy Hoback (Prince Albert, CPC): Thank you, Chair. It's great to be part of this great committee. One of the things that brought me to Ottawa was trade and my involvement with the WTO and Western Canadian Wheat Growers, so this feels like home. It's great to be here and to have Martin here. I'm very familiar with what CAFTA does and the great organization they are.

I was interested in the questions that my colleague from the NDP started out on, on low-level presence. The issues around low-level presence are something that we've dealt with on the agriculture committee. There's the importance of the recognition of science. You have a dispute settlement mechanism that uses science instead of politics to settle a dispute. That's one of the things I look at when I look at the European Union trade agreement for sure.

When I was back in the riding during the last couple of weeks, my farmers were very excited about this. They just can't wait. In fact, one of them was saying to hurry up and get this done.

I'm curious about the pork sector which has gone through many challenges over the last little while. How excited are you? What do you see happening? What is the impact going to be on your sector?

Mr. Martin Rice: When it was announced, it was the first piece of good news for our industry in five years. We've had several pieces of news, more recently our new disease concern, but it is the first time we have been ahead of our major competitors in accessing a new market. We're playing catch-up in some other cases. We believe the timeliness of this one is excellent, because Europe is really moving to a much more market driven than protection, trade policy driven agricultural import regime. The industry has been very, very pleased to see this result.

Mr. Randy Hoback: You talked about the numbers, $90 million for canola. That will mainly go into the biodiesel sector, the non-food sector. When we see some movement in the European Union on GMOs, and some recognition on science and health and safety around GMOs, that number could be exported as high as maybe the beef number, to the $600-million mark.

In the hog sector, I am kind of curious. We've had our frustrations with the U.S. We have a trade deal there. It has worked fairly well in the past, but it has some frustration now with the country-of-origin labelling. This would give you an opportunity to shift some production away from the U.S. to somewhere else. What is the impact on your sector, knowing that you have that bigger market access? Does it give some more viability and some more confidence within the sector for investment into hog barns and maybe some expansion back into the sector that we haven't seen for many years?

Mr. Martin Rice: We've seen a significant competition emerge from the United States. Back when NAFTA was implemented, the United States was a big net importer of pork. Now they're the world's largest exporter. There's no question if we want to continue to be a major exporter, we have to look at being able to export more and more of our production and have more and more of our exports going to non-NAFTA markets. Once again, we're doing it into the EU without the United States being right beside us or trying to get through the door at the same time.

Mr. Randy Hoback: Let's make that very clear. You have access to a market which they don't have access to. Is that correct? I just want to confirm that.

Mr. Martin Rice: That's right. It doesn't appear that their deal is going to happen overnight either.

Mr. Randy Hoback: I'm kind of curious on the process. The last witnesses were saying they didn't feel they were actively involved in the process. They didn't understand the process or weren't listened to.

How did you find the process on this trade deal versus previous trade deals? How was your access to the minister or access to the negotiators as far as information was concerned, so you had a good understanding of what was happening?

Mr. Martin Rice: Agriculture has had a kind of standing consultation group for some time that provides updates not just on CETA but on other trade negotiations to all agrifood groups that want to be involved in them, both those interested in exports and those who are concerned about imports.

In addition, because of this one being so important to us, we certainly did avail ourselves of the opportunities that we know all other interested parties have had, and again, both those interested in exports and those interested in what will be the import levels of some products. We've had opportunities to provide information on our sector that the negotiators could then use to confirm, I guess, how much interest there was in specific export opportunities, so—

● (1230)

Mr. Randy Hoback: Not only would you have had input to the federal government, but I understand that you said the provinces had a large amount of input into the negotiations on the trade deal also. You had input into your local provincial governments, which also had input to the federal government. Is that not fair to say?

Mr. Martin Rice: Yes. Our provincial members would have been communicating to their provincial governments.

Mr. Randy Hoback: It's very comprehensive then, when you look at the process of input to make sure that everybody is aware of how things are unfolding and the type of deal we're getting.

Mr. Martin Rice: We did take advantage, of course, of the opportunity to go over and meet with other EU country delegations and so on. I think that by that manner we were able to really participate in quite a wide cross-section of interests involved in those negotiations. We spent a lot of time here and in Brussels on doing whatever we could, I guess, to see that our interests were understood. We were never in the meeting rooms, of course; there was never that kind of thing, but we did feel that our interests were being recognized.

Mr. Randy Hoback: Is it fair to say that you guys support this deal?

Mr. Martin Rice: It's fair to say we support it unreservedly.

Mr. Randy Hoback: You're very happy with it?

Mr. Martin Rice: Yes.

Mr. Randy Hoback: I'm done, Chair.

The Chair: Thank you very much.

Mr. Pacetti, the floor is yours.

Mr. Massimo Pacetti: Thank you, Mr. Chair.

Thank you to the witnesses for coming in today.

Mr. Rice, I don't have your brief. This is not your first time here, but your second time. If you send a brief ahead of time, even though it's in one language, we get it translated, and then we get to see it, so you should send it to us ahead of time. You're experienced, so....

You were mentioning that there's an approval process still required for meat processing, but were there other examples as well? Are there certain areas that still need approval or where the technicalities or details have not been worked out?

Mr. Martin Rice: I think the biotech sector or the grain sector is still looking for further clarification on how the issue of low-level presence in residue monitoring is going to be addressed. Certainly in the case of meat, there are still some details to be worked out on testing protocols and on being sure that we will be able to have the plant approval systems in place.

Mr. Massimo Pacetti: Will that have any impact on the final outcome of the free trade agreement? Will you still be in favour of it, no matter what?

Mr. Martin Rice: I'd say our position in terms of the deal in principle that we've seen at this point is unreserved, but those issues have to be addressed as well.

Mr. Massimo Pacetti: Those are two major issues.

Mr. Martin Rice: Those are two major issues. We don't see them, though, as deal breakers or deal preventers.

Mr. Massimo Pacetti: It's just going to mean how much money we have to invest. Is that what I understand?

Mr. Martin Rice: I don't think it necessarily involves more investment. I think it's more a matter of acceptance of reasonable levels of risk, practical levels of risk, in terms of how sensitive testing technologies are. Say you find one in 50 trillion residues in a container ship, for example. There's something still residing there in terms of a residue of a soybean variety that has been found completely safe from the exporting country's point of view, but if that's going to put at risk having this shipment allowed in because of zero tolerance, then that's a policy issue. That's not a—

Mr. Massimo Pacetti: I'm not a farmer. When we talk about residue, can we find residue in any of the products you can export, or are there certain products that have more of a tendency to have residues?

Mr. Martin Rice: I guess it's a matter of the different crop varieties and whether or not they have the technology to detect that. I think if there's something that you want to monitor, you can test for it, and find some means of doing it, but there would be no point—

Mr. Massimo Pacetti: How does Europe not have these residues? How are they able to guarantee 100% non-residue?

Mr. Martin Rice: In those cases, those are provisory. They're not producing themselves. They haven't approved them for their own use yet. That's why they—

Mr. Massimo Pacetti: Is it reciprocal? Will the Europeans have to maintain the same standards as in Canada? I would assume so.

Mr. Martin Rice: I think what we will do is look at these things on a risk basis, hopefully. Europe has boxed itself in on a number of areas, including some of the products we use that are considered, from their point of view, ineligible, even though there's no food safety issue. By saying, “We won't accept that class of products, that class of inputs,” they close themselves off to some valuable inputs.

● (1235)

Mr. Massimo Pacetti: Okay.

Ms. Leonard, you have an interesting brief, but it's funny that you state that the country where we do have a free trade agreement is actually the country where your industry has decreased its revenues, whereas in other countries where we don't have an agreement, your revenues have increased.

Will this agreement with Europe be counterproductive? Will it actually reduce our revenues? We seem to have an open market without the free trade agreement.

Ms. Lynda Leonard: No, I think the fact that we have an ICT industry at all is an outcome of our liberalized agreements with the United States and in North America.

Mr. Massimo Pacetti: So it's just the economic cycle.

Ms. Lynda Leonard: It's just the economic cycle. I think seeing that uptick in European markets, and knowing that there are similar upticks in the Pacific Rim and in Asia—

Mr. Massimo Pacetti: My understanding, from listening to your brief, is that the regulatory environment is what will help with the agreement. Is that one of the benefits?

Ms. Lynda Leonard: Mr. Rice talked about the non-tariff aspects of this in his brief. I mean, this is what's appealing to us as well. I don't spend a lot of time talking to my members about tariffs and tariff implications, but the non-tariff-related barriers to trade are certainly what preoccupy us.

Having fora, having opportunities to be—

Mr. Massimo Pacetti: There are tariffs in IT?

Ms. Lynda Leonard: Oh, there are tariffs in IT, but as I said, we're fundamentally dependent on the export market, so they're not obstacles. They don't emerge in discussions about—

Mr. Massimo Pacetti: Sorry, they're cutting my time. They're bad people, bad people.

The Chair: He makes such good use of his time, it's really very good to watch.

Thank you, Mr. Pacetti.

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

Mr. Russ Hiebert (South Surrey—White Rock—Cloverdale, CPC): Thank you very much, Mr. Chair.

Thanks to both witnesses for being here this afternoon.

I'm going to try to direct most of my questions to Ms. Leonard from the Information Technology Association.

I noted with interest the level of support for CETA and the number of jobs. Some 521,000 jobs is an enormous amount of employment in the country. You highlighted the fact that in 2011 the percentage of exports to the European Union increased to 12% overall, and in the same year 64% was to the United States. The total of that is about 75%.

Can you tell us where the balance of your trade is, or in which countries?

Ms. Lynda Leonard: There is emerging interest, as I said, in the Pacific Rim. There's a fairly major initiative going forward now around trade to India and south Asia. Latin America is becoming a very important market, particularly in the wireless sector. They're nascent markets in their evolution and their interest to us.

Mr. Russ Hiebert: I note that those are all countries or regions anyway that Canada has negotiated free trade agreements with.

Mr. Rice highlighted all the potential industries and their prospective growths in the European Union. Can ITAC tell us what your growth prospects are? We know what your current sales are, at $1.4 billion. How much do you think those will increase?

Ms. Lynda Leonard: I'm sorry, I'm not equipped to answer that. We haven't done that study, and we haven't done a canvass on that, but I think it's incumbent on us to do so going forward.

Mr. Russ Hiebert: What are the tariffs you're currently paying for your industry?

Ms. Lynda Leonard: I'm not aware of what the tariff levels are. I apologize.

Mr. Russ Hiebert: Okay.

With regard to services, you highlighted the fact that about 50% of your exports are services. You also highlighted the fact that the brainpower associated with that sometimes is connected to a body that has to travel.

Do you have any idea of what percentage of your services are provided without Canadians leaving the country, that are provided to European Union markets via information technology? I'm thinking of something similar to what Canada is currently seeing with a lot of exports to India. Accounting firms will reconcile the books overnight while here in Canada and during the day in India, or architectural designs will be done there, or chip designs will be done in India and exported back without people having to transit a great distance.

Can you help us understand to what degree that's happening between Canada and the European Union, where the work is being done here, the service is being performed here, but the beneficiary is there and the travel is not necessary?

● (1240)

Ms. Lynda Leonard: Foreign investment by Canadian companies in the labour market certainly takes place even among very small companies. If you're providing contract research capability that requires advanced mathematics in the calculus of that work, it's possible that you will seek a sort of higher level of quality and a lower level of cost in jurisdictions like eastern Europe. That function may be performed specifically in that region and gets meshed with all of the other consultative services embedded in that contract research.

Depending on capacity, depending on the quality of the knowledge product, and depending on its cost, you may have various aspects of your workforce deployed throughout the world to provide your clients with the best quality of service at the most competitive price. For a number of our companies, Europe certainly features prominently in that equation. On the proportionality of it, I don't have statistics, but it's a classic profile of global enterprises.

Mr. Russ Hiebert: It sounds to me like you're describing a scenario where Canadian companies actually contract workers in emerging eastern Europe or other places. Their global workforce is not resident in Canada, but they're doing work from their home country in another destination. Is that what you're suggesting?

Ms. Lynda Leonard: I'm not suggesting that. I'm suggesting that portions of the workforce may be located in various parts of the world, depending on access to expertise and depending on access to specific price points in the service equation.

Mr. Russ Hiebert: Well, it certainly defines a scenario where you no longer require citizenship in any one country. To be an employee of a Canadian company, for example, you could be, it sounds like, resident anywhere and servicing the needs of the customer also anywhere.

At the end of your testimony, you highlighted a number of aspects of CETA that you really appreciate. You referenced that it acknowledges knowledge-based sectors, protects intellectual property, and deals with regulatory cooperation and government procurement. Then you referenced that it's forward looking and deals with or accommodates electronic commerce.

I'm wondering if you could help us understand to what degree the agreement addresses the situation or the area of economics.

Ms. Lynda Leonard: I have only the technical overview to fall back on, but I think for us the fact that electronic commerce is mentioned at all is a very strong indication that it's at least in the countenance of the agreement.

Mr. Russ Hiebert: Are there certain provisions that would make it easier to participate in electronic commerce?

Ms. Lynda Leonard: There are obstacles, certainly, that can emerge in terms of electronic commerce being treated in different ways from regular commerce, so recognition that...the technical overview kind of indicates that those distinctions won't prevail.

Mr. Russ Hiebert: Which distinctions?

Ms. Lynda Leonard: The distinctions between electronic commerce and regular commerce.

Mr. Russ Hiebert: Okay. Thank you.

The Chair: I want to thank the witnesses for coming forward.

It's great to see an agreement where, quite often, the public doesn't recognize particularly with IT the advantages. We think of ourselves as a resource country on trade, and agriculture is an obvious one, but your testimony has been very good. I appreciate your coming forward.

With that, we will now suspend as we move to an in camera session to take care of some business of the committee.

Thank you again for being here.

We'll go in camera.

[*Proceedings continue in camera*]