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## **Standing Committee on International Trade**

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**EVIDENCE**

**Thursday, January 30, 2014**

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**Chair**

**The Honourable Rob Merrifield**



## Standing Committee on International Trade

Thursday, January 30, 2014

• (1100)

[English]

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

We're continuing our study on the Canada-European Union comprehensive economic and trade agreement, CETA.

We have the privilege today of having with us Her Excellency the Ambassador for the EU. We want to welcome you to Canada in your recent appointment, and we thank you for being with us. You are joined by a colleague, Mr. Mecklenburg.

Mr. Mecklenburg, thank you very much for being here as well.

We look forward to your comments and then to getting into questions and answers. This is a great agreement between our respective jurisdictions. There's been a lot of debate and a lot of negotiation, and it's great to be able to see this signed. We now move on to the next process, which is moving it through our respective parliaments after translation and legal scrubs.

With that, we will yield you the floor and listen to your comments. Then we'll get into questions and answers.

**H.E. Marie-Anne Coninx (Ambassador, Delegation of the European Union to Canada):** Thank you very much, Mr. Chair.

Good morning, everybody, honourable members.

I am extremely pleased to be here. I want to thank you very much for making it possible for me to appear at this hearing.

I started my nearly 30-year career with the European institution as a parliamentary assistant. For 15 years I dealt with relations with the European Parliament, so I really feel at home. Thank you very much for giving me the opportunity to appear here.

The object of the hearing is to speak about CETA. CETA is the most comprehensive, ambitious agreement the European Union will have ever concluded. It took a little bit more than four years to negotiate. Some people might say that's a lot. I would say it's not a lot for such a comprehensive agreement, which included, from your side—and a very positive element—the involvement of all the provinces, and from our side, the European Union, 28 member states. Coming to this result after four years is really a very good deal.

This agreement will bring very clear benefits to both parties, Canada and the European Union. I know there has been quite a lot of speculation around the increase in trade. I don't want to give an answer to these speculations, but in our vast experience as the

European Union, with all the FTAs that we have concluded, and especially the most recent ones, the moment we have an FTA, the moment it enters into force, it immediately brings benefits to both parties and it immediately boosts trade considerably.

Why is this agreement, this comprehensive trade agreement, the most ambitious agreement today that we have reached? The agreement itself contains some parts that are typical of a traditional FTA. There is abolition of tariffs for industrial goods and for agricultural goods. Before CETA, or currently, the tariffs were or are not very high between Canada and the European Union. But even if it is only 3% or 4%, when you go to zero, it's evident that this will bring quite a lot of advantages.

There will be an elimination of the tariffs on practically all industrial goods, and almost all agricultural tariffs on some products that are still sensitive, notably those in the dairy sector, which will be subject to some transition periods or to some quotas.

It will also bring benefits to consumers. There will be more competition, more offers to consumers, cheaper prices. This includes consumers from both sides.

Services will be liberated in our bilateral trade to a large extent. CETA will facilitate investment on both sides by removing investment barriers. This is a new competency the European Union got a couple of years ago. They have an exclusive competency to negotiate an investment protection agreement, on behalf of all the member states.

A very important point that I stress in all the interventions I make on CETA is that CETA will deal with the abolition of non-trade barriers, such as technical, sanitary, and phytosanitary regulations. I want to stress this, because though the tariffs were not very high, there were and still are quite a lot of non-technical barriers. If those are abolished, small and medium-sized enterprises will particularly profit. I think this is a major advantage. It will save companies on both sides of the Atlantic enormous efforts and enormous costs.

CETA is not only a classic free trade agreement. As I said, it's an ambitious, comprehensive trade agreement. It is what we call a "new generation" trade agreement. Why? Because it also deals with elements such as procurement, intellectual property, geographical indicators, and movement of people.

Regarding procurement, CETA will provide an opening of the procurement at the sub-federal level—the provincial and municipal levels. The advantages are clear: more competition, cheaper prices, and open and transparent government spending that will lead to better value for money for our taxpayers. But I also have to make clear that there is a threshold. The municipalities will continue to buy locally below the thresholds. Also, I have to stress that in this regard all foreign contractors will always have to comply with local labour and environmental laws. As well, this chapter is reciprocal, so I would say that it's opening procurement not only in Canada, but also in Europe, although in Europe there is already a very open procurement market.

• (1105)

Intellectual property is also a key element of the agreement for us. CETA contains provisions on intellectual property that are important to the European Union, such as patent protection for medicines. Why is it important? Because we believe that adequate intellectual property is necessary. It's necessary due to the high research costs that lead to the research in these medicines and these drugs, and it's necessary to reinvest funds in new projects to improve health. We also believe that this intellectual property will benefit research-based Canadian companies. Again, because I've heard that some concerns have been expressed, in our experience within the European Union we also have publicly funded health care systems like those here in Canada. We manage to keep drug prices pretty well under control while at the same time ensuring high protection and stimulating research. So intellectual property is very important.

On geographical indicators, we are very pleased that Canada and the EU have been able to agree on protection of European Union geographical indicators. This will definitely lead to an increase in consumption of genuinely delicious European foods in the Canadian market.

Finally, on the features of CETA, I would say that it will bring people together. An important element is the temporary mobility of high-skilled workers, which was of paramount importance for Canada given the large direct investment Canada has in the European Union. Canada is the fourth largest investor in the European Union, so this temporary mobility of workers is important. That is combined with another element that is very important, which is the recognition of professional qualifications that will facilitate the movement of professionals.

I would not be the ambassador of the European Union if I did not give you some positive and realistic PR about the strength of the European Union market. I'm not saying this because I'm paid for it, but because I'm a convinced European. The European Union is the largest and strongest economy in the world.

It's a market with 500 million consumers. It is the most integrated market in the world. It's a market with free movement of persons, goods, capital, and services, which means, for example, for a product from Canada entering into the European market—wherever it enters, in Rotterdam, Antwerp, or in other places—it can be freely and automatically marketed throughout the whole European Union, a market which, I repeat, is a market of 500 million consumers. It's a very highly competitive market. I always say that if you make it there, you make it everywhere. Also, it's known that the European

Union has a very strong legal system, which ensures that the laws, the legal aspects, will be respected.

All of this, I would say, also offers tremendous economies of scale to Canadian companies.

Another aspect of what CETA will bring is that the European Union is the largest trading bloc in the world. We are the first trading partner for 80 countries worldwide, compared, for example, with the U.S., which is the first trading partner for 20 countries. We are the first for 80 countries. For Canada, we are the second trading partner; I don't have to say what the first one is. By expanding our network of free trade agreements, if we include CETA, 50% of the European Union's trade will be covered by free trade agreements. If we succeed with the U.S., where, as you know, we are currently negotiating a transatlantic trade and investment partnership agreement, 75% of the trade of the European Union will be covered by free trade agreements. Regarding these negotiations with the U.S., I think the fact is that we already have CETA now in any case, and we have a political breakthrough. It will take some time before it enters into force, but CETA, compared with the American agreement, will definitely offer a considerable first-mover advantage to Canadian companies in the European Union market.

• (1110)

But it is very clear that the European Union and Canada will have to work together to ensure that CETA will bring benefits. To have an agreement on its own is not sufficient. You have to work together. You have to give it visibility. You have to promote it. You have to explain it. You have to advocate what the new opportunities are. Here as well, I think the Canadian government and the European Union are doing quite a lot to advocate and to explain what it means.

Again, I want to stress that it will be of huge importance to do this advocacy and explaining for small and medium-sized enterprises. Big companies don't need this. They already know this very well. Small and medium-sized enterprises in particular are the backbone of our economies. Therefore, we need to work together, and I have absolutely no doubt that we will succeed.

Finally, as a conclusion, Mr. Chair, I want to say that I know this hearing is focused only on trade and economics, but I would not be the ambassador of the European Union without highlighting the point that the relationship with the European Union is not only about trade and economics. Canada is a strategic partner of the European Union, and the European Union only has 10 strategic partners worldwide.

We work very closely together with Canada in many other fields, such as external relations, scientific knowledge, and education, to name only a few. Also, we share the same values. We have very strong cultural ties and ties of friendship. We are very strong allies and partners. With CETA, I think we will be even stronger, which will be to the benefit not only of both countries and of business, but also of our people.

Thank you very much.

**The Chair:** Thank you very much. I couldn't agree with you more.

We'll now move to questions and answers. We'll start with Mr. Davies.

The floor is yours.

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

Thank you so much, Ambassador Coninx, for taking time out of your busy schedule to be here with us today. Welcome to the committee.

Ambassador, I wonder if you could briefly tell us, from the European Union's point of view, which industrial sectors are expected to benefit the most from CETA.

• (1115)

**H.E. Marie-Anne Coninx:** Actually, I think all sectors will benefit from it. Although we already have quite a lot of trade, I would say, industrial goods will definitely benefit. The automobile sector, the manufacturing sector, the medical sector, and the service sector will profit, as will the agriculture sector. For both sides, but particularly for the European Union, I would say that we will have the possibility to export more of our dairy products, which at the moment cannot enter the Canadian market either because of the geographical indicators or because of the very high price.

**Mr. Don Davies:** Thank you.

Conversely, it's generally accepted that in most free trade deals there are trade-offs. There are winners and losers. Have there been any sensitivities or any industrial sectors in the European Union that expect to not do well under CETA?

**H.E. Marie-Anne Coninx:** To be honest, no. I'm quite frank about it. I think this is a win-win situation for everybody.

I know that when the breakthrough agreement was announced, in the press it was mentioned that some of the sectors will be touched. I double-checked that with Brussels, and we did not have negative noise coming from the European side.

I think also that's because the Canadians have been doing a very good job in some of the difficult sectors by lobbying within the European Union to prepare sectors where there might be a problem. To mention one, for example, there is the beef sector. The Canadian beef producers have been extremely active in lobbying, and we did not hear any negative noises.

**Mr. Don Davies:** Thank you.

Which particular countries in the European Union do you think will increase their trade with Canada the most?

**H.E. Marie-Anne Coninx:** That's very difficult to predict, because it's up to the companies to use the agreement and to increase trade, so it's very difficult to say. At the moment, we already have major countries that have considerable trade with Canada. They are very well known: Germany, France, Italy, and some other ones, in specific fields.

Before I was the ambassador, I was an ambassador for the European Union in Mexico. What I've seen in particular is that there are the countries that joined the European Union 10 years ago already this year, but I would say that particularly the newest EU member states will profit from this opening.

**Mr. Don Davies:** So there's been no analysis you're aware of that singles out particular European countries that are expected to benefit?

**H.E. Marie-Anne Coninx:** No, because the approach is not to single out the countries. We want to see that it is the businesses that will make use of it; it would be more the sectors that will profit from it per country.

**Mr. Don Davies:** Thank you.

Turning to process, Ambassador, when do you expect the final text of CETA to be ready and available for European parliamentarians to actually read?

**H.E. Marie-Anne Coninx:** Thank you for asking this question.

On the final text, for the moment what is happening is that we have the finalizing of technical negotiations going on. I think it's a question of weeks and we'll finish. Then we have the legal scrubbing of the text, putting everything into a text. There's that and then the agreement can be initialled. At that moment, there will be a text, which will be published, but this is not a legally binding text. This will be a text that is extremely important for industry, because our experience with NAFTA, for example, or with other agreements, is that the moment industry or business sees a text, at that moment they can already prepare it.

We think that we might have a text in about six months. It will not be the final text. I think that for the final text we'll have to wait two years. It will be 2015. One of the reasons is that within the European Union it will have to be translated into 23 languages, which takes some time. Our European Parliament will also have to give its say on it, as will the council of ministers. The whole process, I would think, will take two years.

• (1120)

**Mr. Don Davies:** Fair enough.

I want to turn an issue of the investor-state provision. On January 21, EU trade commissioner Karel De Gucht announced his decision to consult the public on the investment provisions of a future EU-U.S. trade deal. I'm reading from the press release from the European Commission, which says:

It...reflects the Commissioner's determination to secure the right balance between protecting European investment interests and upholding governments' right to regulate in the public interest....

In early March, he will publish a proposed EU text for the investment part of the talks which will include sections on investment protection....

Quoting Mr. De Gucht, it said:

Governments must always be free to regulate so they can protect people and the environment...they must also find the right balance and treat investors fairly... But some existing arrangements have caused problems in practice, allowing companies to exploit loopholes where the legal text has been vague. I know some people in Europe have genuine concerns about this part of the EU-US deal.... I have been tasked by the EU Member States to fix the problems that exist in current investment arrangements and I'm determined to make the investment protection system more transparent and impartial, and to close these...loopholes once and for all. TTIP will firmly uphold EU member states' right to regulate in the public interest.

I have two questions.

First, is it your understanding that the investor-state provision in CETA conforms to those concerns?

**H.E. Marie-Anne Coninx:** I think the provisions we have offer a very high investment protection. That I can confirm. The balance is absolutely yes.... The answer is yes. I cannot comment on the TTIP. That's not my experience.

**The Chair:** You have 10 seconds.

**Mr. Don Davies:** Just quickly, it says that he wants to add "new and improved rules, including a code of conduct, to ensure arbitrators are chosen fairly and act impartially—

**The Chair:** Very quickly.

**Mr. Don Davies:** —and to open up their proceedings to the public".

Are those provisions—to choose arbitrators impartially, etc.—contained in CETA, to your knowledge?

**H.E. Marie-Anne Coninx:** I'll give the floor to my colleague.

**The Chair:** Yes, for a very quick answer, as time has gone.

**Mr. Karsten Mecklenburg (Head, Economic, Commercial and Trade Section, Delegation of the European Union to Canada):** Yes. I'm sorry.

I'll just say that I think CETA has included provisions that make sure we have the right balance in making sure the public authorities maintain the right of regulating in the sectors you referred to from the press release, while as well protecting the legitimate interests of the investors to introduce mechanisms for being able to launch investor-to-state dispute settlement. Because that is our conviction, more straightforwardly: it's to protect investors' interests as to state-to-state dispute settlement, which is usually included in such an agreement. But the concerns are covered in CETA, and I'm sure the text, once it is published, will demonstrate that.

As for TTIP, the intention is to make sure that the public is rightly informed and all the stakeholders can express themselves, because there, obviously, the scale is broader. The concerns that have been expressed in Canada at a certain point as regards the investor-to-state dispute settlement in CETA are now being expressed on the European side as regards the U.S. agreement. So you see that it's the same topics that come up, and the same interests, and we feel comfortable that the agreements, both CETA and TTIP, are—

**The Chair:** Okay. Very good. Thank you very much.

**Mr. Don Davies:** Thank you.

**The Chair:** Mr. O'Toole, you have seven minutes.

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

Welcome, Your Excellency. Thank you very much for joining us, as well as to you, Mr. Mecklenburg. We appreciate your appearing today and answering questions, as we are excited about the possibilities that this agreement in principle holds for Canada and the EU.

Interestingly enough, Your Excellency, I notice you come to us after 10 years in Mexico and the U.S., and now to Canada, so it's the NAFTA trifecta.

I'm going to speak to that for a minute because Canada is in the unique position, with CETA, to have access to 800 million-plus of the world's best consumers through NAFTA and through what will be an excellent deal with the European Union.

The U.S., our friend and most important trading partner, is not in that position yet, but discussions are under way. How long do you anticipate those would take? Right now Canada is in a very unique spot in the world, I would say.

**H.E. Marie-Anne Coninx:** I'm sorry...how long will it take?

**Mr. Erin O'Toole:** Do you anticipate an agreement with the United States in the next year or two years? Is there—

**H.E. Marie-Anne Coninx:** Oh, that's very difficult to say.

I know Commissioner De Gucht personally very well. This year, 2014, will be an important year for the European Union institutions because there will be elections of European parliaments, there will be a new commissioner, and a new president of the European Council. I am saying this because the European Commission has made getting an agreement with the U.S. one of its top priorities.

I don't want to speculate if they will succeed. I know that the negotiations are going onward and as I said, we are fully informed of the stage of the negotiations, but how long it will take is very difficult to say.

Certainly for some of the elements under discussion—for example, the elimination of non-tariff obstacles, which is a very big part of the negotiations with the U.S.—the discussions with Canada will help and will facilitate some of the discussions with the U.S.

But definitely I think that if we succeed, it will be a big advantage to everybody.

• (1125)

**Mr. Erin O'Toole:** Thank you.

You mentioned geographic indicators in your remarks. I think it's an indication of how well the EU and Canada worked together to strike a deal. It's certainly our intention, the way it's struck, to have grandfathering provisions and a very good balance. It is our sincere hope that our geographic indicators, like Oka cheese and Okanagan wines, become as popular as some of your historic ones.

All of our provinces were part of these negotiations, over time. Did you have a similar structure with your negotiating team, updating member states to reach this positive conclusion?

**H.E. Marie-Anne Coninx:** First, on the geographical indicators, I think we also struck a good balance. We have a very high number of geographical indicators, products in the European Union, and some of them could not enter, like Parma and some—

**Mr. Karsten Mecklenburg:** They can enter, but there is a certain sensitivity, obviously, of the principle in general on the Canada—

**H.E. Marie-Anne Coninx:** Yes. In any case, for some it was very difficult, or some entered or were here on the Canadian market with a name that was protected with the European Union. I think there we struck a very, very good deal. I can assure you that it's not only the European Union that has delicious food, but also Canada. Definitely, CETA will help to promote Canadian products.

Regarding the provinces, it's part of my objective here in Canada to visit all the provinces—not only myself, but all the ambassadors who are here in Canada. I think for the first time in history here, we will make a joint visit. We will start with Toronto on February 12. I hope that by the end of my mandate here we will have visited, with all the ambassadors, all the provinces and the territories.

We're extremely pleased with the involvement of the provinces. It was absolutely key. They have played a very, very constructive role. The European set-up is completely different. Trade is an exclusive competence of the European Union. It means concretely that to have a mandate for an agreement, it's worked out by the European Commission. The European Commission then obtains a mandate to, for example, conclude CETA with the member states. The moment that the European Commission has the mandate...and that's Commissioner De Gucht, he does the negotiations alone, on behalf of all the member states.

During the whole process our member states are constantly kept informed—in a confidential way, because you cannot have international negotiations in a public place, particularly one such as CETA. It's kept in a confidential way, not always excluded. There have been leakages, which were also not very helpful. But members have been kept informed all the time, as well as our European Parliament. It's also important, because, when you are negotiating, you will always have at the end maybe some elements which were not foreseen in the mandate, and you have to go back to the stakeholders.

**Mr. Erin O'Toole:** How much time do I have, Mr. Chair?

**The Chair:** Another minute.

**Mr. Erin O'Toole:** I'm also glad you touched on the patent issue and intellectual property. You're right, there is public health care in both European states and Canada, and that's been an important part of not only our negotiating position, but also provincial participation in this. We've heard from the R and D branded side of the pharmaceutical industry, as well as the generics. We have an important generic industry here. When we have witnesses here who both generally agree it's a great agreement and are on opposite sides of that issue, we think we've struck the right balance.

How does the European Union view the balance between your patent link and the important impact that generics can play to keep costs low?

• (1130)

**H.E. Marie-Anne Coninx:** I think we struck the right balance. As I said, for us intellectual property rights are extremely important. Here, in that sense, we wanted to have high protection. If you compare the situation of Canada with other developing, industrialized countries, they were not on the top of the protection. So we wanted to have this high protection also to enable research. As Canada has a lot of research companies, it will benefit from that.

As I indicated in my presentation, we do not think that it will have this kind of inflation of prices, so health is at the centre of this policy and also the interests of the consumer. So I think that the intellectual property, particularly for the drug market, struck the right balance.

**The Chair:** Thank you very much.

Mr. Pacetti, five minutes.

**Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.):** Thank you, Chair.

Thank you, Ambassador, for coming today. It's very helpful that you're here.

Your first comment was that this agreement will immediately boost trade. What will happen in the meantime, if it's delayed? Will trade suffer? Does your experience show that we sort of forget about it, and then all of a sudden there's a boom?

**H.E. Marie-Anne Coninx:** We are already very strong trade partners. The European Union is the second trade partner of Canada, the second investor of Canada. Canada is the twelfth trade partner of the European Union, the fourth in investor—

**Mr. Massimo Pacetti:** I don't mean to interrupt, but I have limited time.

**H.E. Marie-Anne Coninx:** Yes, please.

**Mr. Massimo Pacetti:** But if I'm a company and I'm going to buy some heavy-duty machinery in Germany all the way to here because I know I'm going to get it a bit cheaper, the Europeans may wait a couple of months or a year or more to buy Bombardier railcars or airplanes. Is that something that—

**H.E. Marie-Anne Coninx:** I think industry will do what is most favourable for them. Our experience is that when you have even the announcement of a major agreement...particularly at the moment when the text is known. I think as long as the text is not known, nothing will happen. Our experience is that as soon as the legal text is known, industry starts before it is entered into force.

My answer, then, is that, first of all, we are already strong trade and investment partners. That will not diminish in the meantime. Industry will—

**Mr. Massimo Pacetti:** I'm not that worried about industry.

What happens in your parliaments or your different countries—or will it just be the European Parliament that will approve it?

**H.E. Marie-Anne Coninx:** That still has to be decided; it's not decided yet.

Personally, I think it's most likely that the national parliaments will have to ratify the agreement, but that does not include the trade provisions. The moment the European Parliament has given its okay, all the trade aspects of the agreement enter into force provisionally.

**Mr. Massimo Pacetti:** Okay.

Do you believe the European countries will actually transfer their savings to the end consumers?

**H.E. Marie-Anne Coninx:** What do you mean by your question?

**Mr. Massimo Pacetti:** Some of your companies will benefit—the importers, or the ones in manufacturing—by importing goods from Canada at a cheaper price. Will they in turn keep the money or in turn trickle it down to the consumer?

**H.E. Marie-Anne Coninx:** We don't have supply management, fortunately, in the European Union.

**Mr. Massimo Pacetti:** Okay.

Are there certain sectors that will need to be looking for investments because Canada's regulations in certain sectors are too restrictive? Do you anticipate higher volumes? Is there any of that feeling among your sectors?

**H.E. Marie-Anne Coninx:** No.

**Mr. Massimo Pacetti:** None?

**H.E. Marie-Anne Coninx:** No. We don't think there are really serious investment restrictions in Canada now. With CETA it will even be better.

**Mr. Massimo Pacetti:** And there are no countries that will try to compensate for any losses that they may have competing against Canada?

**H.E. Marie-Anne Coninx:** What do you mean—that they might go to Mexico, for example?

• (1135)

**Mr. Massimo Pacetti:** Well, in the fish sector we're seeing that some provinces may lose out and some provinces may win. There is discussion that they need to be compensated. There is discussion that dairy farmers, if they are not able to sell as much cheese, may need to be as well.

**H.E. Marie-Anne Coninx:** Thank you for this point. The fisheries sector will be completely open. There will be no restriction on exporting high-quality fish from Canada to the European Union. It's an absolute win-win situation. For the dairy sector, there will be an increase in high-quality cheese and dairy products from the European Union.

**Mr. Massimo Pacetti:** Right, but will there be European countries that will suffer because of that, and will they be compensated?

**H.E. Marie-Anne Coninx:** From the fisheries?

**Mr. Massimo Pacetti:** Well, no matter what sector, you're—

**H.E. Marie-Anne Coninx:** That's competition.

**Mr. Massimo Pacetti:** I agree.

**Ms. Marie-Anne Coninx:** I mean, the consumers will—

**Mr. Massimo Pacetti:** I agree: I'm asking the questions. I know that.

**Voices:** Oh, oh!

**H.E. Marie-Anne Coninx:** The consumer will profit. Something I always repeat, sir, concerning this cheese, is that there will be a slight increase in cheese exported from the European Union to the Canadian market.

Personally, I regret it's not more, because it's—

**Mr. Massimo Pacetti:** But what we want to do is export a whole bunch of Canadian cheese.

**H.E. Marie-Anne Coninx:** Then do. There is no limitation—no limitation—for Canadian cheese, which is also of high quality. It's a question of marketing on the business side.

**Mr. Massimo Pacetti:** Oh, I know Canada has a lot of abilities. I'm just wondering, is anyone from Europe going to suffer, or is any sector in particular going to suffer?

**H.E. Marie-Anne Coninx:** No.

**Mr. Massimo Pacetti:** Okay. That was my question.

I understand that Canada has—

**Ms. Marie-Anne Coninx:** Speak with your consumers. You have 34 million consumers.

**Mr. Massimo Pacetti:** I agree.

**H.E. Marie-Anne Coninx:** I think they will welcome having these products, which for the moment are extremely expensive to buy here in the Canadian market.

**Mr. Massimo Pacetti:** I agree.

**H.E. Marie-Anne Coninx:** I hope to do some shopping sometime.

**Voices:** Oh, oh!

**H.E. Marie-Anne Coninx:** You can see the prices of some very good cheese. It's incredible. I don't understand why Canadian consumers do not protest more. They are very well educated.

**The Chair:** Your time is gone, Mr. Pacetti, but I'll let you have one more quick question.

**Mr. Massimo Pacetti:** Okay.

You mentioned the term “first mover advantage”. What does that mean?

**H.E. Marie-Anne Coninx:** It means that if CETA is already in place, and Canadian enterprises profit from it, they are already in the market itself. It will be more difficult for America to also get to that place.

**Mr. Massimo Pacetti:** Thank you.

**The Chair:** Thank you very much.

Mr. Cannan, the floor is yours.

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

Thank you, Excellency and Mr. Mecklenburg. Welcome to the committee, and thank you for joining us today.

I guess as of October, in your new home, it's your first winter in Canada.

**H.E. Marie-Anne Coninx:** I love it.

**Hon. Ron Cannan:** The Canadian winter is beautiful. We had a chance to chat briefly before the meeting. I understand you have had an opportunity to travel a little bit of the country, to Alberta and British Columbia.

I represent the riding of Kelowna—Lake Country. It's about an hour's flight from Vancouver into the interior of British Columbia. We'd welcome you there. As my colleague so generously commented about the Okanagan international award-winning wines, we have some in Ontario and across Canada that would go with that cheese. We're happy to export those as well. We look forward to your visiting us as well and seeing the rest of Canada.

Approximately one in five Canadian jobs, including in my riding, rely upon trade, so we welcome those 500,000-plus mouths to feed and water...and to use their services.

First of all, I have a question about procurement. In your opening comments you talked about the potential value savings in openness and transparency for procurement. I spent nine years in local government prior to my eight years federally. We're always looking at efficiencies.

Could you maybe share with the committee your understanding of some of those procurement opportunities for Canadians over the next few years?

**H.E. Marie-Anne Coninx:** Is that opportunities for Canadians in the European market?

**Hon. Ron Cannan:** Yes.

**H.E. Marie-Anne Coninx:** The European market is pretty open, if not completely open, for procurements already, so I think this will be a big advantage in any case to further explore. We see, as Europeans, the advantages that opening this up at a provincial level can bring for European companies, but I stressed in my intervention that there are also limitations, because I also heard quite a lot of concerns, particularly when I visited Alberta. I spoke with the mayor of a city that I will not mention, but he also expressed some concerns about procurement for municipalities. But there we have a threshold that is considerable, which means that for municipalities, for a lot of their tendering, the local content and local input will still apply, so they will not suffer. I guess also when you have major procurement projects that European companies will use some of the local inputs for them.

**Hon. Ron Cannan:** Just to get a perspective on the magnitude, do you have an approximate dollar value?

**H.E. Marie-Anne Coninx:** I'm really bad with figures.

**Hon. Ron Cannan:** I understand the aspect of consultation with local governments. Our colleague, the Minister of International Trade, Minister Fast also spent nine years in local government and consulted with the Federation of Canadian Municipalities, the provinces, various stakeholders, and the fishery and forest industries. Seafood is a big opportunity.

Maybe you could share with the committee your perspective, the European perspective, on the consultation process with your parliamentarians and members of industry and stakeholders to get to the point we are at today.

• (1140)

**H.E. Marie-Anne Coninx:** Do you want me to comment on how it was in the European Union, how we did the consultation?

**Hon. Ron Cannan:** Please do.

**H.E. Marie-Anne Coninx:** Before proposing CETA, there was a scoping exercise, a study in 2008, and this study consulted all the possible sectors. When the European Commission prepared the mandate, we also consulted all the stakeholders, and, as I said in an answer to a previous question, we have been consulting all the stakeholders concerned as much as possible.

I just have a comment here on Canada. I arrived only a few months ago, but what I saw...and particularly I must say that after the breakthrough announcement, I really admire the efforts the government has been making to go to all the provinces to explain the situation and the impacts it might have. As an outsider, I am quite impressed with what the government has been doing.

**Hon. Ron Cannan:** Thank you.

We had Minister Fast here, the chief negotiator, and a technical summary was released. Is that basically the same thing the European Union has provided to its parliamentarians as well?

**H.E. Marie-Anne Coninx:** I'll give a diplomatic answer here. I used it myself, because it's so good. We did not do the same thing, not in such a beautiful format as what Minister Fast did, but we have been providing information too.

**Hon. Ron Cannan:** You are saying the Canadian process has been more fulsome in disclosure. Is that what you're saying?

**H.E. Marie-Anne Coninx:** I still have a career in Brussels—

**Some hon. members:** Oh, oh!

**Hon. Ron Cannan:** I understand your diplomacy. I appreciate that.

**H.E. Marie-Anne Coninx:** As I said, I'm using this.

**Hon. Ron Cannan:** I have one last question. You mentioned labour mobility. In engineering, for example, there is a movement of professional labour back and forth. In this reciprocity is there an opportunity for Canadians to use our skills and services within the European Union as well?

**H.E. Marie-Anne Coninx:** Absolutely, yes.

**Hon. Ron Cannan:** Are there any specific bilateral opportunities that you see standing out?

**H.E. Marie-Anne Coninx:** Do you mean for Canadians in the European Union?

**Hon. Ron Cannan:** And vice versa.

**H.E. Marie-Anne Coninx:** For example, Bombardier is already very active on the European market. There is the recognition of professional qualifications. Engineers can work without any difficulty within the European Union thanks to this recognition, and vice versa. To be very honest, when I visited Alberta and British Columbia, I visited the governments and I spoke with business and they all told me they are really looking forward to this mobility of high-skilled workers because there is a demand. Particularly in parts of the industry, these provinces are very interested in getting high-skilled workers from Europe. Definitely that will be an advantage to many Europeans, as particularly in the European Union some of the countries still have difficult economic situations and employment.

**Hon. Ron Cannan:** Thank you.

I have a quick supplemental. Mr. Davies talked about the timeline.

**The Chair:** Okay, very quickly.

**Hon. Ron Cannan:** You said two years. There are 23 languages, and we also have two languages in Canada, so what would be the timeline? Would it be 24 months and then it would be into Parliament? Or ratified within 24 months?

**H.E. Marie-Anne Coninx:** No, it will be initialled probably in 2014, and you will have a text. As I said, it's not legally binding, but it will be published. Then you will have translation into 23 languages, which will take about six months, and also the presentation, first to the council of ministers, where you have the 28 member states. That will have to give its approval or not. It will give its approval. Then it will go to the European Parliament, and when that is done, it will be also signed by the council, and then you will have the agreement in 2015.

**The Chair:** Thank you very much.

**Hon. Ron Cannan:** In 2015.

**The Chair:** Very good.

Ms. Liu, for five minutes.

• (1145)

[Translation]

**Ms. Laurin Liu (Rivière-des-Mille-Îles, NDP):** Good morning, madam; welcome to our committee and to Canada. Something tells me you must prefer the winters in Mexico to ours here. Thank you for coming to testify this morning.

My questions will be about the environment, and environmental standards. We know that those standards are quite high in Europe and that environmental concerns are important to the members of the European Union.

In April 2009, the European Commission adopted the Fuel Quality Directive. In fact I had the opportunity of discussing this matter with European parliamentarians, which was very interesting. Under this directive, a higher carbon content is going to be assigned to fuel from oil sands.

Will this directive have an impact on Canada, on the Comprehensive Economic and Trade Agreement, and on our trade with Europe?

**H.E. Marie-Anne Coninx:** Thank you for your question.

It is true that environmental standards are very important for the European Union. The E.U. is a leader in that regard, and its environmental legislation is among the most advanced in the world.

I should mention that I have visited four provinces up till now. I saw that some local, provincial or regional governments there, or most of them, also have some very advanced legislation, with very strict standards quite similar to those of the European Union.

I am very familiar with the Fuel Quality Directive. It was on the agenda of every meeting I had with politicians or local and provincial governments. I am aware of Canadian concerns, but there is no connection between that directive and CETA. For your information, a study measuring the impact of fuels on emissions is currently being done. We are waiting for the results of that study to see what the situation is.

I would like to emphasize the fact that non-discrimination is the basis of the European Union policy. In addition, whatever the results of the study are, policy must be based on scientific evidence.

**Ms. Laurin Liu:** Indeed, I met with European parliamentarians who are in favour of this directive. They explain how it works very

well. I think it is an excellent initiative to reduce greenhouse gases in Europe. I am very interested in this.

There are many farmers and transgenic corn producers in my riding. We know that the members of the European Union apply the precautionary principle to GMOs. They are in fact more rigorous in this regard than Canada. However, I think there are as yet no provisions on this in CETA.

Can you comment on the effects of CETA on the producers of transgenic corn in my area?

**H.E. Marie-Anne Coninx:** Thank you for your question.

There is no connection between the GMO issue and CETA. This is not covered by CETA.

**Ms. Laurin Liu:** Will this have any effect on the producers?

I know that the matter will be referred to a committee.

**H.E. Marie-Anne Coninx:** Yes, but this will be dealt with separately from the agreement. It has nothing to do with that agreement.

**Ms. Laurin Liu:** Do you have any idea what the conclusions of that committee will be?

**H.E. Marie-Anne Coninx:** Karsten, do you have any information on that?

[English]

**Mr. Karsten Mecklenburg:** No, I don't have exact information on that. In general, CETA doesn't change that. Exporters from Canada to Europe or from Europe to Canada have to comply with local legislation, in that case, sanitary and phytosanitary provisions. The legislation in the EU on GMOs is known. It's not changed by CETA.

• (1150)

**The Chair:** Very good. Thank you very much.

Mr. Holder, the floor is yours.

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

I'd like to thank our guests very much for attending this morning. Your testimony has been very helpful to us, with your very candid sense of CETA.

I need to pay tribute, if I might, to the negotiators from Canada and the EU in terms of how they have so professionally done this, particularly to Steve Verheul from Canada, and of course the EU negotiating team. I ask that you pass on our very kind regards and appreciation for all of their efforts.

I was struck, Madam Ambassador, by your very candid testimony. One of the questions I have is this. When I heard you talk about the EU as the world's largest economy... And of course we know the gross domestic product is some \$17 trillion, and the population is some 500 million. We accept that. A question that my constituents and constituent groups have asked us is, what is this big interest this massive economy has in dealing with Canada, with a population of some 34 million? That's not quite as big as the EU, but bragging rights nonetheless. I wonder if we could ask for your view on why the EU has had such a great interest in Canada, please.

**H.E. Marie-Anne Coninx:** I certainly will pass on your appreciation to our negotiating team.

I must say that Canada is an important trade partner for the European Union. Trade is now very considerably.... As I said, Canada is the twelfth trading partner of the European Union and the fourth investor in the European Union. It is a major partner. But all its potential has not been used. With CETA, much more potential will be used. So I think it will boost trade and employment.

Also, there are a number of sectors that will play a bigger role in the future. The energy sector, for example, is one of the sectors where Canada is in a boom, and that will present new opportunities for European players.

**Mr. Ed Holder:** We've heard testimony from various groups with different perspectives. Most recently in our last meeting, we had a representative of The Council of Canadians, a social justice group, who spoke about the CETA deal.

I'm going to quote part of that from the blues, which is our recording of testimony. The gentleman said, "...on the extent and scope of the deal I don't think it's actually as big a deal as we've been told." Then he went on to say, "...we're not looking at a massive boost to trade here from this deal...."

It's not fair to ask you to comment on someone else's testimony, but do you have an opinion on that kind of statement? So I guess I am asking you.

**H.E. Marie-Anne Coninx:** I'm honestly convinced it will boost trade, for the reasons I've given. But it is an opportunity that will have to be seized by the business people themselves. As I said, the trade agreement itself will not boost trade. It will need the intervention of the companies and the business people.

In my short stay I also have been in constant contact with business people, mainly Canadians, or with the European Chamber of Commerce. They are all extremely positive about it. I have not heard one negative voice about it or from one sector that might be concerned about it. All the reactions I heard—and I think people are frank with me—were very positive.

**Mr. Ed Holder:** You seemed very confident in your prior comments that the European Council would ratify this deal.

We hear of the Euro-skeptics in your part of the world as they relate to the upcoming elections in various countries there. To what extent, if any, do you think the Euro-skeptic parties will impact or compromise the final negotiations with CETA?

**H.E. Marie-Anne Coninx:** They will have none, no impact. We will deal with our skeptics.

The Euro-skeptics are more skeptical about some internal issues within the European Union, but I would say they are seldom skeptical about external trade relations. Trade is the motor of an economy of growth of employment, so they would be shooting themselves in the foot if they were against it.

• (1155)

**Mr. Ed Holder:** You made reference to—

**The Chair:** Your time has gone.

**Mr. Ed Holder:** Thank you very much.

**The Chair:** I'm going to use the chair's prerogative to ask a couple of quick questions.

You have said as part of your testimony that the EU has 80 different trade agreements internationally and that the United States has only 20.

**H.E. Marie-Anne Coninx:** No, I mean we are the first trading partner for 80 countries worldwide.

**The Chair:** Okay, very good.

This, you said in your testimony earlier, is the most comprehensive of any of the trade agreements that Europe has signed, and we can say the same from Canada's side. In fact I think it's the most comprehensive trade agreement ever signed in the world. I think we should compliment each other on that.

You are into negotiations with the United States at the present time. Is your intent to sign as comprehensive an agreement with the United States as the one you've signed with Canada?

**H.E. Marie-Anne Coninx:** What we will be signing or what we are hoping to achieve with the U.S. is also a very comprehensive agreement. It's a trade and investment agreement. It will be different. It will not be identical, but I think it will also be a very ambitious agreement.

**The Chair:** But it will not be as comprehensive?

**H.E. Marie-Anne Coninx:** It's very difficult, because the negotiations with the U.S. only started not so long ago.

But the intention is to be ambitious. I am not expert enough to compare how far-reaching it will be, but at this moment this is the most comprehensive and ambitious agreement that the European Union will ever have concluded.

**The Chair:** I have just another comment, because it's raw on Canadians' minds, particularly in the agricultural field when trade agreements.... Non-tariff barriers are always the most difficult, and we're seeing that in the country-of-origin labelling between Canada and the United States at the present time. We were hoping to get an amendment in a farm bill, and we didn't do that.

Is that something you are watching closely from Europe—how America is dealing with non-tariff barriers?

**H.E. Marie-Anne Coninx:** Well, the agriculture sector is very important. The agricultural policy route of the European Union is, for example, an exclusive competence. It is always an important sector in any country worldwide. It's always a very sensitive sector also, and therefore I don't want to minimize the reaction of some of the sectors in Canada—dairy, for example—that have expressed concerns. But I would really like to say to them, in any case, that I don't think they have to be so concerned, because CETA will also be an opportunity for them.

But yes, agriculture is a sector, like other sectors, that we follow closely.

**The Chair:** I'm sure you are following it closely.

Our time is very close to being done.

I'll allow one really quick question, for 30 seconds, if you like, Mr. Davies, and then I'll allow one to Mr. Hoback.

**Mr. Don Davies:** I think what my colleague was getting at, in terms of the GMO issue, is that CETA has removed a substantial amount of the tariffs—in fact, most of the tariffs—on grain, which is good for Canada. But I understand that non-tariff barriers, like prohibiting trace GMOs in grain shipments, have resulted in Europeans rejecting Canadian grain shipments. So if we have access and no tariffs and we send our grain shipments to Europe, but because of the GMO rules they are interfered with, in order for us to get the benefits of CETA, there has to be some progress on that.

I wonder if you can update us on where Europe and Canada stand in relation to negotiating on the trace GMOs.

**The Chair:** Be very quick.

**H.E. Marie-Anne Coninx:** I just want to repeat first of all, that CETA has nothing to do with GMOs. Second, GMOs are not a non-tariff barrier.

**The Chair:** Very good.

Mr. Hoback.

**Mr. Randy Hoback (Prince Albert, CPC):** You talked about the process for technical negotiations. I'm curious as to what that process is going to look like and how it's going to unfold.

**H.E. Marie-Anne Coninx:** Could you repeat the question? Sorry.

**Mr. Randy Hoback:** In regard to the technical negotiations that are ongoing now, can you explain the process and how it will unfold?

**H.E. Marie-Anne Coninx:** It's going very well because it's not questioning one of the basic elements of the agreement on which there is a political breakthrough. I think we had foreseen that it should end by the end of this month. We are nearly at the end of this month. I think we might have a slight delay, but it's going well.

**The Chair:** Thank you very much.

Again, I want to reiterate our thanks on behalf of the committee members for your presentation and your time with us. It's been very direct and is very much appreciated.

With that, we'll suspend for a few minutes.

• (1200)

**H.E. Marie-Anne Coninx:** Mr. Chairman, I would like to thank all of you very much. I am always happy to come back.

**The Chair:** Thank you.

We'll suspend.

• \_\_\_\_\_ (Pause) \_\_\_\_\_  
•

**The Chair:** We'd like to start the meeting again. We have our witnesses in place, our members are taking their seats, and we want to continue with our study.

In the second hour of our committee this morning, we have with us Mr. Mark Nantais, from the Canadian Vehicle Manufacturers' Association.

Thank you for being here with us.

From UPS Canada, we have Cristina Falcone, vice-president of public affairs.

Thank you, Cristina, for being here.

Cristina, ladies first.

There we go. I'm from the government and I'm here to help.

**Voices:** Oh, oh!

**The Chair:** The floor is yours.

• (1205)

**Ms. Cristina Falcone (Vice-President, Public Affairs, UPS Canada):** Thank you.

Bonjour. Thank you for the opportunity to testify on the landmark agreement of CETA.

This is my first time testifying, so I appreciate your patience.

My name is Cristina Falcone, although the security guard downstairs decided to change my name to "Wendy", so I guess I'll answer to both.

[*Translation*]

I am here today representing UPS, a global leader in logistics.

[*English*]

The subject of today's hearing is one of great importance to our company. Here's a little bit about UPS. With over a century of operations, we've personally witnessed how international trade can drive success. Canada was our first international country of operation outside the U.S. We opened our doors for business in Toronto in 1975. We started with one employee operating out of the basement of a Toronto hotel using a brown Checker cab. We expanded into Germany less than 10 years later. We now employ over 10,000 Canadians, and 43,000 in the EU states.

UPS is the world's largest package delivery company and a leading provider of specialized transportation and logistics services. In our package cars, trailers, planes, and sea containers, we move approximately 2% of global GDP over 220 countries and territories every day.

Given that context, I'm going to provide an overview of the benefits we see CETA delivering to our employees, our customers, and the economy, and I'll offer two specific actions that UPS feels the government can undertake to ensure Canada achieves these benefits.

From our perspective, the benefits of CETA are easy to identify. The more trade grows, the more goods move through our network, and the more we can invest in innovative services and technology to expand our business, which in turn allows us to employ more people in Canada and abroad. We've estimated that for every 22 packages across the border, one job is supported in the UPS package operation.

Our customers will benefit as well. This historic and comprehensive deal will give Canada access to 500 million consumers and a market that totals \$17 trillion in economic activity. This is something that our businesses must be aware of and excited about.

[Translation]

We have seen through our customers the potential for growth when they expand to new markets. The issue is that not enough businesses in Canada are exploring this potential.

[English]

A recent Deloitte study shows that while Canada has a high level of entrepreneurial activity, factors such as risk aversion and low export activity are stifling growth. This study and others that UPS has conducted show that exporting firms in the manufacturing sector achieved higher growth in productivity than their non-exporting peers.

We've been a voice highlighting the benefits that businesses and consumers can expect to see from this deal. We're informing our customers and partnering with trade associations to educate small to medium-sized enterprises, or SMEs, on how to get started.

As we prepare to help business hit the ground running when the agreement takes force, we're talking to provincial governments to better understand the range of CETA opportunities. One area of the country that we know will help to fill our outbound planes is Atlantic Canada, where there have been significant reductions in tariffs and market access for seafood.

[Translation]

At UPS, we have estimated that the CETA agreement could boost our trading volume by over 10% over the next 10 years.

[English]

This would be a direct impact above normal expected growth. This deal represents significant opportunity for our company.

Because the agreement is so comprehensive, it can be a tool for Canadian businesses of all sizes to easily compete in new markets. It also establishes Canada as a smart choice within the NAFTA countries for manufacturing investment. But while Canada moves the agreement towards the ratification process, the projected economic returns are not guaranteed.

●(1210)

We know that the projections are attainable. We're here to raise two actions the government can take to ensure that CETA delivers: one, inform and empower the small business segment; and two, further simplify customs requirements in Canada-EU trade.

As the lifeblood of the Canadian economy, small business will play a critical role in CETA's success. This month UPS engaged Leger marketing to survey Canadians. Our findings were interesting: 47% were not aware that Canada had signed an agreement with the EU. Of those who were aware, 77% support expanding trade; and of these supporters, 58% believe the agreement will help drive Canada's exports and manufacturing sector, 49% believe it will drive employment, and 27% feel it will help Canada enhance innovation and productivity. Most respondents feel optimistic about the business opportunities for Canadian businesses through CETA.

Now, these are high-level responses from the general population, but they do flag a need for awareness. They also show that those who are informed are very optimistic about the opportunities.

We applaud the government for including a clause for Canada to gain any new benefits that the EU negotiates with other countries in deals. This is a modern 21st-century agreement with incredible opportunity. With this groundwork, we know there is potential to reverse the trade deficit, but we need to continue to get more exports moving outside of Canada.

Industry Canada indicates that in 2011, 90% of Canada's exports were made by companies with fewer than 100 employees. Most of this is going to the U.S. and also to Europe. What's disappointing is that only 10% of Canada's small businesses are exporting. Since SMEs have an impact on Canada's economic health, and a lot of them that export already have Europe as a partner, we see the opportunity for that remaining 90% to use CETA as a springboard for their export debut.

Companies that are not exporting today have their work cut out for them. They need to know how to get their business certified to trade with the EU, they need to understand the duty-free benefits specific to their industry, and they should be aware of how to access procurement bids. They need to be ready when the agreement moves into force.

Now, this will take additional investment from the private sector and from government, but we know that the results can be worthwhile. The bottom line is that companies and countries that best understand how to leverage the provisions in CETA can take the right actions to gain the most benefit. Our exports will grow if we inform and empower our businesses to do this.

The second action the government can take is to continue to reduce the non-tariff barriers, such as complex customs processes. Modernized customs processes, like those signed in the recent WTO trade facilitation agreement, help to improve the flow of goods and secure the global supply chain. Canada and the EU have a unique opportunity to be the voices for modernized customs and encourage other countries to follow.

We hope that establishing a single window for the clearance of goods into the EU and Canada will be a priority. This would help to improve the flow of goods and also reduce administrative burden and cost for small businesses.

We're pleased to see CETA's inclusion of harmonized regulation while ensuring that safety is secured. In line with this thinking, we see opportunity for an aligned trusted trader program for those highly compliant importers who want to be successful in two-way trade. Making our businesses trade-ready and modernizing customs processes can help Canada achieve, and even surpass, the contribution estimated to the Canadian economy. CETA can deliver some significant results if the government is committed to taking this gold standard negotiated text and moving it to a highly strategic and effective launch and implementation.

Our vision at UPS is to bring the world's businesses together, through what we call "synchronized commerce", by leveraging our global network to coordinate supply chains and allowing customers of all sizes to compete in an expanding global economy.

[Translation]

A commitment by Canadian policy makers to launch CETA effectively and dedicate more work towards reducing bottlenecks in the supply chain will help UPS to play our part.

[English]

We're ready to provide further constructive input and we're ready to promote the agreement with our customers. We view it our priority to make CETA as successful as possible and to do this as quickly as possible.

Thank you and I look forward to answering any questions.

**The Chair:** Thank you very much for your testimony and we look forward to the question and answer period. Before we get to that we'll ask Mr. Nantais for his comments.

Mr. Nantais, the floor is yours.

**Mr. Mark Nantais (President, Canadian Vehicle Manufacturers' Association):** Thank you very much, Mr. Chairman.

Good morning, members of the committee. Thank you for providing this opportunity to speak to you today about international trade and CETA in particular. CVMA is the industry association representing Canada's leading manufacturers of cars and light trucks. Our membership includes Chrysler Canada, Ford Motor Company of Canada, and General Motors of Canada.

As the number one contributor to Canada's manufacturing GDP, the automotive manufacturing sector is one of our country's most important economic drivers. Last year, Canada manufactured almost 2.4 million vehicles, both cars and trucks, with Chrysler, Ford, and General Motors accounting for roughly 62% of that total. But our effect in the economy spreads well beyond assembly plants. For every auto assembly job, nine other jobs are created elsewhere in the economy. No other manufacturing sector can boast such a high job multiplier. That adds up. There are about 500,000 Canadians directly or indirectly related to employment in the automotive industry from coast to coast.

Trade plays a very important role in our industry, which has evolved in response to a series of trade initiatives dating back to our earliest days. Front and centre, as some of you may recall, was the Auto Pact in 1965, which literally created tens of thousands of jobs in Canada, the principles of which were entrenched in the Canada-U.S. FTA and later in NAFTA itself. The end result was not just the

integration of our Canadian and U.S. economies, but also the complete integration of the automobile manufacturing industry and its supply chain, which operates seamlessly on both sides of the border.

Now after 50 years of carefully executed and irreversible policy decisions, Canadian auto production is geared to support an integrated North American market, providing larger economies of scale to offer the best products at the most competitive prices. I think as we go forward it's really important that I touch upon the global competitiveness reality that we now face in the automobile industry.

Trade is indeed critical to our industry's growth globally and in terms of our competitiveness in that regard. Motor vehicles and parts represent about 15% of Canada's overall trade. That's about \$64 billion annually. Already the automotive sector in Canada exports about 85% of all of its production. While the primary export destination is the United States, Canadian produced vehicles are also being exported to more than 30 countries around the world, including countries in South America, Europe, the Middle East, and Asia Pacific. This is also why we need agreements with favourable transshipment rules to assist us to export to countries outside the United States.

Canada's auto sector has consistently punched above its weight, making economic contributions disproportionate to the sector's already large size. But make no mistake, other competing jurisdictions and countries around the globe consistently and very aggressively take measures to nurture and grow their own domestic industry. Most notable is Mexico through its highly effective ProMexico organization, as well as the southern United States.

Canadian negotiators must not become complacent about the role that governments in other jurisdictions play in ensuring their automotive industry's capacity to generate employment and economic growth.

There are a number of principles that must underpin trade agreements in order for the auto industry to benefit. I would just like to comment on them briefly.

All trade agreements must recognize the high levels of North American integration, designed to maximize efficiency and investment opportunities. This fact is also a challenge for Canadian negotiators as they attempt to negotiate agreements that are actually beneficial to the auto industry, whilst not detracting from the benefits of North American integration.

Pursuing free and balanced trade was one of the key recommendations from the "A Call to Action" report, which by the way is a report that the CVMA delivered to each one of you and all members of Parliament late last November. It's a report that makes a recommendation specifically as follows as it relates to trade:

Free trade must be mutually beneficial. Canada is a trading nation and its auto industry has long been an advocate of increasing prosperity through mutually beneficial trade. As it seeks to develop new trade agreements, Canada should ensure that it gains meaningful and sustained access for Canadian-produced vehicles and encourages investment in the Canadian auto industry. Trade policy initiatives should be motivated by a goal of strengthening investment and production in Canada.

Successful trade deals must create a level playing field for Canadian companies by removing market-distorting non-tariff barriers. Free trade isn't free if Canadian businesses spend all their time arguing about the rules while their products sit on the dock in abeyance. Let's remember it only takes one non-tariff barrier to trade, such as a unique technical standard, to prevent entry into the party country.

• (1215)

Successful trade must include mechanisms to ensure regulatory consistency and fair trade in foreign markets. As the world moves toward regulatory homogeneity, the affordability of goods for everyone improves.

Ultimately, it's important to remember the significant contributions Canada's existing automakers have made, and continue to make, to Canada's economy and manufacturing sector. These large-scale capital investments were made within the context of an integrated North American marketplace. Adjusting for new opportunities outside North America will take time, which is why appropriate tariff transition periods are necessary. We must proceed with caution to ensure the business case for manufacturing in Canada is not diminished.

New trade agreements should not put Canada's existing automotive production footprint at risk and should focus on markets that provide meaningful opportunities to grow exports of Canadian-produced vehicles on a sustained basis, with timelines that allow the existing footprint to adjust accordingly.

Let's talk about CETA specifically. CVMA commends Canada and the European Union for concluding a high standard and comprehensive agreement in principle. CVMA and our member companies look forward to continuing the dialogue regarding the automotive-related aspects of the agreement and working closely with our Canadian negotiating team to take the devil out of the detail.

Fortunately, CETA is an agreement between mature economies. However, it is very important that we have a full understanding of the key elements of the deal in order to fully assess the auto industry's ability to benefit from its provisions.

I have already mentioned that bilateral trade agreements, whether CETA or agreements with other countries, must recognize that high level of North American integration, designed to maximize efficiency and investment opportunities. This is a primary challenge when negotiating bilateral agreements, which, as we've learned, sometimes requires creative approaches regarding rules of origin and regional value content calculation methodologies, as Canada's negotiators engage in FTA discussions. The same needs to apply to other bilateral agreements such as the Canada-Japan economic partnership agreement. In this regard, we believe our negotiators have been able to get an agreement on certain provisions in CETA which over time will benefit our industry and other integrated manufacturing sectors.

In this instance, I refer to the rules of origin and what, in essence, is a placeholder for the accumulation of content provision in the case of a U.S.-EU agreement, the discussions now under way, which would allow parts originating in the United States to count towards

the originating status of vehicles produced in Canada or the EU. This is extremely important as it recognizes that the EU, which has 27 member states from which auto parts, or content, can be sourced for content calculations, versus achieving content levels from within Canada alone, had the integration of the industry not been recognized. Failure to do so would ensure no duty-free access for Canadian-built vehicles. Once again the details around the applicable conditions will indeed tell the story.

The language included in the agreement concerning the content rule for parts, including the 50% transaction value exports, is also a subject requiring further discussion and clarification. It is important that the auto rules of origin methodology be as consistent as possible—that is, allowing net cost option, with averaging—with the Canada and U.S. FTAs to avoid adding unnecessary administrative costs and burdens on the industry and government. The automotive rule of origin methodology harmonization has successfully been accomplished in the FTAs involving both Canada and the United States. The burden of having to meet different rules would actually undermine the expected benefit to our industry.

While the timing of an EU-U.S. agreement remains unclear, the agreement in principle sets out a derogation of 100,000 units under which a more liberal rule of origin applies for non-originating materials. While it is our view that effective bilateral agreements should not be achieved through quotas, the derogation agreed to seems to provide sufficient levels of access until the EU-U.S. negotiations are concluded. We submit that we will need to have more clarity around the allocation sharing framework.

Again, Mr. Chairman, I want to thank you for the opportunity to appear today, and I would certainly be available to answer any questions members may have.

• (1220)

**The Chair:** I am sure both of you provoked some good questions with your testimony.

We'll start with Monsieur Morin. The floor is yours, sir.

[*Translation*]

**Mr. Marc-André Morin (Laurentides—Labelle, NDP):** Mr. Nantais, we know that there are companies that are very solidly established on the European market and have been for decades. I am thinking for instance of the Ford company. They already have a large part of the market and have European plants. I think that they are going to be able to adapt more easily than other manufacturers who are less well settled there and have less of a history there.

How do you think these other manufacturers, who have not made such inroads in Europe as Ford has, will adapt?

[*English*]

**Mr. Mark Nantais:** I think what you're referring to is the fact that Chrysler, Ford, and General Motors actually have a philosophy to produce where they sell, which is why right now in Europe each of those three companies has considerable production capacity.

What we're talking about here under the trade agreement is how Canadian-based plants can develop products, produce products, and ship products duty free into the European market. As the industry evolves as a global competitor, as companies evolve as global competitors, we want to keep what we have here in terms of our manufacturing footprint. We want to be able to produce vehicles in Canada, and in addition to the capacity in Europe, be able to ship from Canada to Europe, and provide the jobs and the investment opportunities here.

While it may be easier for some companies, it's really only Chrysler, Ford, and General Motors, and Toyota and Honda Canada that produce in this country now. Most of the upside of this agreement certainly in the short term will be from Europe into Canada.

•(1225)

[Translation]

**Mr. Marc-André Morin:** There are also agreements between certain European manufacturers and North American companies.

Aren't running the risk of seeing the market being flooded with European vehicles?

[English]

**Mr. Mark Nantais:** I think in the early stages of this agreement it is indeed the objective of the European manufacturers to ship more vehicles into Canada and North America. That is indeed the case now. There is about a 10:1 differential. In other words, for every one we ship into Europe, we get 10 into Canada now. We see this as a characteristic of all agreements now and future agreements that certain countries would like to enter into that; auto for the domestic industry is huge in terms of the economic benefits. These countries want to be able to ship their product into Canada whilst not making necessarily investments here. So it is a risk.

[Translation]

**Mr. Marc-André Morin:** There does not seem to be much consensus in Europe. For instance, the German industry builds vehicles that require much more fuel and pollute more. Chancellor Merkel prevailed upon her European partners to amend a text that called for CO<sub>2</sub> emissions to be reduced to 95 grams per kilometre. That standard was to come into effect in 2020. The European partners still have to hold meetings to discuss this.

In your opinion, how will our manufacturers be able to adapt to those standards?

[English]

**Mr. Mark Nantais:** In terms of the European CO<sub>2</sub> standards to which you refer, and we call them greenhouse gas standards, because our companies already have production in Europe, they must abide by the rules in Europe.

In North America a huge transition is now under way. We are already more stringent on smog-related emission standards than Europe is. This comes about from the fact that we actually harmonize our standards between Canada and the United States. We are world leaders when it comes to smog-related emission standards. The new CO<sub>2</sub> standards, the current ones and then from 2017 through to 2025, will be unprecedented in their stringency.

As we already have production in Europe, we have to meet their standards. That's the way it is. There is great debate in Europe now about making those standards more stringent. Whether that happens or not remains to be seen. Certainly in North America we are not debating it; it has already been determined that we are going to be moving to much, much more stringent CO<sub>2</sub> standards for vehicles.

In the end, the idea would be to have global standards where all vehicles would meet essentially one standard that would be acceptable in all jurisdictions. That would be the ultimate objective, but one which is very difficult to pursue in a short period of time.

[Translation]

**Mr. Marc-André Morin:** Ms. Falcone, I understood from your comments that the government has a certain role to play to allow businesses to benefit from the agreement.

Can you give us some concrete examples of the role the government should play to ensure that our businesses profit from the agreement?

•(1230)

[English]

**Ms. Cristina Falcone:** Certainly.

Once again, we've been using the "Technical Summary of Final Negotiated Outcomes" to begin the education of our customers. We think industry's clear outline of tariff reductions and the benefits of going into the EU is a very positive start.

Increasing awareness in general through further communications—and maybe speaking directly through the trade associations to specific industries that will benefit and working with the provincial partners to get that message across—will also be beneficial. This was a landmark deal in terms of working with the provinces to deliver unique benefits across the country, which they bought into.

We think taking that to the next step—making sure the province communicates with industries located there that can benefit—will go a long way, as will having trade missions, increasing business relationships, increasing the dialogue, and continuing the dialogue with stakeholders like the Canadian Manufacturers & Exporters, I.E. Canada, and companies like us that have private companies looking to expand their export opportunities.

**The Chair:** Thank you very much.

Mr. Hiebert.

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

Thank you, both of you, for being with us today.

My first question is for the Canadian Vehicle Manufacturers' Association. In your remarks you made it fairly clear that you're looking for clarification on a number of different areas. I would like to provide you an opportunity to elaborate on where you think clarification needs to be provided.

You highlight the content rule for parts, in particular the 50% transaction value exports through those boards, and the methodology and the net cost option.

For the benefit of those of us who do not have an intimate knowledge of auto manufacturing, could you just elaborate on those key concepts that you're looking for clarification on?

**Mr. Mark Nantais:** The whole area of rules of origin... determining originating materials is done through different methodologies. You have a regional value content; you can have what is called value cost; or you can have net cost. It's beyond me to get into a huge amount of detail on this.

But whether we can use the existing net cost methodology with averaging, for instance, is one area where clearly it's being considered, I believe, based on what we've read in the agreement in principle document. But again, the devil is always in the details. As Madam Ambassador mentioned, those technical details are now being worked out between the negotiating teams. Sometimes a small detail can make or break whether or not you get a benefit. So we are making ourselves available to the negotiating team to the extent they can share that information with us, to help them in turn put in place or get agreement on the necessary details to ensure, basically, that we are able to benefit from this.

We have high expectations for this agreement. We think it really sets the standard, going forward, in many different respects. We want to take advantage of all the benefits that could accrue through the various provisions. For instance, under the 100,000-unit derogation, how is the allocation framework actually going to be allocated? That is another example of some of the details we would like to see. Obviously we want an allocation framework that's going to be fair for everybody. We want an allocation framework that's going to be reflective of growing markets. What is the market going to be in Europe four or five years out, or until such time as the U.S.-EU agreement comes forward?

We want to be able to take advantage. If that allocation derogation, or derogation—whatever you want to call it—as a quota is insufficient, should that be changed? Should there be a mechanism to change it or adjust it as we go forward?

These are all the things that ultimately we don't know because we haven't seen the text. We're optimistic, but I think even the negotiators will say that until we actually get that final text, it's very difficult for them to go out to industry, whether it's our industry or any other industry, to say, "Here it is, and we think that it's very beneficial to you".

So we're just looking for the opportunity to go through those details and make sure that we as a country and an industry and a sector can benefit from that.

• (1235)

**Mr. Russ Hiebert:** Great. Thank you.

Ms. Falcone, you talked about the importance of international trade to your industry and how, first of all, a large number of small and medium-sized enterprises weren't aware of the trade agreement or weren't sure how to take advantage of it.

What is UPS doing to help promote CETA or the opportunity that CETA presents to its customers?

**Ms. Cristina Falcone:** As an international logistics company we have experience all over the world. We have insights into how the

economies are growing, where the opportunities lie. We present that information to our customers if we're seeing strong growth. For example, we put out our earnings this morning, and international volume growth exceeded U.S. domestic growth for UPS. This is starting to change what our patterns have been. Much of that growth was in part due to Europe, in Poland, Italy—very strong package volume growth. We share this information with our customers.

We're also doing a lot on industry sectors. We're identifying sectors and really diving in and understanding what the opportunities are for these sectors. Obviously, we want to grow exports, so we look for markets of opportunity that would be interested in purchasing Canadian goods. We show them what the trends are. Then, you know, it's our goal to take what we have right now from the CETA text and what's going to come out.... We're not trade lawyers, but as best as we can we're going to show them that for their specific industry, in high-tech or automotive parts, this is where we think they can benefit and here are the countries that may have an appetite for their goods. That's what we're doing right now.

We also hope to work with CME on their Canadian-Europe business connections—they're working to build that dialogue—and to bring our expertise to the table on what they need to know about customs, because we're also the world's largest customs broker. We make revenue off it, but we also work to reduce the administration and non-tariff barriers so that we can make it easier. So we're trying to provide some education in that regard as well.

**Mr. Russ Hiebert:** You talk about sectors that might benefit. Have you at this point identified which customer sectors would have a greater advantage from this agreement?

**Ms. Cristina Falcone:** As I mentioned, a lot of the tariff reductions on seafood, like the decrease in duties, even though there are derogations, on the frozen lobster, on the peeled and cooked shrimp.... So in that industry sector, it's great for us because we opened eight new facilities in Atlantic Canada two years ago. That was the last area of the country where we were using an agent. We want to fill these facilities with outbound volume. We were pleased to see these provisions came out, and then that was endorsed by the premiers in these provinces, applauding the deal and the changes that were made. That's one specific sector.

Other reductions in duty on industrial goods, plastics—there's a range. We're going to see more when the detail comes out, but we're watching it closely. Again, the more diversity we have, the better for our business. We think that this deal is quite comprehensive. You're seeing benefits across a range of industries.

**The Chair:** Okay, very quickly.

**Mr. Russ Hiebert:** My perception is that UPS deals in smaller parcels and packages as opposed to large-volume containers. Is that a proper perception?

**Ms. Cristina Falcone:** No, we actually do it all. We do the less-than-100-pounds, which you would typically refer to as “courier”, when you're seeing the brown package cars on the road, but we do freight forwarding. Then we even do supply chain and logistics management, so we'll store inventory for health care, for medical products, retail. Changes in natural resources, those benefits, that's going to benefit us as well.

**The Chair:** Okay. Thank you very much.

Mr. Pacetti.

**Mr. Massimo Pacetti:** Thank you, Mr. Chairman.

Thank you to the witnesses for being here today.

I listened to your presentations, and I think the agreement will benefit UPS more than it will the Canadian vehicle manufacturers. I'm going to probably ask the same question to both of you, but I'll start with you, Ms. Falcone.

UPS can't fail. No matter what happens, you're going to get busier, because whether it be moving parcels, small parcels, big parcels, or containers, you can't lose on this, right?

**Ms. Cristina Falcone:** We can't lose. We have operations in Canada and we have operations in Europe. But I'm here representing Canada and we want exports from Canada to grow—

• (1240)

**Mr. Massimo Pacetti:** Obviously, yes.

**Ms. Cristina Falcone:** So I mean for us, again, trade deals are great.

**Mr. Massimo Pacetti:** It's a win-win.

**Ms. Cristina Falcone:** It's win-win, and we've seen this all over the world.

**Mr. Massimo Pacetti:** You're saying you have operations in Europe. Is your goal going to be to make sure you're busy both ways—

**Ms. Cristina Falcone:** Yes.

**Mr. Massimo Pacetti:** —so, say, with containers, making sure your goods are going one way, and then making sure the containers come back full as well, right?

**Ms. Cristina Falcone:** That's right.

**Mr. Massimo Pacetti:** So that would be a challenge, or do you think that you'll have enough business with containers being full both ways?

**Ms. Cristina Falcone:** We do meet capacity.

**Mr. Massimo Pacetti:** You don't feel that Europe will benefit over Canada or Canada will benefit over Europe? Do you have any feeling on that?

**Ms. Cristina Falcone:** We've done the study. We took a look at the macroeconomic analysis that was done by the government on the projected growth due to CETA. We layered that against our trends and the applicable goods that we tend to carry at high capacity. From a percentage basis, Canada is in a position to gain more versus the EU coming into Canada. We always want capacity. We don't want to ship out empty planes and then bring them back, so we see a good—

**Mr. Massimo Pacetti:** Let's use the example in the Atlantic provinces where you said you opened eight facilities.

**Ms. Cristina Falcone:** Yes.

**Mr. Massimo Pacetti:** Would you have opened any facilities in Europe?

**Ms. Cristina Falcone:** We've made significant enhancements in Europe in health care facilities. That's been more of our focus versus the package operations. We did open in Cologne a few years ago. We increased the capacity for package....

**Mr. Massimo Pacetti:** I have one last question. With respect to the comment about the non-tariff items, modernizing customs and all that, what exactly is the problem? Now, all of a sudden, are the goods that are going to come tariff free going to be expedited versus the items that are going to be duty imposed?

**Ms. Cristina Falcone:** No.

**Mr. Massimo Pacetti:** That's what you're asking for.

**Ms. Cristina Falcone:** That's what we're asking for.

Tariff reduction is great. It gives new access.

I think this was mentioned in Mark's testimony as well. If you've got these non-tariff barriers that are causing things to be held on a dock, then it doesn't matter how low the tariffs are, it's going to impact the competitiveness and time to market. Single window.... It's very technical, but if we can submit everything electronically and have all the government agencies review versus having to file with multiple agencies—

**Mr. Massimo Pacetti:** I just want to get to Mark quickly.

The alarming statistic that you gave us is that for every one car that's exported 10 are imported. I don't see how we're going to do any better in the vehicle exporting business versus the importing business.

Can you respond to that?

**Mr. Mark Nantais:** That's certainly the ratio that would exist now, even with the Canadian tariff in place. The key here for us is from Canada, from our Canadian plants, as global automakers.... People refer to Chrysler, Ford, and General Motors, as the D3 with a certain connotation that we're very myopic in our export aspirations and so forth. In fact, these are companies that actually do business in 30 countries around the world producing and selling vehicles so they are indeed global companies.

The idea here per the “Call to Action” report of the Canadian Automotive Partnership Council is how we get our plants—and it's already happening—to evolve so that we have global platforms so that we can export products from Canada to these countries with which we have a trade agreement.

**Mr. Massimo Pacetti:** What's the answer?

**Mr. Mark Nantais:** The answer to that is it's evolving. This is why I mentioned the fact that appropriate tariff reduction schedules are needed so that we can take time to evolve. Clearly, we have been structured to service the North American market primarily. We're highly integrated. That will evolve, and as it evolves we're hoping that through these agreements we can open up new opportunities. For the short term I think you can say that the upside is going to be mostly on the Europeans.

**Mr. Massimo Pacetti:** Because some of the—

**The Chair:** Your time is all gone, but very quickly, please.

**Mr. Massimo Pacetti:** That's fine.

Thank you.

**The Chair:** Mr. Holder, the floor is yours.

**Mr. Ed Holder:** Mr. Chair, I'd like to thank our guests for being here today. I really appreciate the commentary that you've given us.

Mr. Nantais, thank you for your formal presentation and your responses. As I was listening to your opening remarks, acknowledging it's really the Detroit Three that you represent in terms of Chrysler... We call them the Detroit Three affectionately.

**Mr. Mark Nantais:** I'm glad it's affectionately.

**Mr. Ed Holder:** With Chrysler, Ford, and General Motors, I was actually surprised I didn't hear an acknowledgement of the strong support the federal government provided. Certainly, it's a great part of the organizations that you represent. I'm sure you'd want to comment and set the record correctly that that mattered, unless it didn't matter. I'm not sure. You might have a thought on that.

• (1245)

**Mr. Mark Nantais:** I'd certainly love to comment on that.

Quite frankly, if that decision hadn't been made, and had the hard political decision not been made to provide support to General Motors and Chrysler, not just those two companies wouldn't be here today or in Canada, but we probably wouldn't have an industry here that hadn't gone through extreme upheaval and hardship with many more jobs lost. To set the record straight, if the Government of Canada, in conjunction with the Government of Ontario, and in conjunction with the U.S. government, had not intervened the way they did, we probably would be in dire straits relative to our auto industry today. We are greatly appreciative of that in terms of—

**Mr. Ed Holder:** It's very kind of you to volunteer that information.

The question I have is about some of the comments you made in response to one of my colleagues. I'm trying to understand. It seems to me that in the auto industry—you talked about the integration, and the highly integrated market that we have between Canada and the United States—we've moved from an emissions and safety standard, we've got a North American model. It's a very high standard. Would you imagine, as we develop CETA—and, of course, Canada is not done with its trade agreements—that your industry would maintain a high-level standard on that global platform that you've talked about? What's the objective? Would you go to a lowest common denominator or would you be the ones who set the bar? I'm just trying to get a feel for that from you, please.

**Mr. Mark Nantais:** I don't think any company or country would want to go the lowest common denominator. I don't think that's on the table. There is, you know, opportunity for discussion around standards, homogeneity, as I talked about. If we had global standards, that is the optimum. Where all vehicles can be one standard, could enter any market around the globe, is the penultimate goal here.

I could quite conceivably see ongoing discussions with Europe and the U.S., presumably Europe and Canada, but also all three working towards standards that might reflect, you know, the basis of setting standards which are sort of equivalent, functionally equivalent if you will.

**Mr. Ed Holder:** Not to get off topic, but would you imagine that's happening in Mexico?

**Mr. Mark Nantais:** Mexico is part of NAFTA.

**Mr. Ed Holder:** I know.

**Mr. Mark Nantais:** Mexico hasn't come as far as we have to date, relative to both the extent of the standards that we have and the enforcement of the standards that we have, but they are coming along. Certainly in discussions I've had with my Mexican counterpart, they are moving forward in that same direction. It'll take them time, though.

**Mr. Ed Holder:** Just one final question for you, please. Where I get a little confused about this is we've got strong manufacturing facilities in the United States and in Canada, and we know the integration there. We know that the three major companies you represent have facilities in Europe, but I'm trying to get a feel. What's the passionate interest that you have for CETA? How does that help Canada when you already have manufacturing facilities in Europe?

**Mr. Mark Nantais:** Where it helps Canada is, again, we're looking at global platforms here. If you want to be competitive, you want to maximize your production and capacity utilization. It hasn't been a well-known fact, or people haven't recognized that. But when we went through 2008 and 2009, through the deep recession—and I've been around for 30 years in the auto industry, I've never seen a trough as deep as that, with the extent of the damage it had on the economy and in the auto industry—we took out capacity so that we could maximize capacity utilization. Other countries around the world haven't necessarily done that, but probably should have done that. Because they haven't done that, now they're trying to protect that capacity by exporting to our market here.

That's one of the things I talk about. When it comes to our negotiating teams, that's one of the challenges here. You've got a very successful integrated industry here. You've got perhaps other countries around the world seeking to come to Canada because it's in their interest with their domestic industry. From our standpoint, and because we're global manufacturers, because of global competitiveness generally speaking, the only way that we're going to keep capacity here is to find ways to create a business case for new investment, and in the course of that new investment increase the technology in our plants, increase the product, the benefit that we have, and sell it abroad. That's the ultimate goal here. We'd like to see it from our Canadian plants, pure and simple.

• (1250)

**Mr. Ed Holder:** Thank you.

Ms. Falcone, when you mentioned that you did the polling, I was quite surprised that only 47% of Canadians knew that we had signed an FTA. There might have been some other things going on in the House of Commons that might have distracted from that announcement, but my question of you is: did you actually survey businesses or was this just a broad Canadian...?

**Ms. Cristina Falcone:** This was a broad Canadian survey.

**Mr. Ed Holder:** It'd be interesting to know what percentage of businesses actually know—

**Ms. Cristina Falcone:** It would.

**Mr. Ed Holder:** —because those are the job creators. Those are the ones that will take advantage not only of your services, but buy Mr. Nantais' cars and so on. It strikes me that the key is what percentage of businesses know.

**Ms. Cristina Falcone:** Definitely. That's more work that we're going to be continuing as we move forward.

I can say that in our conversations with associations that we belong to that, while the larger companies certainly are engaged and aware, and some of the smaller companies may have a general awareness, they certainly haven't dug into the details.

**Mr. Ed Holder:** Fair enough. In your testimony you made an interesting comment about establishing a single window. You went into some detail as to what that involves in terms of clearance of goods into the EU. How can we do that better?

**Ms. Cristina Falcone:** We see a lot of alignment, like my colleague with the beyond-the-border objectives of regulatory harmonization and the progress that we're making there. So we're trying to implement a single window when you're importing into Canada from the U.S. In the past you would have had to file with maybe nine or ten different government agencies for one commodity. This year we hope we're going to have a single window, where it would just go through one electronic window and all agencies could approve that.

We would like to see the same thing between Canada and the EU, where they don't have to file with all these different departments to get the goods released.

**Mr. Ed Holder:** Thank you, both.

**The Chair:** Thank you very much.

Madame Liu.

[Translation]

**Ms. Laurin Liu:** Thank you, Mr. Chair.

Mr. Nantais, my questions are for you. I found your testimony very interesting and I thank you for it.

I am the federal member of Parliament for the city of Boisbriand which is located north of Montreal. In my area we know very well that free trade does not necessarily translate into more jobs. As you may know, the only automotive assembly plant in Quebec, which used to employ 3,200 people, closed its doors in 2002, despite all of the promises that went along with the Auto Pact and NAFTA. In

your statement you did make it clear that free trade will not necessarily help the workers in my riding.

You also mentioned that European manufacturers want to export more cars to Canada. We already have a relatively high trade deficit with the European Union in the auto and auto parts sector. If I am summarizing your position correctly, this agreement between Canada and the European Union is going to increase Canada's trade deficit regarding autos and auto parts. Is that actually what you said?

[English]

**Mr. Mark Nantais:** I'm not saying that it would further increase the trade deficit in autos. I would say in the initial stages there will probably be a continued imbalance. The former ambassador spoke about competition. We believe we can compete in any place and any market around the world. Again we have to have fair access to those markets. We have to have access without constantly putting up new non-tariff barriers and so forth. When that happens, we think that Canada can compete in any global market.

[Translation]

**Ms. Laurin Liu:** You said that in order to adapt to the realities of free trade, plants would have to follow suit. Could you provide us with more details on that? What investments will be required to update those plants?

[English]

**Mr. Mark Nantais:** Plants are already undergoing an evolution. The new Ford announcement for instance is geared to a product that is intended for the global market. That means having an awareness of the product in that market and whether it's going to be acceptable and successful. That's a question of putting in place the innovation necessary in terms of advanced technologies in manufacturing to become more productive, and that includes quality and so forth.

So these plants will change so that they are able to produce products not just for Canada or the United States or North America or the western hemisphere but virtually everywhere. Ultimately, you can't do that overnight because the auto industry is a very high-capital investment industry. A new plant is basically \$1 billion or more.

We've taken out a lot of capacity in Canada because of the recession, but the resulting plants are in a better position to compete with products abroad and produce the actual product for those markets. It's an evolutionary process but it does take time. The key being high-capital investment in making the business case to ensure that we get a new product mandate that is global in nature. When I speak to the "A Call to Action" report, there are several aspects there that would constitute the basis for that new positive business case for expanding plants.

• (1255)

[Translation]

**Ms. Laurin Liu:** Mr. Nantais, I have several other questions I would like to put to you.

[English]

**The Chair:** You have about half a minute.

[Translation]

**Ms. Laurin Liu:** They mostly bear on the following topic.

A study conducted for Foreign Affairs, Trade and Development Canada predicted that the possible effects of a CETA with the EU on the Canadian automotive sector would lead to a 0.16% reduction in automobile production in Canada.

Are you aware of that figure?

[English]

**Mr. Mark Nantais:** I'm somewhat aware of those numbers. That's a report that is fairly old at this point in time.

It's really a question of what transpires, what the details of this agreement are, and how we are able to benefit from those, so I'm not going to put a lot of weight on those numbers at this point in time.

**The Chair:** Thank you very much.

Mr. Hoback.

**Mr. Randy Hoback:** Thank you, Mr. Chair.

I'm going to share my time with Mr. Shipley, just so you're aware of that.

**The Chair:** Yes, fine. We have him with us again.

**Mr. Randy Hoback:** Yes, exactly.

Ms. Falcone, you talked about red tape and elimination around customs and red tape, and I agree with you. I think we need more than five minutes to talk about examples of that, so if you have some examples of that I would definitely encourage you to submit them to the committee on things that we could identify that we should be addressing in that area.

When I am kind of curious about—and Mr. Holder touched on it a bit—is when we do a deal like this, it is such a big deal that I get concerned that the business community, especially small business, doesn't recognize the opportunity that's there. I wonder if there is responsibility for the government to be part of creating that awareness. Is there a responsibility for the business community to step up and make that information available? What do you think?

**Ms. Cristina Falcone:** Sure there is. Certainly for the business community, the associations, private sectors that are going to benefit, it's our responsibility to educate.

We would just encourage the government to continue to do what you've done through this initial text in getting the word out, and if with the provincial counterparts you can do that as well, we think that would be helpful.

**Mr. Randy Hoback:** The advertising, education part of it is very important.

**Ms. Cristina Falcone:** Yes.

**Mr. Randy Hoback:** Okay.

Mr. Shipley, I'll turn it over to you now.

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

Actually the last one is quite a question because it's one of the ones that we struggle with when we do announce good things, for which there is sometimes criticism. These are so important.

Mr. Nantais, I have just a quick question. I want to follow up on my colleague. When we met with the auto industry people they told us that Canada is the most expensive country in the world in which to produce auto parts or automobiles. Your comment, which is very good, is that you believe, as auto manufacturers, that you produce where you sell, which means that you produce in Canada. You produce in North America and you produce in Europe. I think you said the number was for every 10, every 1 that we sell to Europe, we get 1 back, or is it maybe internationally?

I guess I'm trying to understand the fact that we don't have European manufacturers in Canada. You've indicated Canada is one of the most expensive countries in the world in which to produce. How is that number going to change when we don't have European manufacturers in Canada? There's a consumer preference, obviously, by a number of consumers to have European automobiles.

**Mr. Mark Nantais:** The response to that is there are several ways in which it changed, and has changed. Are we where we should be at this point in time in terms of cost in Canada? Probably not. There is still some distance to go, but if you take, for instance, our productivity from 2009 through 2012, it has actually increased by 22%. That's one way.

Second, we have some new labour agreements that will help with the cost of labour. Is there more room to go on those? Yes, there is. We look for efficiencies. This is why we say that regulatory harmonization is really critical whether it be Canada-U.S., federally, provincially, particularly in Ontario. There's another area that is very ripe in terms of providing greater efficiency and cost savings.

There are still a lot of things that we can do, which we have started to do but there is still a good distance to go, as I've said, but it's the combination of all of these things that will help us keep the cost of doing business in Canada to a more beneficial level.

• (1300)

**Mr. Don Davies:** Mr. Chairman, I have just a friendly point of order.

**The Chair:** Okay. Go ahead.

**Mr. Don Davies:** It's just a friendly one to Mr. Shipley, because I know he wouldn't want to leave the record....

He said that for every one car we ship to Europe, we get one back, and he quoted the witness. But the testimony by the witness was that actually we get ten back for every one that we ship.

I just didn't want the record to be—

**The Chair:** That's fine, although that's not really a point of order.

Go ahead, Mr. Shipley.

**Mr. Bev Shipley:** Yes, it was ten to one I'd meant.

That said, that is good, because I think one thing Canada is always recognized for is its quality. I can think of fuel efficiency. What we're doing in Canada is so important. We had that relayed earlier, actually, that significance, and you have reaffirmed that.

Madam Falcone, we see these trucks on the road all the time, moving products. It's great to have you come to our committee. Thank you. You laid out the benefits here—

**The Chair:** Very quickly.

**Mr. Bev Shipley:** —that if you have trade, you have growth, and if you have growth, you have more employees.

How do you feel that this agreement will actually help your productivity, or help the efficiencies within your company grow?

**Ms. Cristina Falcone:** Again, as I mentioned before, we work on capacity. That trade deficit is important to us. We know that imports are critical, because often they end up being part of exported goods. We don't want to send out empty planes. If we have capacity coming

into Canada and going out, it improves our cost to serve, which helps us win more business.

**Mr. Bev Shipley:** Thank you.

**The Chair:** Thank you very much.

Mr. Hoback just wants to know whether UPS handles grain, because we're having a little problem right now.

**Voices:** Oh, oh!

**The Chair:** We want to thank you very much for your testimony. It's been very valuable, and we appreciate that.

With that, we will adjourn the meeting.

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