



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on International Trade

CIIT • NUMBER 016 • 2nd SESSION • 41st PARLIAMENT

EVIDENCE

Tuesday, February 4, 2014

Chair

The Honourable Rob Merrifield

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• (0905)

[English]

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

We've had three meetings on the TPP, the Trans-Pacific Partnership, between Canada and our Trans-Pacific Partnership partners, and we want to continue our study today. We look forward to the testimony of the witnesses we have before us today. This will be the fourth meeting.

From the British Columbia Cattlemen's Association, we have Kevin Boon, general manager; from the Canada Wood Group, we have Paul Newman, president; and from Interfor, we have Ric Slaco.

Thanks to all of you for being with us. We look forward to your testimony, after which we'll get into the question and answer portion of the meeting, which is always interesting.

This is, I should say, another day in paradise if you look at it from Ottawa's eyes. I'm from Alberta, so I don't see it quite that way. Nonetheless, we are pleased as a committee to be here on the coast of British Columbia, on the west coast, enjoying the weather.

With that, we will start.

Mr. Boon, the floor is yours, I believe.

Mr. Kevin Boon (General Manager, British Columbia Cattlemen's Association): Thank you very much for the opportunity to be here today and to present to you on behalf of the B.C. Cattlemen's Association and its members. In a lot of ways, our industry is very much a national industry, so what is good for us here in British Columbia is the way it works for us pretty much right across the country.

I want to begin by talking a little bit about the importance of the beef industry to Canada and British Columbia, and about trade in general. Trade access to all markets is extremely important. In 2003, with the discovery of BSE in Alberta we saw all of our doors close. With an industry that exports close to 50% of our product out of Canada, we can't eat our way out of a situation like that. The six months that it took for the U.S. to open its borders were extremely difficult for us. Since then we've gradually seen the doors open to other countries and other trading partners around the world, but it's been slow and there have been a lot of restrictions and regulations put on us, which has also made it difficult to gain access. I'll address some of this as I go through what the TPP means to us.

Global supplies of beef are at an all-time low. We need these markets to incite the investment that we need to grow our industry

back here in Canada. Being at the table with the Trans-Pacific Partnership is actually quite important to us. Especially with our vast expanse of arable lands here in British Columbia and Canada, we know that over the next 20 to 30 years, 30 to 40 years, we're going to probably become one of only six countries in the world with the ability to produce more than what we can consume. Knowing that, we have to prepare for that for the future. We have to make ourselves invest in what we're going to need in 30 years' time, because we feel that agriculture and the beef industry will be very important economic drivers for Canada and British Columbia.

One of the things that we consider here in B.C.—and I know that our provincial government has made it very clear—is that we are a gateway to both Canada and the Pacific. As such we can showcase, as you pointed out Mr. Merrifield, the beautiful country out here and the vast resources and the environment, which is very inviting when we have the Asian and Pacific markets coming over to visit us. That's what they see and that's what they take home, and it's a huge selling point for us in our industry.

One of the things we have to consider in all of this is that with our industry and what we do, we have an animal that we break out, a carcass. It's roughly 900 pounds of raw product to utilize. But not all countries or cultures want to utilize the same parts of that carcass, so it's extremely important for us to have a wide variety of different markets available to us. We call it whole-carcass utilization.

The signing of the CETA was extremely important to us, one, because of the volumes; two, there are no tariffs; and three, they're utilizing parts of the carcass that we're not utilizing in other parts of the world. This brings in the Pacific and Asian partners; they're utilizing different parts of that carcass. If we can do that in a way that we are spreading that around the world, it allows us to utilize and get a premium for all portions of that carcass, rather than just part of it.

So whole-carcass utilization is important, and that's why getting markets around the world and in different areas is very important to us.

The other part about this is that we're so dependent on the U.S. right now. Approximately 45% to 47% of our product is being exported out of Canada, but of that, about 73% goes into the United States.

We are very dependent on that U.S. market. By creating partnerships in Europe and in the Pacific, we are able to spread that out and become less dependent on the U.S. It also helps our capacity and our processing. If we process it here at home rather than sending it south of the line to be processed down there, we're able to keep the jobs at home and we're able to add value in the processing sector, and that all helps us in the overall economics.

In the TPP consideration alone, we have to look at certain things, because it's not just a matter of having them at the table. It's having the right people at the table and making sure that we have a good balance. We know that coming into the Trans-Pacific Partnership, we not only have people we want to trade with but we have competitors sitting at the table there as well.

So in the plurilateral agreement that is being looked at here, it's very important that we are all equal and that there is not a benefit given to one, a quota taken here, or a quota taken there. All tariffs have to be removed in the same timely fashion to the same level for each of the countries, so that we are on an equal and level playing field. We also can't see these tariffs or hindrances being put on one country over another for such things as our health and our practices, so we need a standard. We would like to see it go under the OIE standards, and that way there is a set field and a set of guidelines that we all follow.

We also feel that it's very important that any decisions made must be science-based. We know that with emotion and with the quickness of media travel, some get the wrong interpretation or the wrong feeling or the wrong idea about some of what comes forward. So we must make sure that all decisions on the trades that are made, the deals that are made, and the standards going forward are based on science so that we're also on that equal playing field. It can only be beneficial that we are all on that equal playing field.

There must be a single agreement so that we include all the countries. I believe there are 11 or 12 right now that have signed up, and we know there are more to come. It wasn't beneficial to us really until we started seeing the likes of Japan coming online. Vietnam is very important to us, but Japan and Korea—which we have indication will probably sign—make it extremely important to us.

With the partners currently at the table, it's very important that we be part of it. To be outside of that circle would be a detriment as well. If you're not totally in agreement with the deal, that's one thing, but if you're outside of it, you have no say. So we feel it's very important to be part of the negotiations and part of the partnership.

B.C. is going to benefit from any agreement that it makes with any of the Pacific trading partners, and a lot of that is due to our proximity. It's due to the other products that we're marketing. The lumber industry, for example, has had great successes in China, and we know the value and the population base that we have to work with. It's extremely important for us in the beef industry to get that investment now so they can start to prepare and make their alliances so they can have some food security in the future. It's very important to us to be able to supply that.

With the growing need to produce safe high-quality food to supply a global demand, it's imperative that we be at the negotiating table, but it is equally important that we make the right deal. The

agreements reached here will mould our agricultural production and its economic impact for Canada for our future generations. The long-term effects must be carefully considered in the negotiations, but the opportunity to expand our trading markets is before us and we need to take advantage of it.

With that, I'll conclude my presentation. I thank you once again very much for the opportunity and I look forward to questions. I find that's the best place to actually get the real opinions out. Thank you.

● (0910)

The Chair: Very good. Thank you very much. We'll now move to our second presenter.

Mr. Newman from the Canada Wood Group, the floor is yours.

Mr. Paul Newman (President, Vancouver Head Office, Canada Wood Group): Thank you, Chairman Merrifield, ladies and gentlemen.

I'm going to be speaking today on the TPP and Canada's offshore wood product exports.

Quickly, I just want to tell you about the Canada Wood Group. We are an association of associations and we represent 10 regional wood product associations in Canada based in the Maritimes, Quebec, Ontario, Alberta, and British Columbia.

Our members export lumber, panels, engineered and value-added wood products to world markets. The organization provides market access and promotional support in target countries.

We receive support for our activities from Natural Resources Canada, a number of provincial governments, and matching dollars from the forest industry. We have offices in Europe, Japan, Korea, and China. We'll soon be active in India. We work closely with DFAIT and Canadian posts in many countries.

I should emphasize that the Canada Wood Group does not have a mandate to work in the United States. I'm joined today on behalf of B.C. producers by Mr. Ric Slaco who represents the B.C. Lumber Trade Council, which handles U.S. trade issues. So, if questions arise during the question period, Ric will handle those.

Like Mr. Boon who made, I thought, some compelling comments on market diversification, diversification for the forest sector has been critically important in recent years, especially given the slowdown we saw in the U.S. We also have a similar situation, interestingly like beef, where we have complementarity of products and markets. So, it's important to spread your product across many markets and in so doing maximize value and sales return.

In terms of the current participants in the TPP discussions, the United States, Japan, New Zealand, and Australia are long-standing and valued customers for Canadian wood products. By value, year-to-date, November 2013, the United States represented 65% of softwood lumber exports from Canada, with Japan at 12%, and Oceania at three-quarters of a per cent.

Canadian industry has expectations that countries like Malaysia and Vietnam hold promise going forward as new markets for softwood lumber. Although current sales are negligible, shortages in traditional supplies of tropical hardwoods and a relocation of manufacturing facilities to these countries from places like China and other higher-cost locales suggest that Canadian exports will grow to those countries.

The remaining members of the TPP group at the present time represent small customers for our industry and we don't have great expectations for increased business. I should note that the U.S., Chile, and Oceania are competitive exporters with vibrant domestic force sectors selling into world markets competing against Canada. In fact, Japan has a growing domestic capacity driven by expanding homegrown log supplies and aggressive government incentives.

When we look at some of the potential future TPP participants, there are a number of countries that we would view, if they acceded to the TPP negotiations, as a very positive development. China, as has been mentioned, is a very significant new customer for the Canadian wood products industry at close to 19% of export value, November 2013 year-to-date.

We believe that Canada's trade with China in wood products will continue to expand and diversify product-wise. Taiwan and Korea both represent approximately 1% each of 2013 exports and there's definitely room for growth. India and Indonesia fall under the same category as Malaysia and Vietnam, little sales as yet, but circumstances like changing fibre flows suggest that opportunities will emerge.

When we look at specific issues that are going to be addressed under the TPP negotiations, I would echo Mr. Boon's comments on tariffs. Wood products are subject to fluctuating exchange rates and relatively thin profit margins. So the export potential for Canadian wood products are very dependent on import tariff levels.

Where level playing fields have existed for all international competitors, Canada has shown it can compete. However, differential tariffs such as those presently existing in South Korea, as a result of the passage of the 2012 U.S., 2011 European, and the 2011 Chilean free trade agreements, can place Canadian exporters at a disadvantage.

● (0915)

Therefore, tariffs need to be addressed in any negotiation, and especially in those circumstances where Canadian producers could be exposed to higher levels than their competitors.

We also are subject to and affected by a number of technical barriers to trade. These include things like phytosanitary barriers. These are ostensibly erected to prevent the movement of invasive pests and diseases and are often well justified, but frequently they are unnecessarily robust or used as a trade barrier by some nations.

Product standards and building codes are also potentially an issue. As a prerequisite to get Canadian products accepted for approval in structural building applications, it's usually necessary that our products be included in foreign standards, or ideally, that we get direct recognition of Canadian product standards by import countries or customer countries. However, some countries insist on foreign products meeting their own standards, regardless of whether or not the product has been demonstrably fit for the purpose.

Conformity assessment systems refer to third-party certification of product quality and conforming to the standards to which they're manufactured. Canada has sound and very well-regarded systems for quality certification of solid wood products. These systems are recognized in many markets and accepted in their own right as assurances of product performance. However, some countries impose their own conformity assessment requirements on imports, which are usually duplicative and ignore Canadian marks of conformance. Therefore, wherever possible, we should strive to have Canadian conformity assessment systems and standards directly recognized to minimize cost and maximize flexibility.

With respect to environmental reputation, many countries are sensitive to environmental concerns and strive to implement sustainable solutions and use green building materials. Canada has an excellent story to tell in this regard. However, not all countries ascribe a positive role to wood in building or as a material. Therefore, every opportunity should be taken to advance Canada's image as a credible, sustainable supplier of wood products and to support the case for wood as an integral element in green building solutions. These barriers exist to greater or lesser degrees in most TPP countries. If possible, efforts should be taken to minimize the effects of these barriers and achieve recognition of existing Canadian systems where possible.

Existing TPP countries account for at least 78% of Canada's softwood lumber exports to world markets. When you add aspirant nations, real and potential TPP states represent close to 98% of Canada's current exports of softwood lumber, which was valued in 2012 at \$5.8 billion. Therefore, what happens in terms of TPP trade provisions that address tariffs and quotas, barriers to trade, procurement and competitive policies, and environmental requirements matter enormously to the wood industry.

Some suggestions that we would have for Canadian negotiators include provisions that limit the ability of countries like Japan to introduce preferential purchasing policies linked to incentives that favour the domestic industry. An example of that is the forestry agency's current wood-use points program, which represents a significant threat to Canadian market share. I've mentioned already acceptance and recognition of our conformity assessment schemes and product standards, and I've also mentioned environmental credentials and the potential for wood as a green material.

Again, we see some situations—Korea perhaps is the most outstanding—where our exporters are at a disadvantage, so negotiations within the TPP, but also within Canada's EPA with Korea, will be critical in levelling the playing field with other countries.

In closing, the Canadian forest industry greatly appreciates the work being done by our government to negotiate and put in place free trade agreements and trade deals. These agreements enable industry to perform commercially and bolster the export side of our business, which is a critical driver in the improving fortunes of the sector.

• (0920)

Thank you very much for the opportunity to appear before you today.

The Chair: Thank you very much for your presentation.

The forest industry is way ahead of governments in international trade. What you've done is to be admired, and you're all the better for it.

Ms. Crowder, the floor is yours for seven minutes.

Ms. Jean Crowder (Nanaimo—Cowichan, NDP): Thank you, Mr. Merrifield, and I want to thank the witnesses.

I'm going to start with the forestry sector because I come from the riding of Nanaimo—Cowichan that has long relied on the forestry sector for the health and well-being of its economy.

Over the last number of years we have seen a decline in the forestry sector. We've closed a number of sawmills, and it's really had an impact on the local economy.

One of the troubling issues that has been raised by a number of organizations is the fact that people don't have access to details around the TPP.

What's your comfort level? What kind of information do you have? What kind of details do you have, and how have you been consulted?

• (0925)

Mr. Paul Newman: That's a good point.

When I set out to prepare some remarks, I went on the Internet. I looked at material available from the federal government. I even looked at Wikipedia, things like that. Those were the sources I used.

I probably missed useful sources. I even looked at information from other countries like the United States and some others, Oceania and so on. I didn't find a tremendous amount of detail available but I thought I had enough to at least craft a position.

Ms. Jean Crowder: I appreciate both Mr. Boon and Mr. Newman coming with concrete recommendations because I think that's useful for the committee, but in effect, your list of recommendations is a wish list and is not based on having access to details from the TPP.

Mr. Paul Newman: I did see the scope of the areas the agreement is addressing and these resonated in terms of the issues we face in a number of the target countries.

I crafted it on that basis.

Ms. Jean Crowder: Before you go, Mr. Slaco, I want to say that a number of us have relied on leaks. I have the "TPPA Environment Chapter & Chair's Commentary Posted by WikiLeaks", so unfortunately we haven't been able to rely on our own government. We've had to go to WikiLeaks to get information, and this one has some very good information about the environment chapter, which it should have.

I've noted your comments around the environment, and this should have us very concerned.

Mr. Slaco.

Mr. Ric Slaco (Vice-President and Chief Forester, Interfor): Yes, in answer to your question, the forest sector does have an avenue to get information on the TPP and other trade agreements.

Ms. Jean Crowder: Would you be prepared to share that with the committee because you probably have insight that we don't have?

Mr. Ric Slaco: The mechanism for us to do that is through something that was established through the federal government's program to advise us on the softwood lumber agreement.

At the same time we get briefings, and I believe there are webinars and briefing sessions to advise us.

Certainly one of the most important aspects of TPP is to bring Canada forward in establishing modern trade agreements with trading partners outside the current ones.

While we are all learning from this—and I think even Canada's entry into TPP was partway through—it's a learning process for both of us. So despite the fact that there may be some limit in the information that's out there in text form, the opportunity that the federal government has provided by way of briefing—

Ms. Jean Crowder: I'm going to cut you off because I have only seven minutes and that includes my questions and your answers.

Mr. Newman, there are two points I'd like you to address. Yesterday we heard from some witnesses about the importance of value-added. First, has your organization done an assessment of your competitors and what the TPP might mean in terms of incursions into our own market?

Second, do you have a specific recommendation for this committee with regard to support for value-added, because those are the more lucrative jobs for the Canadian economy?

Mr. Paul Newman: I'm probably not the right person to talk about that, and the reason I say that is I mentioned we're an association of associations. My own expertise is in the solid sawn lumber industry.

We do have an organization called BC Wood Specialties Group, which is a member of our group. They would commission research and that sort of thing, but I'm not an expert in that area.

Ms. Jean Crowder: With regards to the assessment of competitors, what about supports for value-added?

Mr. Paul Newman: What about...I'm sorry?

Ms. Jean Crowder: If you were going to make a recommendation to this committee for how we could develop policy or protect within the TPP value-added, do you have some specific recommendations for that?

• (0930)

Mr. Paul Newman: Well, certainly tariffs and things like that should be minimized.

Ms. Jean Crowder: You talked about the standards.

Mr. Paul Newman: Yes, standards. Those can all be potential barriers to value-added products. There are phytosanitary issues as well.

Ms. Jean Crowder: So that's essentially what you presented in your presentation, but nothing additional comes to mind with regard to value-added.

Mr. Paul Newman: Well, you mentioned specific research on potential competitive nations, and so on. Again, I think you'd be better advised to talk to people familiar with the value-added sector.

Ms. Jean Crowder: Has the forestry sector had an opportunity to do an analysis on whether they anticipate additional job creation in the forestry sector? I'm interested in B.C., but in Canada as well.

Mr. Slaco or Mr. Newman, have you done any work in that respect?

Mr. Paul Newman: We have seen significant job creation. If you look at some of the aspiring nations like China, it was estimated that about 20 mills kept running through the downturn, representing many hundreds of jobs as a result of that 19% of shipments that I talked about that are flowing into China. There's real experience. Korea would be another market where we've seen excellent shipment growth—

Ms. Jean Crowder: But that's outside of the TPP—

Mr. Paul Newman: Yes. I'm not aware of any sort of projections.

Mr. Ric Slaco: There's no specific analysis. As I said, it's incredibly important to have modern trade agreements with trading nations. That in itself will be a benefit to us, whether it's a job next week, next year, or even 10 years from now.

The Chair: Thank you very much.

Mr. Hoback.

Mr. Randy Hoback (Prince Albert, CPC): Thank you, Chair,

Thank you, gentlemen, for being here this morning.

I come from the great riding of Prince Albert. We have lots of beef and forestry products, for sure. When my grandpa came to Canada, it's one of the things he did. He worked in the bush up in Big River and cut logs. My family also farms, so I'm attached to both sectors in my cultural history in Canada.

One thing I find really interesting is that the NDP keep trying to say that there are no jobs created from TPP, which we all know is absolutely false. They like to say that there's no benefit to doing a trade deal because there isn't a trade deal that they've ever liked. Don't be astonished by your questions from the NDP, because that's just who they are.

Mr. Boon, maybe I'll start with you. If you weren't involved in TPP, if you were on the outside looking in, what would that do to your sector, and how would it impact Canadian farmers across the Prairies and right across Canada?

Mr. Kevin Boon: We're in a bit of a unique position because of the effects of BSE right now. What we've really seen since BSE was discovered in 2003 is the use of that as a trade barrier. In joining in a partnership with TPP, a lot of these barriers have been more prevalent in the Pacific Rim and the Asian rim, where they'll allow some limited access. But they put such stipulations in place that it's hard for us to conform with our product. The TPP partnership is going to allow us to equalize some of that and put us on more of an equal playing field with some of our competitors. It's not just gaining access, but it's also putting us on a more equal playing field with those that also supply.

Mr. Randy Hoback: Wouldn't it be fair to say then that Minister Ritz has been out and about and very active over the last three years opening up those markets that BSE closed? It's called BSE, but in this case it was being used as a non-tariff trade barrier.

Now, with TPP you have a multilateral agreement. Instead of him going to every country one at a time, you have a multilateral agreement, plus the nature of a multilateral agreement is enforcement on a multilateral agreement, the ability to make sure it's enforced. That was the benefit to the cattle producers, for sure.

Mr. Kevin Boon: Definitely a benefit in that aspect, and I have to take my hat off to Minister Ritz and Minister Fast for the work they've done on trade. One of the things, especially with our different industries, is that we're a global market. We're a global community now. We can't necessarily just think of within Canada. The more we have at the table, coming up with an equal agreement or a comparative agreement, it's going to make it much easier for us to do business on a broader base. I talked about the value of that cut-out. Being able to get a premium for tongues and livers that we don't use is where it's at. Even within the Pacific, there are different requirements, so it really helps our value-added and our processing.

Mr. Randy Hoback: Yes, that's what I was just going to say: your utilization of different products for different parts of the world. CETA, for example, uses certain cuts, and then TPP will use other cuts. That means that the processing has to happen here in Canada in order to break shipment there. Again, it's another benefit back into the Canadian economy. That is jobs for Canadians.

Mr. Kevin Boon: Very much so. I've always felt one of the biggest mistakes we made following BSE was to open our own borders to live cattle leaving the country because we took away our processing opportunities. The more we keep at home, the more jobs we create and the more opportunity we have to add that value here at home.

The other really important part of the CETA deal that a lot of people don't equate is the fact that under the requirements for Europe, we have to produce feed that has no added hormones. China has been very adamant that they do not want any ractopamine. To not get too technical, the ractopamine is the carrier for a lot of the added hormones.

So by raising the beef for that European market, we create a product that is acceptable to China as well, and so the two of them blend very well. All this to say, if Europe is taking 35% or 40% of our carcass, and we still have 60% or 70% left to utilize, and all of a sudden we have another player that comes in and is taking 30% or 40% out of that, we're able to get a premium price for that in a way that we don't have to segregate on our line so much, so we can keep our costs down. It actually allows us to maybe produce a little more cheaply for our own domestic product as well. We're able to spread out that cost for processing.

One of the big advantages to opening these up is to be able to expand that capacity for not only production but for processing as well.

• (0935)

Mr. Randy Hoback: Mr. Newman, of course in 2008, the forestry sector...2007...coming from Prince Albert, we had our pulp mill closed. We've basically seen the whole forestry sector just collapse. To be honest with you now it's coming back. We have seen some of the sawmills opening up. The pulp mill is scheduled to open up in another 18 months hopefully, again, if we can find labour and the appropriate trades, which is another topic we'll talk about on another day. But one of the things I think created the problem is our dependence on one market for all the product we were making.

Of course, with the CETA and TPP you're going to have access to a wider range of consumers, 500 million in Europe alone, and then I'm not sure how many millions would be in Asia. That's the number that Mr. Holder could probably tell me off the top of his head.

What does that mean to the sector? Will that not give it a base level that's high enough that you could have consistent production throughout a wide range of different types of anomalies that may be country-specific?

Mr. Paul Newman: Yes, absolutely. We were hammered in the downturn in 2006-07, where we were over-leveraged in the U.S. market. Fortunately, there had been some work done starting in the late 1990s and early 2000s to buy companies—by groups like Canada Wood—to try to get our specifications and get our products recognized in some of these new Asian markets. That helped greatly.

As Mr. Slaco said, this is where we really see trade agreements as being critical to our future because I don't think the industry's going to want to get into a dependency situation like we had.

Mr. Randy Hoback: So it's fair to say, then, if we weren't at the table, for example, on TPP, your industry would be at a huge disadvantage compared to other countries you compete with in the global market.

Mr. Paul Newman: Yes. I think we would be looking at the opportunities that our negotiators could leverage. But also if we weren't in the game and were being left out in terms of non-tariff barrier agreements and so on, it could badly impact us, I think.

Mr. Randy Hoback: But that's basic macroeconomics. You don't need to see the fine details of the deal to understand that. Correct?

The Chair: Okay, that's it now.

Our analyst has just told me there are 792 million people in TPP. There you go.

Mr. Pacetti, the floor is yours.

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

Thank you to the witnesses for coming here and appearing before us.

I guess my first question would be for you, Mr. Boon. My understanding is that when we sign free trade agreements it's normally about duties and tariffs, but you mentioned it will put your industry on equal footing with some of your competitors, more on a regulation and conformity type of basis.

Can you comment on that? Is that going to be part of the negotiations? Have you had any input regarding that? That's going to be important.

Mr. Kevin Boon: Yes, it is. Through our Ottawa office of the Canadian Cattlemen's Association, John Masswohl has been very engaged in the process with our Canadian government in putting forward the facts. We also have what we call our Five Nations Beef Alliance, where we ourselves are partnered with the U.S., Mexico, New Zealand, and Australia. Those are some of our major competitors.

Where our disadvantages come are in what was put down in the regulations and what we have to adhere to since BSE. So we have to do some extra steps that put us definitely at a cost disadvantage. It's why it's so important we use a science-based approach to this, so it's understood that yes, we might have some restrictions that the others don't have as we phase in, but we have the ability to get to that level.

● (0940)

Mr. Massimo Pacetti: Sorry to interrupt, but it has nothing to do with duties and tariffs. It's mainly about conformity of regulations and making sure that's all the same.

Mr. Kevin Boon: Exactly.

Mr. Massimo Pacetti: Even if you didn't sign the TPP would that make a difference?

Mr. Kevin Boon: Yes, it does.

The TPP, while we had signed an agreement and we worked with them together, has very much become a trade barrier, especially when we work with China and Japan at this point. They've utilized a lot of it to restrict us in a manner whereby it's just not economical for us to try. In that it comes down to whether or not we're allowed access with product with bone-in or bone-out, and what we have to remove for specified risk material, stuff like that. We're not saying that we want it eliminated so that we don't have to do it. It's just that those regulations should follow the same.

Mr. Massimo Pacetti: I only have five minutes so I just want to get a question to Mr. Newman. Who is your main competitor in the group of TPP?

Mr. Kevin Boon: In Asia, in TPP, it would be Australia and New Zealand, and a lot of that is geography and proximity to the market.

Mr. Massimo Pacetti: Okay, thank you.

Mr. Newman, you mentioned something about the sector not benefiting from trade just towards the end. I didn't catch that because I don't have a copy of your brief, but you said something about if you sign the TPP there will be some sectors that are not going to benefit from the TPP, and you don't want to be penalized. Is that what I understood?

Mr. Paul Newman: No. Sorry, I apologize that you don't have my remarks.

Mr. Massimo Pacetti: No, that's fine.

Mr. Paul Newman: I think what I may have said is that some TPP nations don't look to us at this stage like they have tremendous potential, for different reasons. They may have their own wood product industries, they may not use wood a lot, etc. But I think our sectors, broadly, would see benefit in a trade agreement.

Mr. Massimo Pacetti: In terms of process...maybe this question is more geared towards Mr. Slaco, but I'm not sure.

You have two countries that start negotiating in 2005, then there are additional countries that join in 2008, then other ones in 2010, and Canada finally joins in 2012. When Canada joins, have they already made the commitment that they will agree to a certain amount of the negotiations that have already been undertaken from 2005 to 2012? At what point do we start negotiating?

Does anybody know?

Mr. Ric Slaco: My understanding is that they start negotiating right away, in terms of any issues that have been established early on. Then in terms of ultimately accepting an agreement you'd have to catch up on what was discussed, but it's really only a discussion. It's when the document actually—

Mr. Massimo Pacetti: Has anything been agreed to?

Mr. Ric Slaco: Pardon me.

Mr. Massimo Pacetti: Nothing has been agreed to that is going to affect your industries, or maybe, Mr. Boon, it affects you as well? I can't believe that nothing was agreed to from the beginning of negotiations in 2005 until 2012.

Mr. Ric Slaco: I imagine a certain amount of this is process that's involved. Certainly from our perspective, while issues may have come up, each country would have—

Mr. Massimo Pacetti: You're not aware of anything that—

Mr. Ric Slaco: No. From our perspective one of the most important issues was the trade agreement we have with the U.S.

Certainly we didn't want TPP to be infringing upon—

The Chair: Your time has gone.

Mr. Massimo Pacetti: Mr. Boon, are you aware of anything?

Mr. Kevin Boon: Negotiations have proceeded, but there are no agreements that I am aware of yet.

The Chair: Thank you very much.

Mr. Holder.

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

I'd like to thank our guests for being here and providing their specific insights as it relates to their industry.

Mr. Boon, if I may start with you. There are just a few questions that I have as it relates to the cow.

I live in London, Ontario, which I like to describe as an urban oasis in a sea of agriculture. While we're called the forest city, that's as far as trees come to our city. We don't cut them down for commercial purposes but we appreciate the chlorophyll and other things they do, but that's probably the extent of London's contribution to the Canadian environment. Sorry, that was for Mr. Newman.

Mr. Boon, you talked about how opening up the markets in the TPP would expand the opportunities to use the fuller parts of the cow. There are some aspects that you don't market into certain countries. What I'm trying to understand is what would you.... You said that 900 pounds represents the amount of product that would be available from a processed animal. I'm trying to get a sense what the benefit of TPP is over, let's say, CETA and the United States and other things, in terms of the parts of the carcass that you can use there or sell there that you couldn't otherwise in Europe or in the United States.

● (0945)

Mr. Kevin Boon: Basically if we have just a domestic market—let's take all of our trade out of it—we would probably only utilize about 85% of that carcass. The other 15% becomes waste and it's not so much waste as it is underutilized product. It might go into pet food.

Mr. Massimo Pacetti: Hot dogs....

Mr. Kevin Boon: Hot dogs are actually quite good now. They got a bad wrap over the years.

The ability for us to utilize those comes because some of these countries utilize them. A real simple one is our livers and our tongues. We use very little of that here in Canada. A real good example is that one of the first countries to open to us after BSE was Cuba, and it was for liver. That in itself gave us an extra \$12 per head of animal.

Mr. Ed Holder: My question though as it relates to TPP is this. Is there any part of the carcass that you would use at a higher level through the countries that would be in play that you're not utilizing now at the high level?

Mr. Kevin Boon: At the high level definitely Japan and Korea are going to utilize a lot of the things like the external what we call offal, and at a very high level. You'll notice too here in Canada short ribs. If you go out to buy a short rib, it's extremely hard to buy now because that is one of the products they are taking off of us, and at a high enough level that we can't afford to buy it in our country. By expanding that amount it actually cuts all of our costs in that whole total production, but it's giving it to certain areas that normally we would probably pay to get rid of.

Mr. Ed Holder: You made a comment that as this deal comes through you would imagine there would be more processing at home as opposed to processing now done in the states. I think there's always been a lot of talk as to why there isn't more processing being done in Canada.

How does the TPP deal allow us to do more processing in Canada?

Mr. Kevin Boon: We know right now with the issues that we're having with the U.S. and around COOL, country of origin labelling, and the protectionism that goes...by signing a multilateral agreement such as this we live under the same rules and regulations of both processing and of how we tariff in the market. So when it comes to things like our SRM and our regulations about what we have to remove, we get put on the same basis as the U.S. Right now they're at about a \$35 advantage to us in a lot of these countries for things they don't have to remove to get there. If we can get to that same level then that adds more and it allows us to do it here at home as well.

The other one is labour. Labour is huge to us...their cost advantage. So if we can get more value out of that animal we're able to equalize.

Mr. Ed Holder: Thank you for that.

Mr. Newman and Mr. Slaco, thank you for your comments on behalf of the Canada Wood Group, and certainly the Forest Products Association of Canada has been very supported of CETA in the past, so your comments on TPP are helpful.

You clearly know that with TPP the arrangements will include what we have with the United States with our North American Free Trade Agreement. Are there things that you imagined your industry would get from a standard standpoint through TPP that you might not otherwise currently have with NAFTA? Do you have any thoughts, hopes, expectations?

Mr. Ric Slaco: Nothing that I'm aware of.... There's certainly, as I mentioned, a consideration that TPP, while it may not provide any new benefits per se in North America because we have an existing

agreement that's in effect that's working well.... It was just to ensure that TPP in fact is not going to have any effect on that agreement. Our understanding to date is that this is the case.

Mr. Ed Holder: It's interesting, Mr. Slaco, you said it's working well. We all remember the softwood lumber issue with the United States, and I'm not sure that's a definition of working well. I'm curious. How would you respond to that?

I struggle with that. I mean, we ultimately got a solution that you might want to comment on, but I have to tell you my frustration at the time with the United States was beyond the point of reasonableness. I was quite disappointed.

● (0950)

Mr. Ric Slaco: Certainly the dispute with the U.S. on lumber trade has been around for decades—a hundred years—so it's not something new. I think what really came about in 2006 was an agreement that, while it may not have been perfect at the time, certainly provided both countries with some certainty.

Mr. Ed Holder: Would we have had that settlement without the NAFTA, do you think?

Mr. Ric Slaco: It's hard for me to say specifically if that was going to occur or not. I think ultimately what happened is—

Mr. Ed Holder: I'm not talking about the occurrence of the dispute. I'm talking about the settlement mechanism.

Mr. Ric Slaco: I think the settlement mechanism really wasn't dependent on NAFTA. It was a combination of a number of factors in terms of Canada's position in the agreement in terms of establishing trade that would conform to world international standards, and the U.S.'s ability, given the fact that they had some unilateral actions that were available to them through their U.S. Department of Commerce, that ultimately resulted in an agreement that both sides could live with. If you look at it since 2006, I think it has worked well. In fact, both parties agreed to extend it a year ago, and I think it was because there was a recognition that while it may not have been perfect, it was actually working.

The Chair: Thank you very much.

Mr. Sandhu.

Mr. Jasbir Sandhu (Surrey North, NDP): Thank you, Mr. Chair. I want to follow up on the question Mr. Pacetti asked earlier.

Mr. Boon, you talked about being at the table and not outside, that it's important to be at negotiations. The negotiations for the TPP began in 2005, and the main ones started in 2008. Canada entered TPP negotiations in 2012, and by that time 14 rounds were already completed. Part of the condition of Canada's entry was that we would not be able to go back and renegotiate what has already been negotiated.

Are you concerned about what's already been done and that we weren't at the table?

Mr. Kevin Boon: Not overly, at this point, for the simple reason that we've had a very good and open relationship with the government trade groups with Minister Ritz and Minister Fast in putting forward what it will take for us and what we require going forward in any market. We have a very strong position of exactly what it takes for our industry to move forward. Those have always been set in stone, and we've always been adamant that if we don't adhere to these and if we aren't listened to on them, it will be extremely hard and detrimental to our moving forward.

So while we maybe haven't seen all the details and fine print involved, and the devil is always in the details, I think a very good effort has been made to make sure they've done everything possible to make our industry viable.

Mr. Jasbir Sandhu: Would you agree that we are not able to go back to what's been negotiated already? That could serve as a disadvantage to Canada.

Mr. Kevin Boon: It could, but I guess at the end of the day—

Mr. Jasbir Sandhu: That's all I want.

Mr. Newman, you talked about environmental concerns. How can governments and businesses work together to mitigate those environmental concerns and the image of sustainability?

Mr. Paul Newman: What I was trying to get at was that there's a movement in many countries around the world now to use wood in a way that is part of an environmental solution in building and other areas. I think anything we can do to highlight the fact that Canada's wood products come from a sustainably managed forest, and that —

Mr. Jasbir Sandhu: How can government be part of the building of sustainable wood products that we export to other countries?

Mr. Paul Newman: Well, you could be part of it through any discussion on the TPP, but we have examples right now, say in China, where the federal government is working with MOHURD, China's ministry of construction, to position wood as a green building material to help China with some of its environmental issues to do with energy efficiency and things like that. So there are real, concrete things on a bilateral level. Then I would expect there would be opportunities at the TPP level.

• (0955)

Mr. Jasbir Sandhu: You talked about new markets like Vietnam and Malaysia, and how a lot of the manufacturing is shifting toward those two countries. Again, how can industry and government work together to produce value-added products here, rather than exporting raw logs out to those countries? How can we work together here to have value-added jobs?

Mr. Paul Newman: Interestingly, this work that Canada Wood Group has been doing, which has been supported by the federal government and the provinces—and it's actually been supported since about 1999, so under different governments—has been pushing to try to create demand for value-added products in different nations, particularly in places like Japan and other places where people have considerable income.

That is a concrete example of something that's going on right now to try to develop demand and create value-added jobs here in Canada.

Mr. Jasbir Sandhu: Mr. Boon, you talked about investing for the next 30 years and what's going to happen in 30 years. Again, how can the government partner with industry in that investment in order to create future value-added jobs?

Mr. Kevin Boon: A lot of it comes from creating the atmosphere by making sure that we have the personnel, but right now one of our biggest issues out on the land is keeping young people there with some of the other industry and the competition. Forestry, actually, with the downturn that they've had, right now their mid-term timber supply is going to be at a low, and they're going to probably have some extra workers at that time. We run through these labour things so that we have, number one, a trained force, but that's right at the grassroots. We need to be able to keep that going.

When we talk about investment in the future, it's making that capacity to keep the product at home, to do the cut-out, to do the processing, which is a huge part, to develop our grasslands, and to work with the other vested interests on the land to make sure we can produce the grass that's required to grow it.

We are at an all-time record low for beef herd size. It topped out in 2005, but here in British Columbia we've lost over a third of our mother cows in that time, and a lot of it was due to the fact that we just didn't have access to a lot of markets. With those opening up now, we're in that position where we're down, but we see a global supply shortage with droughts around the world and everything.

We're in an atmosphere where we need to grow our herds to take advantage and we're also in an atmosphere where we're seeing population growth. We're also seeing at this time that, globally, beef is really craved, and so we have an opportunity. We have to make it advantageous and desirable for the young guys to stay on the farm and produce it, and also make that investment worthwhile down the road. The trade agreements that we sign today will help us ensure investment on our own for the future. If we know we have a market, we'll invest on our own as well.

The Chair: Thanks very much.

Mr. Hiebert, you have five minutes.

Mr. Russ Hiebert (South Surrey—White Rock—Cloverdale, CPC): Thank you both for being here.

Mr. Boon, you made reference in your presentation to OIE standards. Could you tell us what those are?

Mr. Kevin Boon: The OIE standards—I'm sorry, I always get lost in what the initials actually stand for—but it's really our world health organization for veterinary practices, for animal health. A lot of those standards are left to interpretation by the country, so there are certain rules that might get put in by a trading partner under certain things.

A very good example of this is the use of adding growth promoters to help efficiencies. A lot of it isn't understood, and it isn't based on science when they stop it. It's a matter of feeling that we're adding something, so it has to be bad.

We have to make sure that the science base and that the recommendations under OIE are actually adhered to, and we don't see that everywhere. In some of our trading alliances, especially Australia and New Zealand, they don't follow those same criteria, those same rules. As a result, they're able to do things a little differently and make their own bilateral agreements. It's very important to us in a TPP agreement that everybody agrees to utilize the same standards.

• (1000)

Mr. Russ Hiebert: That's right. Now they are voluntary.

Mr. Kevin Boon: They are voluntary. If a country signs on, we follow that code of conduct and those standards and practices, and that's part of our trading capacity. Some countries do not. They're not signed onto the OIE, so as a result, they don't necessarily follow those same practices.

Mr. Russ Hiebert: Here is my last question. Is there anything your industry would need, whether in terms of support from government or the industry, to take advantage of the TPP once it's concluded?

Mr. Kevin Boon: I think one of the big things.... Money always helps, but it's our money we're asking to get back. We're talking about taxpayers' dollars, so when we ask for that we have to make darned sure we're able to return that investment. It is extremely important for us to be able to make sure we have the introductions to the right people in the right countries to be able to bring trade back. I'll use an example. We're doing a feasibility study here in British Columbia right now regarding an opportunity to put a federal plant here in British Columbia. With that we see an opportunity to hit the export markets. Now that CETA is pretty much there, we see an opportunity to do it. But in order to do it in a manner that will enhance both us and trade, if we can get foreign investment—I'm not saying that we get them to buy it—from a European investor and from a Chinese investor, for example, and from our own domestic investor, then we'll have an opportunity and there will be an incentive to take our product across those borders. It's not just buying the product; it's buying it after it's been processed so they have a vested interest in getting that product there.

Once we have that and we have that investment, it's much more likely that we'll have a stable partner for the future. We don't have the volatility of them saying they don't like this and they're gone. They'll work with us to make sure that it meets the needs of their country and they understand the costs involved as well.

Mr. Russ Hiebert: Thank you.

Mr. Newman, at the end of your presentation you were making reference to the preferential purchase policy that some countries use to promote their domestic suppliers. I didn't catch which country that was. Was it Japan doing that? Can you elaborate on that?

Mr. Paul Newman: Yes, I can.

Mr. Russ Hiebert: It doesn't seem to fall within normal trade practices. It seems as though it would be an offence to any trade agreement or bilateral agreements we might have.

Mr. Paul Newman: The industry and government—DFAIT and other agencies in our own government right now—have considerable concern about this. Japan has a multi-pronged incentive or program right now to push forward the domestic forest sector and essentially, to substitute imports. They're doing it on the land base by providing incentives, subsidies, for forest road development and things like that. They're doing it with manufacturing facilities. They will fund up to 50% of new mills and other operations. The latest incarnation we've seen is through something they call the wood-use points program, and the equivalent of about \$600 million equivalent has been provided to the forest agency in Japan to provide incentives to Japanese consumers to buy domestic wood. It has the potential to hurt not only Canada, but of course, all international shippers into Japan. There's been a lot of work, actually, on our part and on the part of other international like-minded countries to try to take exception to this.

Mr. Russ Hiebert: I know my time is done, but I never thought of Japan as a forestry nation.

The Chair: Actually, when the committee traveled to Japan a year ago, we did examine this quite a bit and we are absolutely concerned about what you're saying.

Thank you very much.

Mr. Ed Holder: How was that trip?

The Chair: It was a great trip, and you're not bitter, I know. Some of the members couldn't go.

We do want to thank you, witnesses, for coming forward. We appreciate your time with us.

With that, we will suspend as we set up for our next set of panels.

• (1000)

_____ (Pause) _____

• (1015)

The Chair: We ask our members to take their seats.

We have on this panel, from the Asia Pacific Foundation of Canada, Mr. Woo, the president and CEO. You've actually been with us by video conference before, is that right? We certainly appreciated your comments and look forward to your comments this morning, as well as the question and answer period.

We also have scheduled Mr. Van Keulen from the British Columbia Dairy Association. He was with us yesterday but has not quite arrived. If he arrives, we'll give him the opportunity to share his comments as well and have a question and answer.

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

Mr. Yuen Pau Woo (President and Chief Executive Officer, Asia Pacific Foundation of Canada): Thank you, Chairman.

Thank you, members of the committee, for having me here to share some ideas with you again, and welcome to Vancouver. We arranged some good weather for you.

I'll make some comments on the TPP from a strategic Canadian trade policy perspective. I'm not able to comment on the details of TPP. We don't know much about the details, but I think there are some important considerations for us to look at, even without knowing the details of the negotiations so far.

The first strategic point to make is that Canada has yet to conclude an FTA with any Asian country. We are an outlier compared to most of our industrialized country competitors, certainly in the G-7 and the OECD, and that puts us at a competitive disadvantage vis-à-vis countries that do have trade agreements with Asian partners. The best example of this competitive disadvantage is in the case of Korea, where we have been negotiating—as you all know—coming to nine years now. In the meantime, we have been overtaken by the United States and more recently, by Australia. Both of those countries now have margins of preference, particularly in the cultural sector, that put our exporters at a disadvantage.

So the issue of the TPP should be seen in the context of our trade position in Asia as a whole and our relative disadvantage in Asia because we do not have any agreements to date with Asian countries.

What I'm trying to say here is that TPP is a very big game in the formation of trade agreements in the Asia-Pacific. It's not the only game, and we need to keep all of our options open and to continue to pursue trade agreements bilaterally with existing negotiations, as well as perhaps with new trading partners in Asia with which we have not yet embarked on free trade agreements.

The second point I want to make is a general point, but one that really has to be reiterated, which is that FTAs in general terms, to the extent that they are generally about opening markets and lowering barriers to trade, increase economic welfare for all parties concerned, even if there may be relatively little competitive gain for one economy over another. That reason in itself—the gain in economic welfare for all the players—is an important reason to liberalize trade. We should pursue the opening of markets even if the relative gains for our economy vis-à-vis our competitors may not be so great. The efficiency gains, the productivity gains, the consumer welfare that's generated by more open markets, is a plus for all of the players.

The third point is that, from a narrower perspective about competitiveness, the game is not about overall economic welfare, but it is about preferential access. This is a different kind of calculation we need to make when we pursue free trade agreements. Basically, that game is about gaining preferential access for us and not having others get preferential access. We want a trade agreement with an economy where others don't have a trade agreement so that we have those margins of preference. As I've already said, on that game we are losing because we don't have agreements in Asia whereas some of our major competitors do.

In this sense, the TPP for Canada is, I think, essentially a defensive play for us. As it turns out, we already have a trade agreement with a number of the TPP members—most notably the United States, but also with Chile, Peru, and Mexico. Certainly the United States and Mexico, two of our more important trading

partners, are already within Canada's preferential trading arrangements.

• (1020)

For us to not be involved in the TPP would run the risk of other members of the TPP gaining access to those markets that would erode our preference, that would erode the advantage we have. It's important for us to be at the table, if nothing else to protect the preferential access that we have in existing markets and also to gain new access to markets that we currently don't have trade agreements with.

The TPP has been described as a 21st-century trade agreement that will not only look at traditional market access for manufactured goods and agricultural products and services but will also talk about some new generation issues. This is where we have not much information, but this committee, and I think Canadians, are right to pay special attention to the types of provisions that are negotiated in the areas of IP, e-commerce, and to some extent state-owned enterprises.

The traditional beliefs about opening markets and liberalization in terms of goods and services do not apply quite so simply when it comes to intellectual property and e-commerce. It's important for Canada to take a position on those issues that genuinely advances Canadian interests, and not just the interests of the countries that currently are the leaders in intellectual property and e-commerce that will entrench the strength of the incumbents and make it more difficult for developing economies. It's also for Canada to gain strength in the areas of IP and e-commerce.

So my caution on the new generation issues is that we not treat them as ancillary, but really as central to the value of the TPP for this country.

My final point, ladies and gentlemen, is that the TPP must not be about excluding China. There has been a notion for a number of years that the point of the TPP, being driven so hard by Washington, D.C., is in some sense to provide a buffer against China's rise and perhaps to try to force China into a position that is closer to western market economic approaches. At one time China also saw it in this way, and felt that it was being left out of the TPP, but more recently we have heard very encouraging signals from Beijing that they in fact want to be part of TPP and may well consider submitting an application to join.

What we are hearing now is some resistance on the part of the United States—to not let China be part of the discussions, and to create a number of preconditions before China is admitted—but I think Canada should take a position to welcome China's participation. It would in fact bring them closer to the economic system that we are familiar with, and it would avoid creating a rift, or a line, if you will, down the Pacific Ocean.

Even better, if we still have the opportunity to negotiate bilaterally with China on a free trade agreement, as the Chinese offered to us over a year ago, we should take up that offer.

Thank you very much.

•(1025)

The Chair: Thank you very much. We look forward to that.

I'm sure that will stimulate some very interesting questions.

We have with us again Mr. Van Keulen.

The floor is yours.

Mr. Stan Van Keulen (Board Member, British Columbia Dairy Association): I see I'm early.

Yesterday I spoke here on the CETA agreement and you understand the impact it has on dairy. I want to reiterate that, to put it on the record that the CETA agreement has presently increased CETA's access of cheese to close to 16,000 tonnes extra now and that is effectively doubling the current EU access.

As a local dairy farmer and on behalf of the people I represent, we're proud Canadians and we're proud of the industry that we've built. We stand second to no one in the industry when it comes to quality, the types of products we produce, and I think as Canadians we can be proud of that. To have another threat with the TPP and I'm not sure if it's going to be a threat, but when it comes to the supply management system we'd like to keep it intact in its present form. CETA has taken something from us already and we don't want the Trans-Pacific Partnership agreement to take any more.

To speak personally here, I'm not against trade. I think trade has to be fair and equitable. I think what the government is doing is wise and it's smart to be part of the Trans-Pacific Partnership, but I think what we've given up already in dairy is enough. I think we have to recognize that. This next round of negotiations is going to be very difficult because the Oceanic countries are going to be knocking on the door wanting to get into our market.

On that note, I want to emphasize the three pillars of supply management. One of those is the production management, the discipline we have in this country—we take care of the surplus. There's no government support. There is no cash outlay by the federal government, unlike the European Union where there are close to 40% subsidies. The American system...we knew with the farm bill that if it didn't pass, the price of milk was probably going to double to the consumer. There is obviously some sort of subsidy program that they have down there.

The other thing is the predictable imports. I mentioned yesterday when I had that glass of milk here and in that glass of milk a processor will fractionate those products down, whether it be here or Europe or in New Zealand or Australia and then they'll try to circumvent the rules of the imports to come into this country. The foundation of supply management is the predictability. As dairy farmers we know what a milking stool is and I think most of the people in this room know what a milking stool is. Years ago we had a lobby day and we would go out and give each and every MP a milking stool, but it was a card holder. The thing about that milking stool is it tips over if the third leg or any of the legs are cut off.

That's the analogy I want to use when it comes to the three pillars. The production management, the predictability of the imports, and the pricing mechanism that we establish under government regulation in this country give us a fair and stable price and no

cost to any of the consumers through subsidy dollars to the federal government.

As the TPP moves forward, we in this industry would like to see no further impact on dairy. We would like to see, obviously, more access to other countries, but as I pointed out yesterday, we are in a trade deficit obviously. But if it means no access to gain our market and control of our market, it would probably be better to have a very stable market, because the stable market we have within Canada is good right now.

•(1030)

I want to stress the three points again.

We want to keep our industry stable and strong. It doesn't cost the Canadian taxpayers any money. It doesn't cost the federal government any money. The farmers in this country, probably for the last 15 to 20 years, have never derived any subsidy dollars from the federal government. We derive our funding, our costs, our income through the marketplace. We're proud of that fact. There are not too many farmers in the world who can say that. We'd like to have that continue, and we want to grow our domestic market.

I pointed out yesterday, with the CETA agreement, that these people have access, the additional 16,000 tonnes, to get into a market that we've established, or we've tried to establish through advertising programs, through incentive programs, new development programs. There are programs that we have within the dairy industry whereby if somebody wants to start in the industry in the processing sector we give them a special quota to allow them to develop their new products, to get it online for a period of two or three years before. We're helping people in this sector develop new markets, develop new products, and move forward.

I want to close by saying that I really appreciate the fact that you allowed me to speak here. I really appreciate the fact that I'm speaking on behalf of our industry. This goes on record that we believe that our industry is a very strong and viable industry, it is a very prosperous industry, has no direct costs from the federal government. I think I can't stress that enough.

The other thing is that supply management isn't what it was 25 years ago. We are constantly evolving. We are evolving maybe slower than some people wish, but as I speak right now, in Ottawa right now, there are discussions taking place on new pricing mechanisms, on new ways of allocating quota. These things are happening all the time. Our industry is not standing still. It's maybe not moving forward fast enough for people, but it is not standing still. It is not an archaic system. Some of the MPs and the Minister of Agriculture clearly say that we have to modernize supply management. We are doing that. We've consistently done that, maybe not as fast as people want, but I want to leave you with the note that we are moving forward. If the words "modernization of supply management" is the term that people are comfortable with, we are doing that today.

Thank you very much.

•(1035)

The Chair: Thank you very much.

We'll start our question and answer with Mr. Davies.

The floor is yours for seven minutes.

Mr. Don Davies (Vancouver Kingsway, NDP): Mr. Van Keulen, Mr. Woo, thank you for being with us today.

Welcome to the committee, Mr. Woo. First of all, I want to start by thanking you for the wonderful work and service you've done as president and CEO of the Asia Pacific Foundation of Canada. You've really contributed so much to Canada's policy, and I want to thank you on behalf of all parties.

Mr. Woo, I want to start with you. You have written that Asian countries feature prominently in the global markets action plan, and they will welcome Canada's primacy of economic development. But you've also written that the strengthening of economic ties with Asian countries will not come about just by sending trade missions to the region or signing FTAs.

I will quote you now, it says:

The fact that Canadian foreign policy goals are now defined largely in economic terms does not mean that the instruments for advancing those goals are of an exclusively commercial nature. The role of the Canadian government has to be more than that of a chief marketing officer. Asian counterparts are also interested in political and security dialogue, scientific and technical cooperation, educational exchanges, and cultural diplomacy.

I'm wondering if you have any specific suggestions for, I guess, pan-economic groups in which Canada can and should be taking part in the Asia region.

Mr. Yuen Pau Woo: Yes.

Thank you for your comment, and thank you for reading my writing. It's good to know that somebody is.

I make a distinction between having economic goals as part of our foreign policy objectives and coming up with tools to achieve those objectives that can go beyond economic instruments. It's understandable that we are driven largely by economic interests, and our Asian counterparts understand that. However, the way in which we achieve our economic objectives has to be done through a variety of measures. For example, we need to have a very strong diplomatic presence and a strong political security presence in the region where our partners understand that we are there not simply for our economic benefit, but for the peace and security of the region and the advancement of development goals, particularly in the developing countries.

A great example, I think, would be in the area of international education, where the government, of course, is making some moves to strengthen two-way movement of students. This is not simply about a commercial initiative where we gain more dollars from foreign students who pay high fees at our Canadian schools. It is about building long-term relationships, institutional partnerships, research partnerships that will benefit both countries in the long term.

On your specific question of taking part in regional organizations, I think that it's part of the thinking that I have as well. There are a number of new regional fora in Asia, particularly the East Asia Summit, which is emerging as the premier organization for discussions on political security and economic issues. It's not a trade agreement. It does not have an ostensible commercial objective to it. But we should aspire to join it, because if we are not part of that

club of decision-makers on the future of the region, we will be left out of decisions that will impact on our economic interests. I know the government is making some moves to join. We should redouble our efforts and try to find a seat at that table and at other tables in Asia that, as I say, may not necessarily have an overt economic focus.

Mr. Don Davies: Thank you.

Now, domestically you've further written:

Even if we view Asia principally as an economic opportunity for Canada, it is not clear that we currently have the wherewithal to tap into emerging opportunities across the region. This is especially so in the services sector, which is poised for rapid growth in the years ahead....

Selling services to Asian countries is fundamentally different from selling commodities or manufactured goods. It will require deep knowledge of domestic markets, and a level of political, social, and cultural awareness about Asia that is not widely available in Canada.

...the biggest challenge to long-term economic success in Asia is not what we do in Asia, but it is in what we do right here in Canada.

Do you have any specific suggestions you can give this committee about how we can develop the capacity in Canada to take advantage of this?

• (1040)

Mr. Yuen Pau Woo: We need to build Asia competency in our school systems, both at the K-to-12 level and post-secondary, and we need to build it across the corporate sector. We need Canadians who have the skills, the experience, and the knowledge to be successful in Asia. That of course does mean teaching about Asia in the school system, but it's also about on-the-ground experiences, about placements in Asia. It's about corporations that reward staff that have Asia expertise. It's about boards in major corporations that value having directors with knowledge, skills, and experience in that part of the world.

Australia has set itself an objective, for example, within 10 years for every Australian student to have the opportunity to learn an Asian language through the school system—every single Australian student. They have also set an objective for a third of their board members in the corporate sector, of course, on a voluntary basis, to make sure that they have people on those boards who have direct Asia experience and knowledge. We don't have that in this country. We don't have an appetite to do that. Unless we have the will and the instruments to build Asia skills, literacy, knowledge, expertise in this country, all our ambitions through trade agreements and through speeches and high-sounding advice from me and others will come to naught because we won't have the people to follow through.

Mr. Don Davies: Perhaps I might ask you about state-owned enterprises. That's a specific feature that might characterize dealing with countries like Vietnam. What special considerations, if any, should guide Canada's trade approach when dealing with countries that conduct business through SOEs?

Mr. Yuen Pau Woo: First of all, countries with large SOEs in their economy are looking to rationalize and to divest of the state in those enterprises. They are looking for more efficient ways to run their economies, and over time we will see a diminishing share of the state in economies such as Vietnam and in China. However, the SOEs are not going to go away, and in some sectors they are going to remain the dominant sector, the dominant player, both domestically and internationally.

This is particularly true of the oil and gas sector, where SOEs, as many of you know, control about 80% of the proven reserves in the world. Under those circumstances we have to work with SOEs. We cannot treat them as an outlier. We cannot treat them as an anomaly in the system. They are a normal part of the system, and we need to come up with ways to work with them for Canadian interests. We can regulate in the Canadian interests without discriminating against SOEs.

Mr. Don Davies: Thank you.

The Chair: Thank you very much.

Mr. Cannan, you're next.

Hon. Ron Cannan (Kelowna—Lake Country, CPC): Thank you, Mr. Chair. Thanks again to our witnesses.

Mr. Van Keulen, welcome back.

Mr. Woo, it's great to have you. Last time, you were at our committee via video conference. We've come to your beautiful community. As a British Columbian representing the interior riding of Kelowna—Lake Country, I appreciate the great work of your foundation, which is helping constituents in my riding as well as around the province, educating people about this most ambitious trade initiative being negotiated with the Asia-Pacific region.

It's important for Canadian businesses to realize that we do not have a bilateral trade agreement with these countries that we're working with specifically, or the majority of them. Australia, for Champion Boats manufacturers, we're at a disadvantage. The U.S. has a bilateral with Australia. I know it's important. It would only be 5%, but that's the bottom line, 5% off a major product such as a boat. It makes a big difference.

Brunei, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam—of course, the U.S. is the twelfth partner with Canada in the negotiations at the present time. You talked about the potential of China coming to the table.

It's important also to reinforce the magnitude of the ambitiousness of Prime Minister Harper's vision, with Minister Fast working as the trade minister on the CETA, which covers an area of about 500 million people with a GDP of \$17 trillion, and the 792 million approximate population of the TPP partners with a \$27.5 trillion GDP. If we're able to secure these agreements, Canada would be the only country in the world that would have a comprehensive trade agreement with 75% of the world's GDP. It's an incredible legacy that can come together. I know it's very ambitious, and I understand that lots of discussion has to take place.

Picking up on my colleague Mr. Davies' comments—I appreciate your foundation's work; I've read some of the work—you've made some excellent suggestions on how we can help the majority of Canadian businesses get engaged and take advantage of these trade agreements. As you know, British Columbia is working with the U.S., who is still our number one trading partner and biggest ally and will continue to be.

But what are some of the ways your foundation is...? I looked online. You have some seminars coming up. Maybe you could share how we can work together to educate British Columbians and Canadians about the opportunities that present themselves.

●(1045)

Mr. Yuen Pau Woo: If I could go to the point both of you have touched upon now, the importance of services, I think we are at an inflection point in Asian economies where growth is going to be driven increasingly not by investment and by exports but by domestic consumption. Economies such as China will be restructuring so that they provide not just higher GDP growth but a better quality of life for their citizens. The way they do that is by increasing the share of income that goes to consumers rather than to corporations and by developing what you might call quality of life services and products in the economies, particularly in urban centres.

Hence, growth is going to come increasingly from the services sector, and this is an area in which Canada, on the face of it, has a lot of expertise. However, we have not in the past paid much attention to services exports. We've really been very fortunate to ride on the back of a commodities supercycle, exporting raw materials to Asia on high prices that have benefited this country very greatly. We are now at the end of the commodities supercycle. As Asia transitions to an economy that is driven more by domestic demand and by services, we will need a different way of succeeding in Asia. To sell services in Asia is not simply about putting something in a container and shipping it over. It's about understanding the market, understanding political, social, and cultural institutions. It's about being on the ground.

That's why I think the single biggest challenge for Canada is not necessarily negotiating more free trade agreements or sending more trade missions or making grandiose statements. It's about equipping Canadians with the skills, the knowledge, and the aspiration to be successful in Asia so they can get the job done. Putting stuff in a container and shipping it over is not going to be enough anymore. Asia wants much more sophisticated products and services, and we need to step up to that challenge.

Hon. Ron Cannan: I agree. It's relationship-building and cultural education. I was commending your association. I am looking at some of the upcoming sessions, even this month, as far as educating on the opportunities and the dynamics of TPP...

I know there's some reference to leaked documents. Don't comment on leaked documents, but could you share with us a little bit how you've been involved in the consultation to date with Minister Fast on the negotiations.

Mr. Yuen Pau Woo: We work very closely with the ministry and with all interested parties. We've organized a number of events with Minister Fast and with the department, and I've taken part in most of the post-negotiation debriefings that are held by the chief negotiator and her team. We have as much information as is available to us and other parties. The foundation is part of a regional network of researchers. It has counterparts in all the TPP economies that study the agreement and make recommendations. We look forward to getting more information as the negotiations advance so that the export community as well as the public feel confident that this is a deal that benefits all Canadians and all the parties involved.

Hon. Ron Cannan: I agree, open and transparent, and it has to go through and eventually be tabled and debated for a few more years before anything comes to fruition, I would imagine, before legislation.

I have just one quick question, Mr. Van Keulen. I agree that industry wants strong, stable, predictable, rules-based policies in place. You mentioned that you want to have access to open markets. So when you're negotiating, what would be the benefits for other countries in doing business with Canada, specifically for the dairy industry? You want access to their industry. In looking at reciprocities, is that something you'd be looking at from your association's perspective?

Mr. Stan Van Keulen: I think the key is that there has to be a dollar in it. Obviously reciprocity on trade is a good thing. We can't have a garage sale whereby we're selling off our market without getting some benefit back by way of a profit. I think that's the key here right now. If you're going to have trade, there has to be balanced trade and it has to be done in a profitable manner.

• (1050)

The Chair: Thank you.

Mr. Pacetti, the floor is yours.

Mr. Massimo Pacetti: Thank you, Mr. Chair, and thank you to the witnesses for coming forward.

I have just a quick question to Mr. Van Keulen before I get to Mr. Woo. You stated in your presentation that there's no cost to the taxpayer, yet yesterday you mentioned that Europe thinks your industry is subsidized. Am I correct?

Mr. Stan Van Keulen: No, some people think we're subsidized because of supply management.

Mr. Massimo Pacetti: Don't the Europeans think that the industry is subsidized?

Mr. Stan Van Keulen: No, if we sell products on an export market below our domestic price, they consider that a subsidy because we're using our domestic price to subsidize an export price. The WTO ruled against that. That's what I—

Mr. Massimo Pacetti: So would that affect your industry in the TPP negotiations? That's what I'm getting at.

Mr. Stan Van Keulen: My understanding is that is correct. Most of the countries.... Under our system of supply management, there are certain products that we can export but the moment we export them below our domestic price, they are then considered a domestic subsidy.

Mr. Massimo Pacetti: It'll hold true also for TPP in your opinion.

Mr. Stan Van Keulen: My understanding is that's correct.

Mr. Massimo Pacetti: Mr. Woo, I'll start with my last question first because you stated that we should be letting China into the negotiations for TPP.

I don't know if I have an opinion on it but I guess it's part of the discussion. Should we not first ask certain things of China so that we are on a level playing field, or should we just say we'll let them trade with us and now let's trade on a free market without duties and subsidies or without duties and tariffs? Where do we start? Can you expand on that a little more?

Mr. Yuen Pau Woo: China has to go through the same process and hurdles in joining TPP that we went through and we went through a lot of hurdles with such a diverse group already in the membership including, as someone has pointed out, Vietnam, which is an even more tightly controlled economy. I think China understands well the kind of commitment it's going to have to make if it wants to join the TPP.

Mr. Massimo Pacetti: Can you give me an example of what Canada had to do to join the TPP?

Mr. Yuen Pau Woo: We don't know what the behind-the-scenes discussions were but it took us—I can't remember now—14 months at least to get admission and a number of times we were pushed back. I would imagine we had to make undertakings to aspire to a very high level of liberalization, including in the agricultural sector. This is the same story with Japan as well, and Japan has come back a number of times recently to say they will aspire to a very high level of agricultural liberalization.

Mr. Massimo Pacetti: In discussions with China what would you do? Would you ask them to join in and take their word for it? It's a huge economy that you couldn't just flip on its head overnight. I don't even know how much time it would take to change their philosophy.

What comes first? Do we wait for them, or is that up for discussion?

Mr. Yuen Pau Woo: No, you look at the track record. The last 40 years have seen remarkable privatization and globalization in the Chinese economy. The Chinese economy in 1980 was 85% controlled by the state sector, today it's only 5%, and continuing in that—

Mr. Massimo Pacetti: Twenty-five per cent?

Mr. Yuen Pau Woo: Today it's only 5% controlled by the state. State-led production in China is only about 5% of total production. It was the reverse in 1980.

The Chinese government understands very well that if they want to move from a lower middle-income economy to a middle, or upper middle-income economy, they're going to have to liberalize even further. I think there is a realization that one way to do it is to create external pressure on itself, and the way to create that external pressure, within limits, is to join a trade agreement where it's foreign countries essentially putting restraints on your economy so that you have to open it up. That's exactly the strategy they took when they entered the WTO.

It was a very difficult decision they made because there was a lot of domestic opposition, but Zhu Rongji understood that by joining an international system and committing internationally to undertake reforms, such as opening up your manufacturing sector, you can use that as a cover if you will for domestic reforms much more easily than if you did it domestically.

• (1055)

Mr. Massimo Pacetti: Would you impose conditions on human rights and things other than commercial barriers or conditions?

Mr. Yuen Pau Woo: No, because it's not part of the TPP. It would be unfair. This is what I mean by not trying to put special restraints on China. If in fact human rights have not been part of the discussion so far in the TPP, why would we do that to make a special exception of China?

Mr. Massimo Pacetti: That's why I'm asking. Thank you.

The Chair: Thank you very much.

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

Mr. Russ Hiebert: Thank you.

Welcome back, Mr. Van Keulen. You have given me the perception that the Canadian dairy industry in particular, the supply management system, is working well as long as we keep the competitors at the gate, so to speak. You highlighted yesterday the fact that you believe European farmers received about a 40% subsidy. Do you have any idea of what kind of subsidies New Zealand and Australian farmers get from their governments?

Mr. Stan Van Keulen: No.

Mr. Russ Hiebert: Do you know that they get any?

Mr. Stan Van Keulen: I don't know.

Mr. Russ Hiebert: Okay.

Without that information it's hard to say, but assuming that they don't get any, or even if they did get a bit, it baffles me that they are so eager to come to the Canadian market, despite the costs associated with transportation, and that your industry is afraid that Australian or New Zealand farmers might actually bring product to Canadians.

Mr. Stan Van Keulen: There are more cows in New Zealand than I think there are people.

Mr. Russ Hiebert: I know there are more sheep there. I'm not sure about cows.

Mr. Stan Van Keulen: They're an exporting nation. Their business is exporting. They will export to wherever they go. That industry is based and founded on that particular way of doing business. To put a container on a boat and move it, for them, I don't think costs that much money. They want it at our door.

We give them access to our market already.

Mr. Russ Hiebert: Mr. Woo, you've raised a number of really interesting points and I'll have to move through them quickly as I only have a few minutes. You made the comment that we should be teaching, like Australia, our students an Asian language. But I'm also told that Asian countries, in particular China, are teaching their students English at a staggering rate. I don't know if this is true but I've heard that there are more English speakers in China than there are in Canada. If that's the case, if they're moving so close to this international language of commerce, is it that imperative that we teach Mandarin or other Asian languages?

Mr. Yuen Pau Woo: There are more people learning English in China than there are people in England.

Let me ask you something. It's very simple. If you're competing with someone abroad and that person knows your language fluently and you don't know that person's language who has the advantage? To me it's dead simple.

Mr. Russ Hiebert: If you had to choose a language, would you choose Mandarin?

Mr. Yuen Pau Woo: Yes, I would, and let me be clear. I'm not saying that Mandarin should be mandatory. We already have official bilingualism. French is a very important language for Canadians to master, perhaps even before they master a third language, but the option should be presented. When you think about Vancouver, just Vancouver alone, which is of course the most Asian city outside of Asia, we only have one French immersion high school, only one for all of Vancouver, which is ridiculous.

Mr. Russ Hiebert: Which one are you referring to, because we have one in South Surrey as well.

Mr. Yuen Pau Woo: Sir, I'm talking about the Vancouver school district. It's at Oak and 57th.

Mr. Russ Hiebert: Okay, I'm going to move the topic along.

You made the suggestion that we need to focus on services because the commodity supercycle is over. Now, does that not make the assumption that the commodities that are needed to continue the manufacturing of goods, which even the Chinese will want, are no longer needed?

Mr. Yuen Pau Woo: No, there will continue to be demand for coal, copper, zinc, and iron.

Mr. Russ Hiebert: Steel?

• (1100)

Mr. Yuen Pau Woo: And steel. All of that, but China, as we all know, is moving from 12% growth to 7% growth. A lot of that reduction would be because there would be less investment in fiscal infrastructure, partly because they are overbuilt and because of exorbitant property prices. So that 7% growth is going to come increasingly from domestic demand, basically the consumption—

Mr. Russ Hiebert: Of non-commodity-based products....

Mr. Yuen Pau Woo: —of non-commodity-based products. Exactly.

Mr. Russ Hiebert: I know I'm almost out of time. We often speak of Asia, but that's really code for China.

Are there other Asian countries that we should be looking at, beyond China, that offer as great an opportunity to Canadian exports?

Mr. Yuen Pau Woo: Yes, Japan is still very important, the largest economy in the world. We're negotiating a free trade agreement with them and we should try to conclude that as quickly as possible. India, of course, is on the radar as well. They're going through an election now and they will have to come up with some fresh reforms if they want to compete with China. The one we haven't talked about very much is Indonesia. I would recommend that this committee perhaps pay some special attention to changes in Indonesia and why it's a very important market for us.

Mr. Russ Hiebert: In terms of the, what is it, 200 million?

Mr. Yuen Pau Woo: Yes, size, political weight, it's one of the G-20 countries. It has a very large domestic economy that insulates it from global downturns. So it's one of the targeted economies in the current taper crisis. Indonesia has the ability to grow even when the world is slowing because it has such a large domestic constituency and so much pent-up demand.

Mr. Russ Hiebert: It may be countercyclical to the rest of the world.

Mr. Yuen Pau Woo: Not fully countercyclical, but it has buffers that other economies do not have.

Mr. Russ Hiebert: Since I have still a few seconds left, I'm going to bring us back to your comments where you said we should watch IP e-commerce and state-owned enterprises. You kind of touched on state-owned enterprises in some of the questions, but when it comes to e-commerce and IP, will China respect IP? That's one question, and what about e-commerce? What should we be looking at?

Mr. Yuen Pau Woo: Well, I'm not an expert on all of those issues, but there are privacy issues, I think, and issues around the control of domain and location of service, and so on, that don't translate quite so easily into the traditional thinking around opening markets.

There are some very huge competitive advantages for economies that are first movers, either in IP, e-commerce, and so on, and I think there are arguments for the public good nature of information flows and of intellectual property that argue for a regime that allows less developed countries, including Canada, which is not always at the forefront of technological development, to benefit from those developments as well. I think of pharmaceuticals, for example. The length of time before pharmaceuticals lose their copyright and can be turned into generics is a very important issue for Canada and especially for developing countries, and we should be sensitive to that.

The Chair: Thank you very much.

Madame Liu, the floor is yours for five minutes.

Ms. Laurin Liu (Rivière-des-Mille-Îles, NDP): Thank you, Mr. Chair.

First of all, Mr. Woo, *Sun nien fai lok*.

I know that we celebrated the Chinese new year recently, the 31st of January. I wish you a very happy and prosperous new year.

Mr. Yuen Pau Woo: Thank you.

Ms. Laurin Liu: I'd like to begin by talking about what you mentioned, that China is not a part of this TPP. The Asian countries are part of the TPP. Right now I think the major country that is part of the TPP is Japan, and we know that Canada is currently undergoing trade negotiations with Japan as well as Korea—South Korea, obviously.

Do you think that it should be a priority for Canada to concentrate more on negotiating a bilateral agreement with Japan, a strong economy, rather than being involved with a process of negotiating with the TPP?

Mr. Yuen Pau Woo: I'm told that the negotiations are taking place in parallel and that the bilateral talks are not being held back in any significant way because of TPP. That said, we're still in the very early stages in the negotiations with Japan. I would be very surprised if Japan plays all its cards bilaterally before it has played its cards on TPP. It would surprise me if we are able to conclude bilaterally with Japan before a TPP deal is concluded.

Where the priority should lie in terms of closing the deal with Asia is South Korea. We've been at this now for, as I said, nine years. The Americans concluded well before us. The Australians have now concluded. Our exporters, particularly in the agricultural sector, are at a significant competitive disadvantage.

I think many of the issues have been resolved. I know there's opposition from the auto sector. We need some all-party support and some public expression of support for a deal that's in the national interest, so that we can close this deal with South Korea.

Then we can say that we have one under our belt; we have one deal with Asia under our belt. It would greatly increase our credibility and make it easier for us to close deals with other Asian economies.

● (1105)

Ms. Laurin Liu: You moreover raised concerns about IP and e-commerce that my colleague Mr. Hiebert mentioned in his line of questioning. Can you expand more on what we can be doing to make sure that Canada's e-commerce sector is competitive when faced with other international parties in the TPP?

Mr. Yuen Pau Woo: Again, I don't have enough details about what has been negotiated, what the contested points are, but fundamentally it's this. We mustn't put in place provisions around e-commerce and IP that hinder trade rather than advance trade. The whole point is to advance trade.

If you're putting in place more restrictions on IP that make it more difficult for trade to take place, more difficult for innovation, more difficult for start-ups to take place, then I think you're running against the purpose of a free trade agreement. All you're doing is protecting the vested interests of the established players.

What it boils down to is that Canada needs to focus on a made-in-Canada approach to intellectual property and e-commerce that's in Canadian interests and which values the importance of the free flow of ideas and the free flow of knowledge to the benefit of populations around the world.

Ms. Laurin Liu: Critics of the TPP have raised concerns surrounding possible necessary changes to the Canadian Copyright Act. I'm sure you're familiar with those critiques. What kinds of changes do you think will be required to the Canadian Copyright Act by the TPP?

Mr. Yuen Pau Woo: I'm not in a position—I don't have enough knowledge on that topic to comment.

Ms. Laurin Liu: Do you see these changes possibly based on what we know more or less around the TPP as being positive or negative for Canadian copyright law?

Mr. Yuen Pau Woo: I don't have enough information to comment on that.

Ms. Laurin Liu: You mentioned also the fact that there are structural changes happening in China right now. Could you elaborate a little bit on what you meant by that?

Mr. Yuen Pau Woo: Yes, they are looking to change the structure of demand, so it's less export and less investment-driven, and more consumer-driven. It will mean a redistribution of wealth from companies to individuals. It will mean liberalization of the financial sector and probably a rise in interest rates. It will mean a whole new set of economic opportunities for Canada that we haven't yet even thought about, issues of professional service, architecture, engineering, education, and so on and so forth.

The Chair: Thank you very much.

Mr. Holder, you have five minutes.

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

I have a quick question to you before I start and perhaps to the analyst. Any testimony we have from witnesses that are here today that relates to TPP, will that be extrapolated into the TPP report or do we need to ask those questions again to get them on the TPP record?

The Chair: We're into the TPP report.

Mr. Ed Holder: I'm not sure I understand what you meant.

If the question was asked yesterday, do we need to ask it again today to get it on the record or will the analyst extrapolate it?

The Chair: It's seized by the committee. Yes, that's a good question.

Ask it again if you're nervous about it, but if not we'll certainly try to incorporate it into the report.

The Clerk of the Committee (Mr. Paul Cardegna): From a research point of view, it would be worthwhile to ask it again, if only for the fact that people looking for information related to TPP won't think to look under yesterday's testimony. That will be listed under CETA.

The Chair: Yes, they might not look in the other one.

Mr. Ed Holder: To be fair, that wasn't my question. I don't mean to possess the committee's time with this, but I could ask Mr. Van Keulen, who's a very wise person, several questions to get it back on

the record today, but if it relates to TPP, the same kinds of things, why wouldn't we move it over to that as well if that's the purpose?

Mr. Don Davies: Yes, Mr. Chairman, we would agree with that. It would give the analysts the flexibility to extract the testimony and put it in the appropriate place.

The Chair: Yes, I would assume it is, if seized by the committee.

I think what the clerk was suggesting is that if somebody is looking for testimony under a TPP study, they may not find it if it was actually presented in the CETA study, that's all.

● (1110)

Mr. Ed Holder: I just presumed that will come from the report, but let me just work through this.

The Chair: Fair enough.

Mr. Ed Holder: Thank you, Chair.

I'd like to thank our guests. Mr. Woo and Mr. Van Keulen, welcome back again.

Mr. Van Keulen, isn't the elephant in the room with TPP on the issue of New Zealand and powdered milk? If you had to net it all down to your biggest concerns as it affects the dairy industry in Canada, would it be that?

Mr. Stan Van Keulen: Repeat the question again. On the powdered milk, you said?

Mr. Ed Holder: It's the powdered milk issue, where I would presume New Zealand wants to export a considerable amount of powdered milk into Canada. Is that a concern for you?

Mr. Stan Van Keulen: It would be one of the issues. It's not the big elephant in the room. We have a structural surplus, that's what it is. We have a rolling tonnage of powdered milk that we have to either use domestically or there is a certain amount of quota that we can export.

Mr. Ed Holder: Last week we had the EU ambassador to Canada into Ottawa as one of our witnesses to the trade committee. He spoke about how there will be unfettered access to cheeses from Canada into the entire EU. It seemed to give you some comfort yesterday. Are you still comfortable today?

Mr. Stan Van Keulen: With the unfettered access?

Mr. Ed Holder: To the European Union market....

I'm trying to get something on the record so that we have this. Just say yes, and I'll go on.

Mr. Stan Van Keulen: No, I'm not going to just say yes.

Mr. Ed Holder: Please, I don't want to put words in your mouth.

Mr. Stan Van Keulen: So you want me to answer that?

The aspect of unfettered access into the EU is based on your submission that the ambassador said we had that. If that is true, that we do have unfettered access, then I will clearly state that if we have unfettered access that is profitable, then I have comfort in it.

Mr. Ed Holder: We talked about a whole number of countries where Canada has established free trade agreements. I won't name them all right now. One of the things that we've been very clear on is that we've protected the supply management aspects up to this point. Perhaps I could ask your opinion on that in terms of how the government has handled that to this point as it relates to the dairy industry.

Mr. Stan Van Keulen: The government has handled it very well.

Mr. Ed Holder: Okay. Thank you.

Mr. Woo, if I might ask you, you talked about bilaterals, and I got the sense from what you said that it's multilaterals, if necessary, but not necessarily multilaterals. In other words, don't let the pursuit of a multilateral get in the way of a bilateral dialogue.

Did I understand that correctly, and could you explain that a little bit, please?

Mr. Yuen Pau Woo: Yes.

First of all, I wouldn't use the word "multilateral". That's usually in reference to the WTO.

Mr. Ed Holder: Okay, fair enough.

Mr. Yuen Pau Woo: TPP is an example of what we call a—

Mr. Ed Holder: What would you call that?

Mr. Yuen Pau Woo: A mega-regional, that's the new term that's come up now. CETA, of course, is the first mega-regional, and the most prominent one. The next big one coming up is the TTIP, of course, between the EU and U.S.

My point is that we don't go into free trade agreements, I think, for the sake of negotiating. There are lots of things that governments need to focus on. Free trade agreements are a tool for improving economic welfare for Canadians and for the welfare of the region.

From a strategic perspective, we want to do a number of things. One is to improve the efficiency of the economic system as a whole, and trade liberalization, I believe, does that. So there's value in liberalizing trade through multilaterals, mega-regionals, preferential bilateral agreements, and so on and so forth. However, from a competitive perspective, we only really benefit if we get a preferential agreement with a partner that others don't have an agreement with, right? Then we have a margin of preference to sell into their market.

Mr. Ed Holder: Based on that, you said, don't ignore and don't exclude China. Is it your view that it would be better for Canada and the current participants in the TPP to have that agreement in place before they approach China? Or should that be a part of the mix? What's your sense?

Mr. Yuen Pau Woo: My sense is that, from a Canadian strategic perspective, we should try to get an agreement with China before other people do.

Mr. Ed Holder: A bilateral?

Mr. Yuen Pau Woo: A bilateral agreement. The fact is that China has offered to negotiate with us; they haven't offered to negotiate with most other industrialized countries. They only have one deal with an industrialized country, and that's New Zealand.

Mr. Ed Holder: I can't comment on whether we will do that or not.

If that were or were not to happen, would it be strategically better for the current membership of the TPP to have their agreement in place before they approach China? If that were the choice, or if the other option were to bring China in as a full and willing partner straight away, what do you think is Canada's strategic interest? Ignoring the bilateral comment that you indicated, what would be best...?

• (1115)

Mr. Yuen Pau Woo: I think it'd be better to bring them in earlier rather than later, for a couple of reasons.

One is that the only way to leave them out until a deal has been concluded among the existing partners is to make a statement of distrust, basically that we don't want China to break into our club at this stage. What will likely precipitate is an alternative trade agreement that China will need, which already is in the works—it's called the Regional Comprehensive Economic Partnership, RCEP. That creates the risk of another mega-regional agreement among only Asian countries that will potentially serve as a competitor, if you will, to the TPP and a fragmentation, I fear, of Asia-Pacific economic relations that will not be healthy for Canada or for the region as a whole.

The Chair: Thank you.

Time has gone.

I'd like to ask one more question, it's kind of a follow-up, a general question.

The President of the United States had been on record as wanting the TPP completed by end of last year—last month. Mexico has recently been in the news suggesting that end of April is a possibility. From your perspective—and this goes after some of your answers with regard to China and their entry into the TPP—is that an overly optimistic timeline?

Mr. Yuen Pau Woo: Absolutely.

We heard Harry Reid say just a few days ago that he's not going to support fast-track authority. Without fast-track authority, I think our negotiator should be very careful about putting too many things on the table, because there's no guarantee the Americans can deliver on what they promise.

This is why I go back to my very first point. We have no agreements in Asia, so our strategy should be to get one going somewhere. It should be an all-of-the-above strategy. TPP is a very important part of it, but it's not the only game in town. Let's make sure we keep all our options open.

The Chair: Thank you very much for your testimony, both of you. We certainly appreciate your time with us.

With that, we'll suspend as we set up the next panel.

• (1115)

(Pause)

• (1130)

The Chair: We'll call the meeting back to order and have our members take their seats. We'll move right on to our next panellists.

We have Rhonda Driediger from the British Columbia Agriculture Council. Thank you for being here. You have with you Ray Nickel as a representative. I understand you will be presenting.

We also have Debra Etsell, executive director of the B.C. Blueberry Council. Thank you for being here. You will be presenting second.

First of all, the floor is yours, Rhonda, and we look forward to your presentation.

Ms. Rhonda Driediger (Chair, British Columbia Agriculture Council): Thank you.

I apologize upfront that I speak extremely quickly, but everything is written down in case you need it.

Good morning, and thank you for the opportunity to contribute to the TPP consultation process.

Here's a bit of background about the B.C. Agriculture Council. We are the province's umbrella farm group, so commodities such as blueberries, strawberries, and dairy all belong to the BCAC as its umbrella group. We're a council of commodity groups and through our members we represent 14,000 of the 20,000 B.C. farm families who in turn generate 96% of the farm-gate receipts in British Columbia. Agriculture is the third largest resource sector in the province, playing a significant and important role in the overall provincial economy.

The farmers represented by BCAC include those focused on international export opportunities, as well as those focused on supplying the domestic market. We understand that trade is a complicated discussion, especially as it pertains to agriculture. Our hope is that Canada will continue applying a balanced approach to agricultural trade negotiations. BCAC fully supports Canada's pursuit of bilateral and multilateral free trade agreements. We are also pleased with the assurances made by the federal government to continue supporting supply-managed commodities and defending our supply management systems in trade negotiations.

Primary agriculture differs from other industrial sectors. Individual farmers, not large integrated corporations, are the main drivers of this industry. We overcome diverse challenges to produce high-quality food for both domestic and international customers in a financially and environmentally sustainable manner.

A lot of my points today will be echoed by the CFA, the Canadian Federation of Agriculture, but I'd just like to point out a few that pertain to British Columbia.

On basic trade policy goals, the BCAC supports the following general trade policy goals that apply to the TPP: working towards bilateral and regional trade agreements that strengthen trade ties with key customers for Canadian agriculture; securing outcomes that benefit all Canadian agriculture by maximizing export opportunities and ensuring trade rules that allow for the maintenance of an effective supply management system; eliminating all dumping and export subsidies in agriculture; preserving farmers' rights and government's ability to enable, design, and operate marketing boards and orderly marketing systems necessary for the stability and profitability of Canadian agriculture; and allowing for domestic programs to ensure the stability and profitability of Canadian

agriculture. I believe our safety net programs often come up on the table during these discussions, so we'd like those to be protected.

We also support recognizing that agriculture has evolved differently between countries, resulting in each country having its own unique sensitivities; and ensuring that one commodity is not traded off to enhance the interests of another commodity, nor that agriculture is traded off in general for another industry sector. We get enough of that at home, so we don't want to see it internationally.

Trade negotiation strategy is of course what our negotiators are going to be developing, but one thing to remember in Canada is that we're not the only country with sensitivities. Some of these examples, as you have found out recently and have been dealing with, are the U.S. position on sugar, dairy, textiles, and other commodities; and New Zealand's strict sanitary and phytosanitary measures that restrict access, including for the importation of fresh and frozen pork and poultry, essentially making these products prohibited. New Zealand has also made it clear it will not permit TPP disciplines on intellectual property that interfere with its pharmacare program.

One issue we do have, especially with our organic producers, is reciprocal standards. It's not just organic, but it's how we define and how we standardize here in Canada that we would like respected. Canadian commodity groups have implemented numerous on-farm certification programs related to food safety, animal welfare, environmental measures, etc., to address regulatory requirements. As these gate-to-plate programs increase the cost of doing business, Canada must ensure that in assessing equivalency, imports are produced under equivalent certification programs and regulatory requirements.

One thing that we're also looking for in agriculture, for those of us who do a lot of direct marketing, is to have that marketing structure—I keep using the term respected, but not lost in the negotiations. There are a lot of different ways people sell all over the world...to actually not have any of that restricted. I know there will be a question coming on that, which Deb will answer.

● (1135)

I'm not sure if anyone has brought up a dispute settlement mechanism. We do have some domestically, but I don't think we have any internationally at the moment. That's very important. It will be an integral component to any well-functioning trade system. BCAC supports a more effective and transparent dispute settlement process that ensures a timely outcome and payment.

As exporters we've run into non-tariff barriers in agriculture for decades. Something may not be written down, but something is underlying, especially for organic and for greenhouse. Again, it goes back to proper labelling. The greenhouse sector right now is fighting with the term "greenhouse growing" for peppers and tomatoes because in some countries they're just putting shade cloth over top, field growing them, and then calling them greenhouse and asking for the additional premium.

The proper labelling standards, including the labelling of country of origin, help ensure that consumers are provided with sound, factual information about the product they are purchasing. However, such labelling should not be disguised as a means to modify the conditions of competition between imported and domestically produced products.

I believe Mr. Woo also covered intellectual property rights in his presentation. We're also looking for trade and labour standards. Trade agreements must incorporate the recognition of basic human rights and labour standards as integral to the social fabric and economic development of a nation.

In conclusion, the B.C. Agriculture Council supports Canada's pursuit of trade agreements that benefit all Canadian agriculture, maximize export opportunities, and allow for maintenance of an effective supply management system.

We're looking forward to some questions.

Thank you.

The Chair: Thank you very much for your presentation.

Now, Debbie Etsell, the floor is yours.

Ms. Debbie Etsell (Executive Director, B.C. Blueberry Council): I'd like to thank you for this opportunity to give you a brief overview of the B.C. blueberry industry and our support for the Trans-Pacific Partnership.

B.C. Blueberry Council represents close to 800 growers who produce 96% of all the highbush blueberries in Canada. We are the largest producing region in the world and growing at a steady rate. Production from the 2013 season is estimated to be approximately 120 million pounds, of which over half is exported outside Canada. Blueberries are the number one fruit exported out of Canada at this time. The B.C. blueberry industry had initially exported produce, outside of domestic consumption, mostly to the United States of America, but has expanded to various global markets over the last 10 years, including several of the countries involved in the Trans-Pacific Partnership.

In 2012 we exported 2.5 million kilograms to our second largest export partner, Japan, and 401,000 kilograms to Australia. Currently, we ship processed blueberries to South Korea while waiting for Canada and South Korea to conclude negotiations for fresh market access. In 2013 the B.C. Blueberry Council extended our long-term international strategy to include the emerging markets of Malaysia, Vietnam, and Singapore due to the interests from those markets.

One of the new challenges our industry has is the higher tariff rates compared to other blueberry producing countries. Prospective buyers comment that they see Canadian blueberries as a quality product, but the difference in cost due to these tariffs is prohibitive.

This has been very evident in South Korea where Canada was building some growth and it was coming along quite nicely. Canadian product was being recognized as one to look at, but when Chile and the U.S. reached their free trade agreements, our sales plummeted due to a 30% to 37% difference in tariffs.

In closing, the B.C. Blueberry Council supports the negotiations of the Trans-Pacific Partnership to help sustain our industry to be a healthy Canadian trade partner in the future.

Thank you.

• (1140)

The Chair: Thank you very much.

We'll move to questions and answers.

Mr. Sandhu, you have seven minutes.

Mr. Jasbir Sandhu: Thank you very much.

Welcome to the committee and thank you for being here this morning. I picked blueberries back in the eighties and I eat blueberries every morning, so we buy about 200 to 250 pounds a year. I know it's an excellent source of a lot of nutritional stuff that we should be eating, so I'm fully supportive of the blueberry industry in the Fraser Valley.

The TPP talks began back in 2005 and the negotiations started in 2008. Canada did not enter the talks until 2012 and by that time we'd had 14 rounds of negotiations and part of the conditions for us to get in was that those rounds had been negotiated. We wouldn't be opening them up; they're set in place.

Are you concerned that we weren't at the table for those 14 rounds?

Ms. Rhonda Driediger: You know, there's nothing we can do about the past. I think what we're concerned about is moving forward, especially for our exporting commodities, and moving forward with what we can change.

Ms. Debbie Etsell: I think the EU agreement was a huge step forward. I see the concern that some people have had, but the current environment for trade negotiations for Canada, the program that's in place right now is one of the most ambitious I've seen for any of the countries. So we're very encouraged by what's coming forward, and the Trans-Pacific Partnership is part of that.

Mr. Jasbir Sandhu: You pointed out that the trade agreement is very ambitious. We've seen trade agreements that have been negotiated with Japan for the last nine years, and haven't been concluded. We actually started negotiating with South Korea before the Americans, and I guess you're paying the price for that because we don't have proper access to those markets.

Are you concerned? We've been talking about negotiating these trade agreements with these South Asian countries, which would benefit especially the blueberry growers in British Columbia. Are you concerned about the number of years it's taken for our government to conclude any sort of viable, concrete trade agreements with these very important partners?

Ms. Debbie Etsell: The growers have seen what you're mentioning, in the past, but what we're seeing going forward is having that EU trade agreement being negotiated and ratified right now. It encourages us that some of the delays that have maybe happened in the past are definitely moving forward, and that Canada is seen as somebody to negotiate trade deals with, whereas before there wasn't as much history.

We see the future as one where there will be a lot of negotiations going on, and we even see it day-to-day right now. We're involved in many negotiations for different market access.

• (1145)

Mr. Jasbir Sandhu: I have a question for Mr. Nickel—

The Chair: Mrs. Driediger, did you want to comment?

Ms. Rhonda Driediger: Just to add to Debbie's answer, I don't think that blueberries specifically are being shut out. I think that this particular commodity is extremely popular around the world, especially Canadian blueberries.

I think that the consumers of these countries are pushing their governments to make a deal. I think where we're behind is negotiating on the actual rate of the tariff. I think some countries are maybe stalling a little bit to slow the process down, but I think what we should be looking at as well, once we have an agreement, are the rates of tariffs because it doesn't matter if we can go to China if we're 35% higher rated than everyone else.

Mr. Jasbir Sandhu: Besides negotiating these possible trade agreements with TPP or other bilateral agreements, how else can the government work with the industry, or your sector, to enhance your ability to export, enhance your ability to compete? How else can the government work together with your industry?

Ms. Rhonda Driediger: I think our federal representatives, the staff, have been amazing in pushing forward for blueberries and for dark sweet cherries, especially into China. They have really gone above and beyond getting the inspectors here, getting the protocols established, and I think we're very, very close on cherries. I think they should be going in this year unfettered, and blueberries, we're hoping soon.

The little bit of a hang-up right now is just on testing for any insect contamination, and what actual tests they accept.

Mr. Jasbir Sandhu: Testing on the part of the government here, or what the other governments accept?

Ms. Rhonda Driediger: I'll let Debbie answer that.

Ms. Debbie Etsell: It's part of the negotiations. We've been with China for a long time, and several things have come back on our pest risk assessment. This was something where they have so many countries coming at them right now for blueberries. It's a popular fruit, as you mentioned yourself. They are just trying to make sure that everything is in a row, and therefore, they're making sure that every single thing....

They also don't produce that many blueberries, so they don't really understand how to treat pests or what some of the protocols are for making sure that there aren't any of those pests, if they're present, coming into their country. I think that they ask a lot of questions about unknown things, and it sort of elongates the consultation process until they make sure they are absolutely sure.

Mr. Jasbir Sandhu: Have you had the chance to—

The Chair: Rhonda, please give a quick answer.

Ms. Rhonda Driediger: This goes back again to the non-tariff barriers. I think China is one of the countries negotiating in good faith on this aspect, but it's something about which we have to be careful that countries don't use as a trade barrier.

Mr. Jasbir Sandhu: Have you had a chance to use our trade services offices overseas?

Ms. Rhonda Driediger: I have. Yes.

Mr. Jasbir Sandhu: So you find that the trade commission is a valuable service?

The Chair: Time is gone. The answer is yes.

Mr. Hoback, go ahead.

Mr. Randy Hoback: I'll let you answer that. Have they been valuable for you to use? The trade offices that you utilized, have they been good and cooperative?

Ms. Debbie Etsell: Very valuable. What we've seen though this last year is the amount of personnel has been reduced vastly. They have had a lot of experience and have been very beneficial. When we go overseas the first thing we do is work with the trade commissioners overseas. They are eager to work with us, and they are very proficient and knowledgeable.

Mr. Randy Hoback: Excellent. I see you're nodding your head, so you agree?

Ms. Rhonda Driediger: Yes. Especially in China it's very difficult for us to verify because it could be someone's relative or associate or whatever, so we use it to verify the companies—who they are and that they actually say who they are before we have any business dealings with them.

Mr. Randy Hoback: You touched on non-tariff trade barriers and the problems they can present in a market, for example, like blueberries, if all of a sudden they take an insect or a chemical and say, hey, we have a problem with that. All of a sudden the door shuts closed immediately.

I think that's one thing you will see in CETA and TPP is the process to resolve those types of barriers and actually remove them.

Have you looked at that, and what's your impression on how that will impact the sector?

• (1150)

Ms. Rhonda Driediger: I think I'll wait for the details.

Mr. Randy Hoback: That's fair. But I think if you look at it in the macro sense, the fact is that you have a process there that you don't have right now, which has to be beneficial. Correct?

For blueberries I think a 17% tariff going into Europe is the number I've been told, so you must be very excited about that fact. I know we're talking about TPP here, but....

Ms. Debbie Etsell: I've been very vocal on that one, and that's what I meant by we're excited by what's moving forward right now. We are seeing an environment where these negotiations are finally benefiting the industry, but we have a way to go here. We have a lot of product. We have a product in demand, and we want to see all the negotiations that are on the table right now moving forward.

Mr. Randy Hoback: So we do the negotiations like CETA, for example, or TPP, and we get the deal done. We talked about the trade officers, but what do you need for infrastructure or for support to go on to that next level and decide which markets, first of all, to target, and target that market and then get penetration. How do we get you to the next level?

Ms. Debbie Etsell: There are many different facets for working on that, everything from having an agent on the ground who works with the trade commissioners to going and doing incoming and outgoing trade missions with that particular country as well as trade shows.

The B.C. Blueberry Council always exhibits where we can under the Canada pavilion, and we find great benefit to that rather than if we went off by ourselves. If we went to some of these countries—like Malaysia, Singapore, and that—and we went under just B.C. blueberries, the impact when we go under Canadian blueberries is quite a bit different.

Mr. Randy Hoback: Do you see in those markets, blueberry jam for example, in the processed—processed may not be the right word—the value-added sector of the market for blueberries or other crops as being something that will be growing and expanding as you see market access expand further?

Ms. Debbie Etsell: Definitely. Blueberries being so popular right now, there are countries all over the place jumping on board trying to grow them. The main product we sell is mostly fresh and processed out of Canada, but there is a lot of interest emerging for value-added.

Mr. Randy Hoback: It's interesting, Chair, instead of talking about TPP, we're already advancing to the next step, and how we take advantage of it. It just shows how excited the witnesses here are in seeing both TPP and CETA moving forward.

Is there any advice you would offer to the government as we move forward? I know you had a few recommendations, but as we get to the final days on TPP, and of course CETA is at the process of drafting the document itself, and the translation, and that....

Ms. Rhonda Driediger: The devil's in the details so it really comes down to.... Sorry, how many times has that been used? But that's really what our concern is. Again, at the high level, the broad level, looking at this, everything's going I think the way we would like to see it, but the concern will be once we get down to those details, especially with the European one, what has to be traded off, and what may be traded off. That's why we brought Ray with us today.

Mr. Randy Hoback: I know the Europeans can be relatively tricky. They have the ability to do the non-tariff trade barriers very well. I've experienced those through homologation and other aspects. It's nice to know we're going to have a process that actually sets aside what the rules and regulations are. Things like low-level presence, standardization, and regulations on the food sector I think are very important.

Ms. Rhonda Driediger: Standardization of MRLs, which are maximum residue limits, would be really important, especially in dealing with New Zealand and Australia. Their limits are ridiculously low. They can't import anything from North America, from Canada or the U.S.

Mr. Randy Hoback: They basically created a non-tariff trade barrier by doing that.

Ms. Rhonda Driediger: Unfortunately, they need berries. They've been in a drought situation for a long time and they want to import, but they can't.

Mr. Randy Hoback: It's kind of interesting how they changed the rules when all of a sudden they have demand, and then it changes back when they also have supply.

Ms. Rhonda Driediger: Yes, there is an MRL for captan in Europe now.

Mr. Randy Hoback: Interesting.

I think, Chair, I'll stop at that point.

The Chair: I just have a clarification question.

Rhonda, does your organization, the British Columbia Agriculture Council, represent the grape industry, grape growers, or the wine industry at all? I don't know where the line is drawn on agriculture on that.

Ms. Rhonda Driediger: Sure, we do. Any producing group, so yes, grape growers are included with us.

The Chair: Do you export wine, too?

Ms. Rhonda Driediger: Do you want to talk about wine?

The Chair: Maybe. I'm not sure.

Ms. Rhonda Driediger: That's our favourite topic, wine and gin.

The Chair: Mr. Pacetti is an expert on that subject. The floor is yours.

Mr. Massimo Pacetti: It's almost like you did it on purpose.

I'll start with you, Ms. Driediger.

At the beginning you said you defend supply management, but some of your members are also not part of supply management. How do you reconcile the two, or how do you represent both sides?

• (1155)

Ms. Rhonda Driediger: Being the chair of BCAC, firmly on the fence, but in these negotiations....

I mean, this is something I think that's fairly unique to Canada, this type of management system. I think it does extremely well for us, especially here in B.C. We have exorbitant land costs. It's not just something where you can say, dairy is popular so we're going to jump into dairy, jump out of dairy, jump into chickens, jump out of chickens. It's extremely expensive and disruptive to do that, and I think we have a very steady, safe, well-managed, well-priced program, especially here in B.C. So I think for me personally to defend supply management, I don't have an issue with that at all.

There are those of us who are just naturally...like in blueberries, we also have a number of other commodities where we're just natural export marketers. A lot of our product goes outside of British Columbia. I sell virtually nothing from my farm in B.C. Everything is exported, so a supply management system isn't going to work for me, obviously.

Mr. Ray Nickel (Representative, British Columbia Agriculture Council): Can I comment?

I think it's a very good question, and I think that it pertains to some of the conversations that have already gone on—the fact that bilateral trade agreements, I think, are the best way for Canada to move ahead in making trade deals in comparison to what was being done over the WTO. But as a supply management individual, I think Canada has always put forward a very good proposal on how this should be done. We're not argumentative about the fact that there are exporters who need to expand their markets. On the other hand, I think it behooves Canada to protect what they have and continue to support that.

I don't think you need to be at crosshairs or at odds over moving forward with those two positions, and doing it with a clear conscience and with all the strength that you bring in those sorts of negotiations. I think it's the right way to go and the way to proceed.

Mr. Massimo Pacetti: Thank you.

On some of the non-tariff issues, I'm not sure if I heard you, but have you given your input to the negotiators? Have you had any dealings with them?

Ms. Rhonda Driediger: Not me personally, but we have through the Ag Council and also through most of the commodity groups.

Mr. Massimo Pacetti: Are they receptive to it? Does it look like your requests will be met?

Ms. Debbie Etsell: Definitely.

I've asked some of them before they go into negotiations, and made them aware of what the tariffs are and that—

Mr. Massimo Pacetti: We're talking about non-tariffs.

Ms. Debbie Etsell: The non-tariffs as well, yes....

Mr. Massimo Pacetti: I guess my next question would be for you, Ms. Etsell.

Why is the duty so high on blueberries if everybody wants them across the world?

Ms. Debbie Etsell: I would say that's part of a non-tariff barrier as well. I really view it as such, and so do the growers and people in the industry. Especially in Korea, it does prohibit. There are some concerns in the markets we're going into that if there is some domestic production, this is some way that they can maybe slow down what's coming in, even though so many of the countries that we're looking at have such high populations that their internal production would never be able to feed their consumers. So I think in a way it really is a non-tariff barrier.

Mr. Massimo Pacetti: Are they maybe protecting—

Ms. Debbie Etsell: It's set by the other country.

Mr. Massimo Pacetti: No, I understand that, but are they trying to protect their own crop by changing eating habits and pushing you from blueberries to something else that they might be producing?

Ms. Debbie Etsell: They actually look to us for that. They know that we know so much about blueberries. The countries that have started producing them lately don't really.... It's native to North America, the blueberry, and we've been doing this for many years. We're known as the experts for blueberries in the world. Therefore they want that knowledge. They want us to come in and do the marketing, which we do. We don't just come into these countries and

just sell blueberries. We help the consumers. We help the growers. We make trips to some of these countries and interact. We're part of the International Blueberry Organization meetings, where we meet with them and share.

Mr. Massimo Pacetti: In a normal crop year where nothing affects the crop, does your supply fill the demand? Or do you have oversupply or over-demand, normally?

Ms. Debbie Etsell: We're definitely in oversupply.

Mr. Massimo Pacetti: Lately or...?

Ms. Debbie Etsell: It's increasing each year.

Mr. Massimo Pacetti: Why is that, because of competition or just because you're overproducing?

Ms. Debbie Etsell: We can grow blueberries so well, and the health halo became a big—

Mr. Massimo Pacetti: Are you producing more and more every year?

Ms. Debbie Etsell: Yes.

Mr. Massimo Pacetti: Oh, you are. Okay.

So for you the TPP is important.

Ms. Debbie Etsell: Yes.

Mr. Massimo Pacetti: Thank you.

The Chair: Thank you very much.

Mr. Holder.

• (1200)

Mr. Ed Holder: Thank you, Chair.

I'd like to thank our guests for being here today. I appreciate your testimony.

Ms. Driediger, you mentioned that 14,000 of 20,000 farm families are represented through your organization. How does that work in B. C.? Who's out? If the 14,000 are in, who's out, just so I can understand your group better, please?

Ms. Rhonda Driediger: There are a few what we call emerging sectors, which are not necessarily covered at the moment. Mushroom production. They're having some challenges within their organization and structure, so they at this moment don't belong, although they might belong through another group.

Some of the small farms may produce just to keep their farm taxes, so they may not belong to an organization. Also for something like bison, they're not necessarily an organized group that belong to the BCAC.

Mr. Ed Holder: Where do the corporate commercial agrifarms fit in, the big commercial ones? Are they part of your organization or are you focused on the family farm?

Ms. Rhonda Driediger: No. BCAC represents commercial agriculture, and we define "commercial" as large or small. So it's if you are growing to produce, to sell, to produce for a profit. You could be two acres or you can be 2,000 acres, but you're not growing a backyard garden and a couple of sheep for yourself.

Mr. Ed Holder: I just don't think that a 20,000-acre spread is exactly a farm family, and that's how you described your organization. I appreciated the clarity with that.

It's interesting with your focus on exports and exporting agricultural products, of which you're obviously clearly proud. I'm curious whether you think there's a market for supply-managed products outside of Canada, like chicken, dairy, eggs.

Mr. Ray Nickel: Just to clarify, you are asking if the supply management commodities could actually develop and grow to a point where they would be exporting?

Mr. Ed Holder: Sure.

Mr. Ray Nickel: I would say offhand that the way the programs are set up—it's a domestic supply program—you would be counteractive to the intent of those programs if you started to do that.

There is no doubt there are some export spinoffs. I heard the earlier discussion about powdered milk in the dairy side, and cheese, of course. In chicken, you do have wings and backs and feet and those sorts of things, so there is some of that going on, and those processors have individual agreements with multiple different countries where they do some of that.

Mr. Ed Holder: But it isn't an issue of quality and our ability to compete with the rest of the world in these products.

Mr. Ray Nickel: Inasmuch as other countries have their own sensitivities around these products, you do run into those sorts of problems.

Mr. Ed Holder: Perhaps, but you didn't answer my question, which, by the way, to be fair to you, is redundant. I think we compete with all our products with the best in the world. You can just say yes to that. That's fine.

Mr. Ray Nickel: I take it under advisement, and I wouldn't necessarily say yes.

Mr. Ed Holder: Really? You don't think we can? You should have more confidence about our ability to compete, and I don't need to take that under advisement.

A question, then, if I can, please, and a final shot, sir, I promise you.

Ms. Driediger, a question for you. You said that anything we do should include basic human rights and labour standards. That's very interesting. We had some folks yesterday, when they were with us talking about the CETA deal, saying get rid of all that stuff. If all you want to do—and these are some of our civil society groups—is talk about reducing trade barriers, maybe we can get our head around it, but now you add all these other things. But you seem to think that's important. Why is that?

Ms. Rhonda Driediger: I think it's important in our society. We want to know a lot about our foods, a lot about our products, where they come from, how they're grown. I specifically—I'll refer mainly to my experiences—don't buy certain products from certain countries for packaging say, or boxes, clamshells, that kind of thing because I don't want to think that some poor 10-year-old girl was making them.

I want to know that the products I buy are manufactured in a sustainable manner and by people that are paid well and who have basic human rights. I think as a society we're looking for that.

Mr. Ed Holder: I recommend Gildan T-shirts only, Montreal-based. But the others, I can't be confident on how those T-shirts are made.

Ms. Etsell, you had a big fan yesterday in Mayor Bruce Banman, the mayor of Abbotsford. He went on ad nauseam, actually ad valorem—

• (1205)

Ms. Debbie Etsell: Are you serious?

Mr. Ed Holder: He loves your blueberries and he was very supportive. You seem surprised.

But he talked at length about how important it is in the marketplace. I'm trying to understand, maybe just very bluntly, what does TPP mean to your industry? If you could put that in a few sentences, what could it do for you?

Ms. Debbie Etsell: My conclusion was the main point. This partnership will help keep a healthy Canadian blueberry industry as a trade partner in the future. I really believe that if we don't start having more of these agreements, that the size of our industry.... It's talked about in B.C. that all of these other countries are trying to grow blueberries, and we could grow them in the ditches, that's how native they are to our country here.

It's going to keep evolving because there are a lot of people that like to farm a healthy product and that is one of our qualities that people know about in Canada. With the amount of supply coming on, this is what's going to sustain us into the future.

Mr. Ed Holder: That's an interesting marketing program. The blueberry capital of the world, we grow them in ditches. I'm not sure I comprehend that.

You did make reference to the 37% difference in tariffs when Chile is selling their blueberries to South Korea. Does that go away? I'm thinking of South Korea because we have a free trade deal with Chile, but help me understand that a little bit more.

Ms. Debbie Etsell: To give you some background, Chile came in and they were able to reduce theirs over five years to zero tariff. The U.S.A. came in after Chile. I would mention that Canada was number one to sit at the table with South Korea, and we're still waiting for our agreement. The negotiations came in and when the U.S. came in, they negotiated a faster reduction of tariffs. That's where we're at right now. We're hoping that Canada could emulate that and make us more competitive in a faster period of time.

Mr. Ed Holder: You've all been very hospitable, thank you.

The Chair: Thank you very much.

We're getting into the second round. I have one question. You mentioned that the blueberry is native to North America. Russia, northern Europe, do none of them grow blueberries?

Ms. Debbie Etsell: They do grow blueberries. I'm not sure that everybody knows that Canada has highbush and lowbush. On the east coast, it's lowbush; on the west coast, it's highbush. When I'm commenting about the products from the B.C. Blueberry Council side, it's highbush. The lowbush does grow in the northern parts, but the highbush is native to North America.

The Chair: Ms. Crowder.

Ms. Jean Crowder: Thank you, Mr. Chair, and thank you to the witnesses. I'd like to start with Ms. Driediger.

A couple of times you talked about the details and the devil in the details, and that at a high level your organization supports TPP. But I'm presuming that the things you laid out are the things you want considered. You actually don't have access to the details around things like phytosanitary organic products, direct marketing, country of origin.... Is this your wish list?

Ms. Rhonda Driediger: Yes.

Ms. Jean Crowder: You probably heard that some of the criticism of the TPP has been the lack of transparency and the lack of ability to actually.... So people are supportive of an agreement that they actually don't have the details on.

Ms. Rhonda Driediger: Yes.

Ms. Jean Crowder: There are a couple of things that I wanted to raise.

One of the things that you mentioned was a dispute resolution mechanism. I have two documents here. One's an open letter from lawyers, who have a particular ability to analyze these agreements. They say that in their view what they're seeing out of the TPP and other agreements will fundamentally shift the balance of power between investor states and other affected parties in a manner that will undermine fair resolution of legal disputes.

They go on to recommend that there should be an open and independent judicial system for the resolution of disputes. Although this is from the United States, the Institute for Agriculture and Trade Policy has raised serious concerns around dispute resolution mechanisms. They indicate in their view that if the TPP is implemented, it would:

...expand protections for investors over those for consumers and farmers, and severely restrict governments' ability to use public policy to reshape food systems.

I come from Vancouver Island where the agriculture industry.... We talked about wine. But certainly we have a very vibrant active organic production, farm-gate sales, and a lot of mechanisms that local people think are really important.

What do you think needs to be included in the dispute resolution system in order to protect farmers?

● (1210)

Ms. Rhonda Driediger: Number one, before we enter into any type of sale to a country, I think each side has to know what is acceptable, what isn't acceptable, and how such a dispute will be handled. I don't think we're looking for prescriptive dispute resolution. We're looking for a process. A process that both sides agree to because you are going to be dealing company to company. You're not dealing government to government anymore once that transaction has happened.

So I think we're looking for a way that each country agrees to deal with the problem. We're not looking for prescriptive measures. I don't see that as having an impact. Hopefully the lawyers didn't charge too much for that. I don't see that happening.

Ms. Jean Crowder: It was free.

Ms. Rhonda Driediger: It was free. That's a rarity; you should have it framed.

I think we're just looking for the actual process, how it will be dealt with. We do have a Dispute Resolution Corporation here in Canada that deals with disputes between Canada and the U.S. when it comes to fresh produce. I could see it being modelled after that, which is really an arbitration, both sides sitting down and going through the discussion process, seeing which points are in dispute, and then working out a resolution. That's non-judicial.

Ms. Jean Crowder: Partly the concern has been raised because of the Canadian experience with NAFTA where some of the dispute resolution is conducted behind closed doors and it doesn't necessarily, hasn't necessarily, advantaged Canada. I think that's part of the reason.

I want to touch on country of origin labelling. Of course, the details on that aren't known either. Do you have specific recommendations around inclusion, around country of origin labelling?

Ms. Rhonda Driediger: The U.S. has been trying to implement country of origin labelling, or COOL as they call it. I think it's important to the consumer. As an importer-exporter I don't know if it's necessarily that important, but I think the consumer has a right to know where that product came from. But then again it's extremely difficult to do that. We look at cattle that may have been born in Hawaii. They're shipped over, raised on farms in B.C., sent to Alberta for finishing, and possibly slaughtered in the U.S. So what do you call them? Cows. That's a good answer.

Ms. Jean Crowder: I think that's the challenge, your point that the consumer has a right to know about the country of origin labelling, more broadly. My riding tends to be an activist riding, and we hear consistently from people about the importance of labelling.

I see my time is up, so thank you, Mr. Chair.

The Chair: It's one of my favourite topics.

Go ahead, Mr. Cannan. The floor is yours.

Hon. Ron Cannan: Thank you, Mr. Chair, and thanks to our witnesses. It's great to see some of you again in your neck of the woods. I know, Rhonda, your presence graced our round table with Minister Pimm and Minister Ritz last fall. It was great to have you representing the BCAC. We know that you mentioned blueberries coming from the Okanagan, grapes, but cherries are obviously very.... Cherry growers are excited about the opportunity to hopefully have unfettered access into the Asian markets. Some are circumventing the system currently but they'd like to get there in a little straighter and quicker route, so we're excited about that.

You also commented on labelling. I wanted to talk about organic. Rhonda you mentioned reciprocal standards. Maybe you could expand a little on that and the issue of labelling and a topic that is often raised in my riding and around the province, the issue of GMOs.

Ms. Rhonda Driediger: Thanks. I'll temper my comments between my personal opinion and that of the BCAC board.

When it comes to labelling, the two industries that it's affecting the most right now are greenhouse vegetables and organic. Organic is concerned about labelling and also GMO. They're concerned about GMOs being allowed into Canada and therefore mixing, if your will, with their crops, making their crops unavailable for registration as organic. They see it as quite devastating if it's allowed in, say, with the GMO apple, the Arctic apple, I think it's called. They're concerned about having that come up into your region and having cross-pollination with domestic apples.

So I think organic is very specific. They document how things are grown, where they come from, where their plants come from. They're all non-GMO. Their concern is that there would be a muddying of the waters and they wouldn't be able to certify.

Ray is also an organic chicken producer, so he can answer that on behalf of chickens.

Labelling? Sorry, you had a third question, GMOs? GMOs may save the world one day. We don't know yet, but science will save it.

I'll pass it over to Ray.

• (1215)

Mr. Ray Nickel: Under the organic standards right now Canada does have some fairly good safeguards. They have to meet the CFIA standards on organics. So you're not going to get past the GMO issue with the organic council committee, that continues to be something extremely highlighted. So in trade negotiations that's going to continue to be a stumbling block.

Hon. Ron Cannan: So it's not so much Canada, as we have great standards. You want to make sure the certifications are recognized internationally and enforced.

Mr. Ray Nickel: Yes, that tends to be the way that it goes. Canada has been developing their own standards. They take into consideration the EU and somewhat the American standard, but then those Canadian standards have to be met by products coming in. So the government needs to continue to enforce that sort of policy and maybe that does go back to the country of origin labelling as well. But when you talk about GMOs in conjunction with organics that's a non-starter.

Hon. Ron Cannan: Thanks.

To Debbie, your member of Parliament, Minister Fast, is the trade minister, and is a strong advocate for the blueberry industry as always. When he comes out he talks about his blueberries and we show him our cherries and grapes and all the rest, and we're proud to be representing our constituents.

I know that our colleague Pierre Poilievre was just recently out here and the federal government contributed \$2.8 million, and I think there was \$1 million from your industry, to partner for research and development to continue to develop the quality of research so that we can have a product that is internationally number one.

Ms. Debbie Etsell: Definitely. A large component of this is a breeding program so that we can have some identity that's separate. We were the first and we are the experts in blueberries. Everyone is using the varieties that we had in North America, so we need to have

something that will set us apart, like the apple industry with the Ambrosia apple. It's a benefit to us to be able to work on that.

Hon. Ron Cannan: Excellent.

I have one last comment. I know you talked about the need for feet on the ground and working with our trade commissioners around the world. I just wanted to have a recognition to the provinces working together as well. In British Columbia, Ben Stewart, who was the MLA, stepped aside for the premier, and he has been appointed as a special representative of B.C. in Asia, an investment and trade commissioner. So he is also recognizing the importance of British Columbia's agriculture and opportunities for wine and all the rest. So we have somebody with feet on the ground locally here as well.

Ms. Debbie Etsell: That's been expanded greatly this past year, especially with the reduction of the number of trade commissioners. When I said that I'm proud to go under Canadian pavilions, one of the things I've talked to the provincial government about for the last five years is that I see other provinces across these export trade markets but I haven't seen B.C. As of this year there are now B.C. booths in those Canadian pavilions, so that's showing the collaboration that's being built and is moving forward.

Hon. Ron Cannan: Ben will be a great asset and it's a good partnership. Thank you very much.

The Chair: Thank you very much.

Mr. Davies, you have five minutes.

Mr. Don Davies: Thank you to all the witnesses for being here. We just recently concluded negotiations with the EU on CETA and one of the aspects of that deal was that Canada give the Europeans 179 geographical indications, and Canada had zero. I think part of that was that it's not considered a Canadian offensive interest. I don't think we actually proposed any GIs.

I think of Saskatoon berries or Montreal smoked meat or Oka cheese. Do we have any geographical indications that we could maybe or should maybe be putting on the table in TPP to help develop a Canadian brand like the Europeans have?

Ms. Debbie Etsell: I know from the wine industry I've had emails come to my office asking why we don't have ice wine as a geographical indication. So I think there is some interest in that. Whether or not that has been formalized I have no knowledge of.

Mr. Don Davies: Are there any other suggestions? Did that come up amongst your members?

• (1220)

Ms. Rhonda Driediger: It has come up from some of the members but I think as this negotiation starts to move forward you'll start to see that. But I don't see any industry that's really marketing something so unique that it could be wiped out by a generic at this point. So I think it will come up. I think it's a great question and it's something I'll take back to the members.

Mr. Don Davies: Thank you. I appreciate the spirited defence of Canada's supply management system. That has historically been an all-party issue. In 2005 there was a unanimous motion passed in the House of Commons that stated that Canada will accept no over-quota tariff reductions and no TRQ expansions for its supply-managed products as part of our balanced negotiating position.

In CETA we saw a little bit of a crack in that as we saw a doubling of the over-quota cheese coming from Europe. I talked to a number of farmers in the supply-managed sectors who are concerned that this is a bit of the foot-in-the-door. With TPP coming with Australia, New Zealand, and the United States, countries that have historically not liked Canada's supply management system, do you have any concerns that there may be further inroads made into the supply management system of our country, particularly with the over-quota allowances?

Mr. Ray Nickel: I think you nailed it on the head. That has been the overwhelming concern. Is that the start of something that's going to roll into something sliding down the hill? It's been strongly supported not only, as you mentioned, in 2005 but all the way up into last October in 2013. What does that mean when that sort of negotiation happens? We would really like to continue to encourage open and transparent discussion with our commodity groups, particularly the supply management groups, as to what is being discussed and thought of, and that the government would stick to what it has mentioned.

Mr. Don Davies: One of the thorny questions I think we all experience here as we enter trade negotiations is the desire to have common standards that we can negotiate worldwide, while preserving our democratic ability to set our own standards. Here in Canada we don't allow hormones in our milk that the Americans do. The Europeans have a different perspective on GMOs than we have in Canada.

Do you have any thoughts or advice to give the committee on how we can preserve a responsive democratic ability for Canadians to set our own standards, while also negotiating our ability to get our products around the world?

Mr. Ray Nickel: If I could speak to that just for a minute, one of the things that you see more and more is the heightened interest in demand by consumers around food safety. There is no system in the world that allows you to regulate, particularly in the case of Canada, the dairy and poultry products like the supply management system does. Yes, we are being regulated to death, but on the other hand it does provide you the comfort that you are getting what you're asking for and that you can control what is being done at the farm level, and all the way through that value chain.

Just off the top, I would say that is an extremely strong strength of the supply management system.

Mr. Don Davies: Ms. Etsell, did you have something you wanted to say?

Ms. Debbie Etsell: I was thinking along the same lines. We're known for our food safety with blueberries here in Canada. We started long before the other countries. The U.S. even asked for our binders on that from what we were working on. So it is one thing that's really important.

Mr. Don Davies: Ms. Driediger.

The Chair: Yes, go ahead.

Ms. Rhonda Driediger: Contrary to...we don't grow them in ditches either. I just wanted to add that point.

I just wanted to tie up a couple of loose ends. One was the question by the vice-chair about why tariffs were set in the first place with the demand that's there. The demand came after.

The tariff was there as a trade barrier because they did want to protect fledgling domestic product. Unfortunately, most of these countries found out they could not grow blueberries at the level that we can, and certainly never enough for their own domestic supply—not even close, you're talking drops in the bucket. In China, say, you would have to take thousands of acres of land out of other food production to put into blueberries, because they don't have the water, the pH, the soil, and the temperature all in the same place to grow blueberries like we can. They've come to that conclusion, that's why. They've had a taste of this particular product and there is more demand for it. That's why now it's up to us to start removing those trade barriers, non-tariff barriers, and work towards getting that tariff down to zero.

Chile also tied their agricultural products to their resource products, so a lot of minerals, metals, went to China. But the agricultural products that went in with that are now zero-rated.

If Canada could tie a few more things up with our agricultural products, that would be great.

●(1225)

The Chair: Okay, thank you very much.

Mr. Hoback.

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

I have a couple of quick questions. I just want some clarification on the labelling and GMOs, where you stand on those.

Ms. Rhonda Driediger: I thought I answered that.

As a person who does supply—I pack blueberries and I supply them to different retail chains—if you said to me, “Give me specifically what is on that particular berry”, I would have a very difficult time doing that. There's desire and what we want versus reality. I think we have to find a happy medium between them when it comes to any labelling. You want to be as specific as possible, but it may not be.... Otherwise you'd have to test every single berry.

Mr. Randy Hoback: Yes. As a legislator, myself, when I look at it, when I see that plate of food that's sitting on the table, my first concern is that of safety, so that child, when it puts that blueberry in their mouth, or cherry or strawberry, whatever else, it's safe to eat. Now if I know it's safe to eat, I don't necessarily want to get into the decision on what's the best marketing campaign to decide what you purchase. If you want to buy organic blueberries, if you want to buy non-organic blueberries, you want to buy GMO canola or non-GMO canola, really, at the end of the day, that's up to you as a consumer, to know and to decide. But reality for me, as a legislator, I just want to make sure that it's safe to eat.

Is that not a fair statement, that's the role of government in some of this?

Ms. Rhonda Driediger: I think that's a very fair statement, and that's why we come back to having a standard, a Canadian standard, that other countries will have to meet, and that's again in their labour standards, their organic standards. Does it match up with ours? Is there actual testing being done? Anyone can fill out paperwork, but we want to see some of those products tested to make sure they say what they are.

Mr. Randy Hoback: Exactly.

Now, we've talked a lot about the TPP, the products, like blueberries, for example, here. We know the pork sector is excited about it. We know the cattle sector is excited. The grain and oilseed sectors were excited about it. Are there any other micromarkets or any other commodities that you see coming out of the agriculture in B.C.? There's the wine sector, but is there anything that you haven't identified that you would say, "This has huge growth potential"?

Ms. Rhonda Driediger: Interestingly enough, there are fruit wines, like non-grape fruit wines, raspberry wines. There are a couple of companies here that have been doing fruit wines that have just taken off for export.

Mr. Randy Hoback: My colleague Ed Holder would like to try some of that fruit wine, I'm sure, so if you can supply some down the road....

Ms. Rhonda Driediger: Ray also grows kiwis. He wanted to mention that.

Mr. Randy Hoback: Kiwis—that's interesting.

Ms. Etsell, just give me the size of the blueberry market, where it is today, where you see it going in the future, and where it's been. Give me 5, 10 years back, where it was, just so I can have a picture of the growth of the sector. Or has it stagnated? Has it matured or is it still growing?

Ms. Debbie Etsell: There's a lot of new production across the world in the ground right now. I had somebody up from the U.S. this weekend and I drove them around. Even in the last two months just around my own neighbourhood there are four farms that have gone in over 20 acres. This is happening all over the world. Some of the fastest growing rates are Peru, Mexico, Chile. In the southern hemisphere, the cost for them to produce blueberries is much less. It may not be as good an area to grow in as it is here in British Columbia, or in Canada, but it's growing vastly all across the world. Everybody's trying to figure out how to grow blueberries, and they're putting out more and more production every year.

To give you an idea, even when I first started in 2006 with blueberries, there were 86 million pounds, and we reached 130 million pounds in 2012.

Mr. Randy Hoback: That just emphasizes why you need that level playing field. Give you a level playing field and you'll compete hand over fist because you have a better product.

Ms. Debbie Etsell: Yes, when we meet with the International Blueberry Organization, we have global production. We all put in what our forecasts met. The curve used to be like this; it's now like this.

Mr. Randy Hoback: Where are they getting their genetics, their plant stock?

Ms. Debbie Etsell: Sorry?

Mr. Randy Hoback: On the genetics for the types of blueberries that they're getting, as far as the plants themselves go, are they getting them out of Canada? Are they breeding them themselves?

Ms. Debbie Etsell: There are a few companies that sell them. Like I say, they're in huge demand and they're setting up different offices across the world.

Mr. Randy Hoback: Okay. All right.

Thanks, Chair.

The Chair: Thank you very much.

That takes us to the end of the session. We want to thank our witnesses for being so succinct, and questioners the same way. It has been very enlightening information into the blueberry industry and agriculture in B.C., in general, so thank you for that.

With that, I want to thank our witnesses for being here.

We will suspend. Lunch will be in the same venue as yesterday.

• (1225)

(Pause)

• (1400)

The Chair: We'd like to call this meeting to order. We have our witnesses with us for this hour panel. We're continuing the study on the Trans-Pacific Partnership.

We have with us the Centre for Drug Research and Development, Ms. Es Sabar. Thank you for being with us.

From OpenMedia.ca—and I'm not exactly sure, but I'm sure I'll find out what that's all about—we have Mr. Anderson.

Thank you very much for being here.

We'll start with Ms. Es Sabar. The floor is yours.

Ms. Karimah Es Sabar (President and Chief Executive Officer, Centre for Drug Research and Development): Good afternoon, and thank you very much for giving me the opportunity to speak today.

By way of introduction, I'll just say that I'm the president and CEO for the Centre for Drug Research and Development, which is Canada's fully integrated national drug development and commercialization centre, supported in part by the federal government through the CECR program, which is the Centres of Excellence for Commercialization and Research program out of the NCE group.

Trade agreements like the Canada-EU CETA, which this committee has been actively engaged in, and the Trans-Pacific Partnership, both offer policy-makers the opportunity to support Canadian research and innovation, and the Canadian commercialization of research, while benefiting Canadian patients and creating jobs. In order to explain the importance of this link to competitiveness and jobs, I would like to take a few moments to describe how our organization fits within the Canadian research enterprise, and the use of it as an example as to how it relates to the discussions on TPP and CETA as well.

The mandate of the Centre for Drug Research and Development, firstly, is to de-risk discoveries stemming from our publicly funded health research and transform these technologies into viable investment opportunities for the private sector, thus successfully bridging the commercialization gap between academia and industry, and translating research discoveries into new therapies for patients. In other words, we de-risk and make investable these technological assets.

Canada is among the world leaders in academic health research in terms of the scale of investment, the quality of the work, and the discovery output. This work is supported mostly through federal government funding, some provincial funding, and then matched private funding, but to a much lower level than we hope to have. But now that we have built this foundation, we risk the return on this investment being realized elsewhere. As we know, in the world of biotech, that is very much the case already. If Canada is to strive for true S and T excellence globally, we need to create an environment that includes the full innovation continuum from discovery through to commercialization, such that the industry critical mass is reached and a self-perpetuating sustainability is achieved.

This shift is not easy. Getting new drugs and other therapeutic products to market has become more difficult with greater associated costs and risks. There is, therefore, a need to support innovation by effectively de-risking new technologies and filling the gaps in the commercialization process, what we call “translation”. To address this need, CDRD was established in 2007 to provide the expertise in infrastructure needed to enable researchers from leading health research institutions to advance promising early stage discoveries forward. CDRD is the only organization in the country and the only one of a handful in the world that has a fully integrated platform. This means that we provide expertise, infrastructure, non-diluted funding, and partnerships to source, evaluate, incubate, accelerate, and commercialize innovative health technologies in virtually any therapeutic area, and stemming from any geographic region in Canada.

A year and a half ago, CDRD also established a commercial arm, the CDRD Ventures Inc., and collectively the CDRD, the enterprise, brings dedicated resources specifically to the commercialization and monetization of high-priority technology assets, which we have successfully incubated. Already this enterprise has proven to be a high-performing incubator and accelerator. In its first six years, the CDRD enterprise has successfully established a network of 40 international and national affiliated institutions. That means from UBC to McGill and Dalhousie, and some European, Japanese, and U.S. high drug-discovery output organizations.

● (1405)

We have built a great innovative pipeline. Over 800 technologies have been evaluated and triaged, so that 125 of those have actually moved forward into incubation. Of these, 49 advanced towards commercialization. To date, within this period, we have actually 49 technologies that are bubbling up. There are three that were out-licensed to the private sector, to biotech and pharma, one which is now advanced into clinical trials. Four new spin-off companies have also been launched.

As a specific example of the removal of barriers and creation of value, one such spin-off is a company called Sitka Biopharma, the technology of which was founded at UBC by Drs. Helen Burt and Don Brooks. The use of this technology is in treating bladder cancer, which is a particularly virulent kind of cancer and very expensive to treat for the health care system. There's been no new drug in the treatment of bladder cancer for the last 25 years, so this a very important technology. We were able to advance it, to take this program, raise \$2.5 million, both securing internal and external funding. This critical early stage funding, which we call the first valley of death in our world, was bridged, the technology advanced, a CEO was hired, and a new company established, Sitka. The technology is now moving forward and will go into full clinical trials within the next few months.

Without CDRD, this technology would have not made this kind of progress and likely not seen the light of day. Why I tell you this long story about our organization and this technology is that our ability to successfully have this kind of impact, and to leverage this kind of partnership and create value in research and development becomes severely hampered when we do not have the same ability to protect our IP as our global partners do. To continue to build on our success, it is imperative that policies affecting innovation at all stages of the product development life cycle are, in fact, conducive and in sync to innovation.

The single most critical of all these policies is patent protection, as intellectual property is the primary asset of any innovative company and organization. Canada must therefore ensure that we are home to a national patent protection regime that is equally as strong, if not stronger, as those of our trading partners. Such an internationally competitive intellectual property protection regime is critical to our ability to successfully achieve the vision and mission we share with government and other stakeholders.

It is also imperative to stimulate innovation but this can't be done without the attraction of foreign direct investment to support R and D. In the case of our centre, we have been successful in building partnerships with several of the world's top biopharma companies, which have committed close to \$40 million to support the development of our projects and commercialization of these technologies. Without inflow of international capital such as this, we again would have little or no ability, as a country, to successfully take our place on the international innovation stage. It is our belief that an improved IP system will stimulate further investment of this nature in Canada.

Canada aims to be among the world's innovation leaders and as such, the federal government has invested greatly in leading edge research development and training. We applaud and value federal and provincial efforts in this regard. We feel that we must do more to nurture innovation at other stages of development as we continue to lag behind in innovation globally. We are losing ground, internationally, in many metrics.

We believe that improving our IP regime is a step in the right direction and that there are a number of areas that will be assisted by these changes. The first area is that we need to do better in developing IP here in Canada and keeping it here. Indeed, a number of reports released over the last several years concur that a misalignment of policy to fund this research, only to have it commercialized elsewhere, where the environment is more conducive, is not helpful to return on investment. When it comes to R and D and its commercialization, global borders are very porous and we must, therefore, ensure that the innovations remain in Canada as long as possible so that we may add as much value as possible.

• (1410)

The second area we need to do better at is providing job opportunities for our graduates, especially those in science, technology, engineering, and math, or the STEM fields. The commercialization of discoveries is where those jobs come from. Training is one of the core pillars of what the Centre for Drug Research and Development does. As such we have trained over 110 science students over three and a half years with multidisciplinary industrial drug training. Of these 110 graduates, 92% have found jobs in their field in this sector. Without an environment where industry can flourish, these trainees will have no option in the future but to find jobs in other countries.

The third area in which to improve our track record is private sector investment. By way of example on how we could foster international inflow of innovation and capital, in January of last year the Centre for Drug Research and Development led the founding of a global alliance of leading drug discovery and development centres, an association of top-tier translational research organizations including MRC Technology in the U.K., Cancer Research UK, Lead Discovery Center at Max Planck in Germany, CD3 Leuven in Belgium, and Scripps Research Institute in Florida to share infrastructure and best practices and work collaboratively to support and accelerate the conversion of early stage technology into commercial investment opportunities.

Through this alliance the CDRD-CVI also has strengthened the mechanism to attract new foreign technology, innovation, and global funding through the Horizon 2020 funding as opposed to the former paradigm of made-in-Canada discoveries often leaving the country to be commercialized elsewhere. We see these types of relationships as potentially being furthered through the Trans-Pacific Partnership and other such trade agreements. We have to play a global role in a globally competitive environment.

In conclusion it is our hope that the TPP proceeds and is ultimately executed in a manner that ensures that IP in Canada enables the attraction of foreign capital for R and D, creates new Canadian companies, and is found in the most innovative and robust technologies, thus creating jobs for our brightest and best here in Canada.

• (1415)

The Chair: Thank you very much.

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

Mr. Steve Anderson (Founder and Executive Director, OpenMedia.ca): Thank you for this opportunity to present before the

committee regarding the Trans-Pacific Partnership agreement. I'm Steve Anderson, the executive director of OpenMedia.ca.

Founded in 2008, OpenMedia.ca is a community-based, award-winning civic engagement organization working to safeguard the open Internet. We work to bring citizens' and innovators' voices into the digital policy-making process.

OpenMedia is probably best known for our stop the meter campaign that engaged over half a million Canadians to stop meter billing in Canada focused on telecommunications prices. It was the largest online campaign in Canadian history.

In addition to our civic engagement work, we also regularly participate in policy processes and produce public policy reports and recommendations. Many of our recommendations, in particular regarding telecommunications, have now thankfully been adopted as official government policy.

One of our top concerns at the moment is the IP chapter in the Trans-Pacific Partnership agreement, specifically copyright within the IP chapter.

We're working with hundreds of thousands of people in our own trans-Pacific network of public interest groups and web businesses to push for and encourage a balanced copyright provision in the TPP. We are working, as I said, in our own crowdsource process to develop copyright rules that we feel are more befitting of the 21st century.

Our concern with the TPP is focused on the intellectual property chapter, as I mentioned, and its potential limitations on free expression online, commerce, and access to knowledge.

Over 135,000 people have signed on to a campaign that we've run reflecting these same concerns. These concerns are echoed by Canadians and I have, in a sense, crowdsourced this presentation for you today. I asked Canadians online over the last week to let me know what they think I should say, and I did my best to incorporate their input into this presentation. Throughout the presentation, I'll mention a few direct comments that people sent in to me.

The Canadians I heard from were broadly critical of the TPP and their concerns fell roughly into three main categories: the restriction and even censorship of expression in commerce; concerns about the TPP's implications for personal privacy; and thirdly, what many deem as the secretive, closed, and undemocratic TPP negotiating process.

Starting with the first concern—the implications on expression in commerce—Canada took 10 years, as I'm sure many of you know, to pass our copyright policies in Bill C-11. When I attended a TPP negotiating round in Auckland, I asked our own TPP chief negotiator if she would commit to uploading our copyright law and not overriding it through the TPP process. She refused to make that commitment.

Generally, I don't think Bill C-11 is exactly how I would have written it, but I think it's a reasonable compromise. But if we get into some of the specifics of the TPP that have been unfortunately revealed through leaked documents, I think we can start with digital locks or technological protection mechanisms.

The U.S. proposal in the TPP would increase the penalties for circumvention and restrict the ability for Canada to create new digital lock exceptions.

On the issue of digital locks, a woman online, named Monica, wrote into our process, and I want to convey this to you today. She said that as part of the special needs community, she wants to be able to continue sharing resources with others without fear of sanctions. As a community, they are often isolated, and without the Internet, they would be even more so. So the TPP threatens to limit the flexibility and exceptions on copyright that those with disabilities depend upon in their use of technology.

According to leaked documents, the TPP would also remove our relatively fair, I would say, notice system for dealing with those accused of copyright infringement. Instead, they would create new, costly liabilities for online service providers and ISPs. This increased cost for Internet service providers will result in Canadian consumers paying more for telecom services. As I'm sure you're aware, we pay some of the highest prices in the industrialized world for telecom services, and increasing fees is the last thing Canadians need right now.

• (1420)

The new business costs could knock independent Internet service providers—the smaller players—out of business and remove choice from the telecom marketplace. The liability costs could also add a barrier to entry for online entrepreneurs that are increasingly critical to our economy.

In short, if this U.S.-backed TPP-ISP liability proposal is adopted, it would mark a major step back for the government's commitment to lower telecom prices and improve choices.

Just to make this a little more concrete, on a daily basis countless photographs and other content are shared through new innovative services that are fundamental to our thriving economy. These services are also threatened by these new liabilities and regulations proposed in the TPP. One example of one online service provider is Vancouver-based HootSuite, which in August raised over \$165 million from investors, marking the largest private placement for a privately held tech company in Canada. Another example is Ontario-based e-commerce platform Shopify, which passed the \$1 billion evaluation mark this December; and then let's not forget Toronto-based Tucows Inc., which is the world's largest publicly traded domain name registrar.

These companies are threatened by this new liability that will be in the TPP, if it goes through as the U.S. is hoping it will. Do we really want to threaten to burden these budding businesses with new costs and regulations? Do we want to create a new cost that prevents the next HootSuite or Shopify from starting in the first place? Furthermore, as everything from our cars to our fridges are connected to the Internet, these proposed liabilities and costs fundamentally threaten to create red tape for a dizzying array of

services. The new liabilities could be particularly damaging to the emerging Internet-fuelled sharing economy that is currently driving value across a range of sectors.

According to the Information Technology Association of Canada, the national Internet economy accounted for 3% of Canada's gross domestic product in 2010, compared to an average of 4.7% in the United States. It's estimated that ratio will become more out of balance if we don't take action to invest in our digital economy. We simply cannot afford to add new red tape and costly regulations to online businesses and commerce, while increasing telecom costs for Canadians.

Increasing ISP liabilities is also a threat to individual expression online. According to IP experts the TPP proposals could result in ISPs taking down and even blocking content based on accusations. In short, the TPP represents a regime that could amount to widespread Internet censorship. One commentator online had this to say on the topic:

Censorship of any kind is undemocratic. It has no business in our society and we should actively DISTANCE ourselves from such heavy-handed policies.

Here is the fundamental point. There's no way that increasing online liabilities as proposed in the TPP is in the national interest of Canada. Old media conglomerates in Hollywood have no problem pushing for policies that will hold back the Canadian economy or free expression, but legislators surely should.

Beyond new service liabilities, there's also concern about the TPP criminalizing common activities that involve small-scale and often accidental copyright infringement, such as sharing a recipe online. According to intellectual property experts and Professor Sean Flynn, the U.S. TPP proposal would severely increase penalties for copyright infringement even when done without commercial intent. He notes that we could even be looking at controversial copyright cases in the U.S. where teenagers and their mothers have been required to pay big record companies hundreds of thousands of dollars for copying music for personal use.

Canadian copyright law now includes an important distinction with respect to statutory damages as it features a cap of \$5,000 for non-commercial infringement.

As it stands, we already have copyright trolls trying to use copyright litigation as a business model. Under the TPP, damages could skyrocket. We could see many more of those court cases and we could see Canadians much more timid and fearful online.

• (1425)

The Chair: Okay.

I'm not going to stop you now, but I'm going to let you know that I'm looking at your text. I want you to get through it, but I don't think you can in the time. I can let you go over a little, but if you could... and I know you're following text all the way through, so if you would just accelerate your presentation, that would help.

Mr. Russ Hiebert: Would it help if I gave him my opening question time for him to finish his remarks?

The Chair: Let's see. I let the first one, Ms. Es Sabar, go over a little bit. I'll let you do the same but I want you to get through it. If you can shorten it, I'm giving you warning now. Go ahead.

Mr. Steve Anderson: All right.

I'll move on to the implications for personal privacy. Experts argue that the provisions put forward in the TPP as seen in the drafts would force ISPs to monitor and police their online activity. As discussed above, Internet service providers would now face a financial risk if users infringe on copyrights and thus be compelled to monitor our online activity.

Adding to that, ISPs can be compelled to hand over our online subscriber information based simply on an accusation of infringement. Those who sent me comments on privacy implications of the TPP were vociferous. One commenter said, "I am completely against all of the Internet restrictions, monitoring, policing and enforcement provisions of the TPP. It will only serve to restrict and reduce Internet use in Canada and is a direct invasion of my personal privacy. I will actively campaign against any political party that signs this agreement next election."

In the most recent TPP leak there were over 900 brackets and Canada was, thankfully, seen to be on the opposing end of many of the efforts of the U.S. What that says to me is that I certainly will know and I'll be letting Canadians know if the government does cave to the U.S. demands. The most recent reports show that there are landing zones that have been established. But have our negotiators caved to the U.S. interests in those landing zones? We just don't know and I think that's a serious problem, which leads me to process issues.

It is an important one. I don't want to underestimate the importance of this issue. As you know the TPP is being negotiated in secret behind closed doors and we only know the details because of a leaked text. Many commenters wrote in about the secrecy issues. One of them said, "These kinds of decisions need to include the input of the general public, not made behind closed doors." Many people talked about transparency. In response to this closed process, OpenMedia.ca is organizing a crowdsourced process of our own. That's also part of the reason why I tried to encourage citizens to write to me about my presentation today. I think there are a couple of reasons for that.

One is that getting direct public engagement creates better output and ideas than a small group of stakeholders. I also believe that our democratic institutions are losing legitimacy and I think it's because there's a democratic deficit in many of these processes.

I and OpenMedia.ca are in favour of trade—open trade policies that are developed with open debate and participation by those impacted by the policy. But we're against agreements made in secret,

closed off from the public, especially those that will negatively impact free expression online.

• (1430)

The Chair: I'm just going to halt you there because I think you got the gist of your whole text and we will follow through on any other questions. But you're a significant amount over time, so in fairness to the committee's questioning I will leave it there. I will get the full text translated so the committee members will get your entire text.

Mr. Steve Anderson: Thanks, Rob.

The Chair: Ms. Liu, your floor is yours.

Ms. Laurin Liu: Thank you.

Steve, I was wondering if you could just lay out and compare and contrast the differences between Canadian copyright law and American copyright law? You touched on this a bit in your presentation.

Mr. Steve Anderson: One of the biggest differences is "notice and take down" versus "notice and notice". In the U.S. if there's an accusation of infringement the online service provider is required to take down the material, whereas in Canada there's a notice-and-notice system where the provider is required to notify the accused person, which seems like a much more reasonable approach to me. It limits the kind, I would say, of content blocking and what some people feel is censorship. I think many of the experts in the copyright field are saying that the world should move towards more exceptions in that way. I think that's a big one.

The other one is statutory damages. In Canada, we of course have a limit on statutory damages of \$5,000, which, again, is a reasonable model and one that I hope, if the TPP goes through, will be found in there rather than the U.S. model.

Ms. Laurin Liu: I think you mentioned that Canadian law doesn't distinguish between commercial infringement and non-commercial infringement. You mentioned the case of the woman who wrote in who said that she had disabilities and might be penalized under the rules proposed in the TPP.

Could you talk about whether or not there are other main negotiators, or major negotiators, to support Canada's position on copyright and ISP liability.

Mr. Steve Anderson: All this is based on leaked documents and conversations, but I think that's a really big part of the problem. From what I can tell, the U.S. is more or less on its own on most of the more restrictive copyright policies. Australia is with them a lot of the time, in particular with technological protection mechanisms and I think with ISP liabilities as well. But the other countries, in particular Chile, New Zealand, and Malaysia, from what I can tell are onside with Canada, and the U.S. is kind of alone on these issues.

Those leaked documents are from the fall and they don't incorporate the latest round, so I don't know if our government caved to U.S. interests in that last round or not.

Ms. Laurin Liu: You also mentioned start-ups such as HootSuite and Shopify. They have already started popping up in Vancouver, Montreal, Toronto, and Ottawa. Could you talk more precisely about how these businesses would risk being penalized under the TPP?

Mr. Steve Anderson: Sure. Under the U.S. proposal, service providers, whether they be Internet service providers or online service providers like HootSuite and also Google and Facebook, would face financial liabilities for copyright infringement. So basically it would be up to them to police their users, and if they didn't then they could be liable for copyright infringement lawsuits.

So you can imagine, if you're a start-up in Vancouver or Toronto or Ottawa and you're trying to get investment in your business, if investors know that part of your business is providing a popular online user-generated service and they know that you are going to be liable for what your users do, then you're going to have trouble getting investment. You potentially could not get off the starting block, and if you do, you might get sued out of existence.

• (1435)

Ms. Laurin Liu: Right, so that would obviously be a problem for entrepreneurs with few resources.

Also, you said that the TPP risks increasing the price for telecom services for consumers. Could you talk about your reasoning behind this argument and how exactly that would come about.

Mr. Steve Anderson: Sure. It's similar. Under the U.S. proposal, ISPs would arguably have to monitor and police their users' activities online, which would be a very costly endeavour. Either it would be costly because they would have to invest in technology and personnel to actually monitor online activity and/or it would be costly because they could face lawsuits for what their users do online.

We know that the telecom companies will pass on regulatory burdens and costs to consumers. There's no doubt about that.

Ms. Laurin Liu: Thanks. I just have one last question for Ms. Es Sabar.

Concerning the provisions relating to enforcement of patents and copyrights, could you comment on whether or not these provisions are more restrictive or less restrictive than those contained in the Korea-U.S. trade agreement and the Anti-Counterfeiting Trade Agreement.

Ms. Karimah Es Sabar: Than which agreements, sorry?

Ms. Laurin Liu: The Korea-U.S. trade agreement, and the Anti-Counterfeiting Trade Agreement.

Ms. Karimah Es Sabar: As we stand now, our criteria are softer for the Canadian agreement. For the TPP I think it will be equivalent and it will put us on par.

With CETA, which is what I am more involved and familiar with, it has now brought us on the same level playing field if we move ahead, whereas we were at a disadvantage, and I can tell you that it significantly impacted investment into Canadian research compared to other countries.

Ms. Laurin Liu: Do you have any insight as to how the provisions stack up to these two trade agreements in particular?

Ms. Karimah Es Sabar: I have details on that, because we've compared them country by country, so I can certainly let you have them. But off the tip of my tongue, I wouldn't be able to tell you how that stands. It brings an even playing field now for us.

Ms. Laurin Liu: Great.

Do I have time for one last question?

The Chair: You have 10 seconds, so very fast.

Ms. Laurin Liu: Great, 10 seconds.

Mr. Anderson—

The Chair: Very fast.

Ms. Laurin Liu: —quickly, there are critics, such as Hugh Stephens, who say that—

The Chair: Very quick. Come on, just a quick question, not Hugh Stephens....

Ms. Laurin Liu: —“...there is nothing in U.S. law that would allow site-blocking on the basis of accusations.”

Could you respond to that statement?

Mr. Steve Anderson: Yes.

There are unanimous opinions from a range of experts on copyright law. Knowledge Ecology International, Michael Geist, and professors across the U.S. and the TPP nations have argued that this is the case based on the WikiLeaks documents.

The Chair: Okay, thank you very much.

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

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

Thanks to our witnesses. I appreciate your coming to provide your insight on the discussions that are ongoing on this very important Trans-Pacific Partnership.

I'd like to congratulate you, Mr. Anderson, for founding your organization OpenMedia. You mentioned HootSuite. I represent Kelowna—Lake Country. Ryan Holmes, the founder of HootSuite, is from the Okanagan as well. I had a chance to meet him. It's a great success story. Somebody in senior high got a computer, didn't have electricity in his rural area, and took battery cables from his parents' car to operate his computer. Today he's hiring hundreds of Canadians and is an international success story.

I think the Internet has such great potential. It's exciting, and obviously a challenge as well to manage innovation, technology, and research. One of the comments I noticed on your website says, "Don't censor the Internet". Maybe you could expand your thoughts on the Internet.

Is free communication not to have any controls at all? Is that your perspective from OpenMedia? What is government's role?

● (1440)

Mr. Steve Anderson: There's definitely a role for the government to have public policies that set rules for the use of the Internet. The current government's approach to telecom policy, enabling choice in the marketplace, is a form of regulation that affects the Internet. I support that. I think the current copyright policy in Canada is fairly reasonable. You do need to have some rules to have a balance between creators and consumers and different kinds of creators: the legacy businesses, broadcast media and the new media, remix culture media makers. So I think it's important to have policy, but first and foremost, policies should be made that enable free expression, creativity, and innovation.

What we see in the TPP text, what I think all the experts have pointed out, is that the U.S. proposals that I'm worried will get adopted would limit commerce, free expression, and innovation online. It's not balanced. I think that the U.S. is really out of step. Clearly it's out of step with the rest of the countries in the TPP, as we've seen from leaked documents. I would hope that our government stands strong with the legislation we took 10 years to put in place, which is relatively balanced.

Hon. Ron Cannan: The key word you've emphasized several times is "balance". I had the opportunity to meet the mother of young Amanda Todd, who took her life here on the Lower Mainland. It was a horrific story. We've heard other situations of teenage bullying online, things like that, not only nationally but in the world.

As for working with Canada and 11 other countries on the Trans-Pacific Partnership and the issue of having public input, how do you envision that when you're dealing with such a large entity around the world such as 12 countries coming together to negotiate and always trying to get public input? What's your vision of a public process that would be able to satisfy you and your colleagues at OpenMedia?

Mr. Steve Anderson: I think first and foremost it's making the document, the negotiating text, public. We saw that with the FTA. It's not new. We've seen it with WIPO as well, so that's just a starting point.

I would like to see the consultations that countries have. I'd like to see a pipeline from that to the actual decisions and the policies that are proposed. For example, in Canada we had a consultation. The government also had one. They were required to join the TPP. From what documents I have here, from access to information, 65 industry

lobbyists wrote in—the consultation—largely in favour of the TPP. About 47,000 citizens wrote in mostly with concerns, a copyright chief among them. That consultation as far as I can tell was not considered. People were not notified. It seems like it was shelved. When I actually spoke with the TPP negotiator when I went to a TPP round in Auckland, he seemed to have very little knowledge of that consultation at all, which I found frustrating.

Hon. Ron Cannan: Thanks.

I'll move on to Ms. Es Sabar. We had a chance to chat a little bit last night, and we met before. I appreciate the great work that you and the folks at the Centre for Drug Research and Development have done and continue to do.

We all agree supporting innovation and nurturing innovation has accelerated Okanagan in my riding, and we work with the university, UBC Okanagan, Okanagan College, and the private sector—and all of us across the country work with our constituents. According to the Jenkins report, Canada has a good record of research and development, but not of commercializing and taking it over the goal line. I was looking at the Seahawks' victory on the weekend and we need to get more touchdowns.

From your perspective, how do we balance this agreement? Or do you think this agreement will provide opportunities for Canada to get more victories?

● (1445)

Ms. Karimah Es Sabar: Let me again start from just the CETA one and move on to this one. I'm hoping this will do the same thing for us. It will create an even playing field around, first of all, the IP policy. Frankly, for any knowledge-based industry, and ours in particular, that's the asset we have. If we don't create those assets, nobody is going to invest in them. There's been a lot of talk about open innovation and all those things, and at very early stages certainly there's an opportunity to do that. But as you advance technologies you have to have the right kind of IP policy.

I think it will bring us in line. I don't believe we're still going to be where the U.S. is, but we're in a much better place and we're moving in the right direction, and I think that's what many of us are hoping for in our sector.

I would encourage us to just get better and better at it because the innovation is supported where there's good IP policy. So all I would say is that we get better and better. It definitely helps, and we're moving in the right direction.

Hon. Ron Cannan: Thank you very much.

The Chair: Thank you.

Mr. Pacetti.

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

Thank you to the witnesses for coming today. I guess I'll start with you, Ms. Es Sabar. When you started your speech you said you were afraid that some of the industries that you represent or supported may move.

Ms. Karimah Es Sabar: The technologies.

Mr. Massimo Pacetti: But if they receive government support why would they move?

Ms. Karimah Es Sabar: Let me just explain. The government support goes mostly into basic research and the academic environment, which is very important because that's the watering hole for discovery. We then have to translate that discovery and make it investable. In other words, we have to validate the data that comes out of that. We have to add value and get proof of concept. We do it as far as animal studies are concerned. We sometimes take it into the clinic, but we need investment and partnership to do that.

In drug development that life cycle is a 10- or 15-year life cycle, \$1 billion to \$1.5 billion, so partnership is everything. We have to be partnered and de-risked. People will only invest where there's an ability to protect the IP, where there's an environment where these technologies can be nurtured.

Mr. Massimo Pacetti: But Canada does have that environment.

Ms. Karimah Es Sabar: Canada does not have that environment. If we just look at B.C.'s track record, we've had a plethora of companies mushrooming, we've had many successful technologies. They very rarely anchor here. We were lucky with two companies, Angiotech and QLT, that anchored for some length of time.

Mr. Massimo Pacetti: But is that because of IP or is it because of lack of funding?

Ms. Karimah Es Sabar: No, the early stage issues are IP-related. We would have had additional investment if there was better IP protection, there is no question. The difference is that we would have had industry investment, private sector investment. You just want government to be the catalyst to kick-start things. The government shouldn't be funding this all the way. We need to leverage that with private sector investment.

Mr. Massimo Pacetti: So if you have better IP protection, you'll be—

Ms. Karimah Es Sabar: Absolutely. We're then competitive with Germany or England, or anywhere else.

Mr. Massimo Pacetti: Then how does that affect the TPP?

Ms. Karimah Es Sabar: With the TPP, I think we have to have competitive IP policies with those 12 countries. In other words, the U.S. has a very strong IP policy. We are still not where the U.S. is, but if we're at least close to that, then we are in good stead.

Mr. Massimo Pacetti: So your ask is for us to increase—

Ms. Karimah Es Sabar: To improve the regime.

Mr. Massimo Pacetti: Okay. That's what I was trying to understand. Great. Thank you.

Mr. Anderson, I have one quick question for you. In your presentation you were saying that you don't have enough details, but in parts of your presentation you went on to say quite a few times that there's this in TPP and there's this in TPP. Can you just clarify whether you have the information or you don't have the information? Because it was a bit contradictory from what I understood. I wasn't sure if you had knowledge that you didn't have knowledge on, or if you were just speculating.

Mr. Steve Anderson: Yes, I can clarify that.

WikiLeaks leaked the IP chapter in the fall. So I have access to that and I have looked at it, as have many experts. There is detailed analysis of that, so I know what the positions were at a certain point, and that's what I was speaking to, in particular with the U.S.

I don't know the most recent round and where things went.

• (1450)

Mr. Massimo Pacetti: Was Canada part of that discussion?

Mr. Steve Anderson: Yes.

Mr. Massimo Pacetti: They were already in there. So this is discussions after 2012?

Mr. Steve Anderson: Yes.

Mr. Massimo Pacetti: So most of the information you had was from that particular document?

Mr. Steve Anderson: There was a previous leak from 2011 that I've also looked at, so you can see the way things have iterated. But most of it's from that leak of the IP chapter.

Mr. Massimo Pacetti: So is Canada negotiating from a position of weakness? Is the U.S. running the show? What's your opinion? That's what I got from your presentation: we're going to fold and just follow whatever the U.S. tells us to do.

Mr. Steve Anderson: I hope not. That's my concern. Certainly, the negotiators I've talked to have said that the U.S. is being aggressive and not taking no for an answer. My concern is that Canada was holding its own up until that leak that we saw, which I'm happy about. I think a lot of people were happy about that. In the last reports we have seen, they are not very specific, but what they say is that the U.S. put out that their landing zones have been established, and they seemed relatively happy with those, which is concerning to me.

Mr. Massimo Pacetti: Thank you.

Mr. Steve Anderson: I would love to know though.

The Chair: Mr. Hiebert, the floor is yours for seven minutes.

Mr. Russ Hiebert: Thank you.

Thank you both for being here.

OpenMedia, Mr. Anderson, how are you funded?

Mr. Steve Anderson: We have a really diverse funding model, primarily from individuals, but NGOs and small businesses support us as well.

Mr. Russ Hiebert: Is it a long list of donors?

Mr. Steve Anderson: Yes. For most of our donors the average gift to OpenMedia is \$10. We have a staff of eight, so you can do the math. It's thousands of people who support us.

Mr. Russ Hiebert: Fair enough.

You mentioned landing zones have been established. Can you elaborate on what you mean by a landing zone in these negotiations?

Mr. Steve Anderson: The reports are unfortunately fairly vague, but Michael Froman, the chief USTR, has celebrated the fact, in my understanding, that there are areas of policy—so, let's say, on digital locks—that are kind of broad and not very specific. Many of the negotiating partners have said they are going to go into that area and they're going to refine more and more going forward. So I don't know if that area is closer to the Canadian law, which would be good, or if that area of policy is closer to the U.S.'s more extreme copyright provisions. The U.S. negotiators in the report seemed to suggest that they were feeling good about it, so that makes me concerned.

Mr. Russ Hiebert: Do we know for other countries that are involved in the negotiation what their preferred policy outcome looks like? Is it that much different from Canada's or that of the United States?

Mr. Steve Anderson: There are a few detailed charts from the leaked draft showing that for most of the copyright provisions, it's the U.S. and Australia that are kind of alone in the kinds of scenarios I was laying out here. Canada, Chile, and all the rest of the countries are against all the liabilities, the restrictive digital locks, and all of that. It's mostly the U.S. on its own, with Australia coming in.

Mr. Russ Hiebert: On some things?

Mr. Steve Anderson: Yes.

Mr. Russ Hiebert: Okay.

Ms. Es Sabar, you made reference to there being stronger IP protection in other trading partners. Can you give us some examples of which trading partners would have stronger IP protection?

Ms. Karimah Es Sabar: If we want to be global leaders, we're always comparing ourselves, really, to the top-tier regulators and regimes. What we consider top tier are the U.S., the EU, Japan, and then Australia, really. With Canada, it would be five. We consult with each other a lot, certainly on health care regulations and so on.

Amongst this group we used to have the shortest IP protection. A few years ago—I forget whether it was two or three years ago—there was a whole discussion with Europe on data protection, and again we supported the extension of data protection as well, which is all tied to the IP. We're very much the poor cousin in terms of the

timeframe for IP protection amongst these countries, and we're always comparing ourselves to these top-tier countries.

I'll tell you that a lot of the emerging countries are also now starting to look at the top-tier group to see how they can match IP there. There are still challenges in Asia. We deal with that.

My hope would be that we would be closer to the top than to the bottom of those top-tier countries. It's those five, really.

● (1455)

Mr. Russ Hiebert: What's the gap between us and the most restrictive IP provisions?

Ms. Karimah Es Sabar: I would say that the gap is now closer with the CETA and what we're trying to do with CETA. We're looking at a two-year gap there. Maybe with the U.S. I think it's still a little longer, because there are additional things, such as if it's a pediatric product or an orphan drug. There are some specificities. Compared to Europe, I would say that we're much closer as far as Europe is concerned.

In this particular TPP, I'm not really clear on where we're going to land, but my understanding is that we're moving in the right direction. I want to encourage it so that we do keep getting better and better and that we're closer to the U.S. regime, because at the end of the day, people always ask that question: why does the U.S. still manage to get international investment, not just from within the U.S.? In this development, a lot of the European countries also put money and research into the Boston clusters and the California clusters. IP is a big part of that. It's not the only component, but it's a big part.

Mr. Russ Hiebert: Just quickly, you made reference to needing to provide opportunities for the STEM students. Are you suggesting that there's a high unemployment rate among students that have studied science and technology?

Ms. Karimah Es Sabar: I'm suggesting.... I'll give you an example. I spent two and a half weeks at MIT earlier in December, and I was quite shocked to find, having gone to Boston after three years, that almost every third person I met was either a Canadian or Canadian-educated. My questions were always about how there are clusters growing in Vancouver, in Alberta, in Quebec, and in Ontario. Those are the four big areas for biotech.

Everybody spoke about having their jobs there, but they would love to come back home. I shouldn't say "everybody", but many spoke about how they would love to come back home if the jobs were there. Obviously we don't have the critical mass—we're a smaller population—but we really have to build a critical mass of activity to anchor these people here.

Mr. Russ Hiebert: Okay.

Going back to you, Mr. Anderson, you made reference to the fact, as have others, that these negotiations were done in “secret”. I’m trying to imagine—and maybe you can help me understand—how any government or any organization or company would be able to have this kind of deep negotiations in public with hundreds, thousands, and millions of stakeholders—

The Chair: I’ll need a very quick answer.

Mr. Russ Hiebert: I understand.

How do you come to a decision—

The Chair: No, I’m sorry, Mr. Hiebert, your time is done.

Please make it a very quick answer.

Mr. Steve Anderson: I mean, it would be complicated, but we’ve seen through WIPO and other international agreements that they aren’t all done in secret. There are many agreements where I would think the members of this committee, for example, who are supposed to be representing the Canadian public, would at least have access to the documents.

There’s a whole range of participation and openness. Right now we’re at the closed, secret end. There’s a whole completely participatory end, and we could move over to this side even by having MPs have access to the text so that—

The Chair: I’m sorry, the time is done.

We have a very tight timeline here, so we’ll take a couple of quick minutes for our second round.

Go ahead, Ms. Crowder.

Ms. Jean Crowder: Thanks, Mr. Chair.

Mr. Anderson, this question is directed to you, and it leads very nicely from Mr. Hiebert’s comment.

We know that the U.S. allows all its legislators to read the actual text on TPP at the U.S. Trade Representative’s office. We know that with regard to the EU-U.S. negotiations, the EU will publish draft investment chapter text in the ongoing negotiations and ask for public comment so that there is more transparency.

Would you agree that those two models might be something that Canada might want to consider?

• (1500)

Mr. Steve Anderson: Yes, absolutely. I think it’s common sense that members of Parliament at the very least have access, but I think it should be completely public. I think citizens should know what negotiations, what positions, are being advocated in their name.

I think that’s a basic tenet of democracy. Yes, it makes it maybe more messy and complicated, but I think that’s better than having a closed-door process that will create, in the end, laws that are binding.

Ms. Jean Crowder: Mr. Anderson, on that point, once the TPP is negotiated, would you think it reasonable that we could have a public process to allow the public to comment on the agreement before it’s signed?

Mr. Steve Anderson: Yes, absolutely. I would love to see that process happen before—as in right now, while the conversations are

happening—but absolutely, involving the public at any stage, before it’s actually put into law, would be a marked improvement to what we see right now.

Ms. Jean Crowder: I think it’s very troubling that whether people have been in support of TPP or opposed to TPP, what they’re basing their comments on is leaked documents, and it may not be the most current stage. So whether it’s Ms. Es Sabar commenting on a document, which I presume was a leaked document, and certainly you’ve admitted that as well....

Thank you, Mr. Chair.

The Chair: That’s it. Thank you.

Mr. Holder, you have two minutes.

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

Thank you to our guests today.

Mr. Anderson, you said that in preparation for today’s meeting, you put the word out that you were meeting today to whoever follows you, by whatever means you’ve done that.

I do a weekly email blog—it’s actually quite famous in Ottawa, less so in Vancouver—and I do a question of the week. These are not light questions. They vary, depending on the subject. But I find the best I’m able to get is “yes”, “no”, or “not sure” in my responses.

Assuming you have a following, I would be curious to know if you’d be able to say roughly how large it is, how many respondents you have, and how you’re then able to flush out the...because I can’t read the hundreds of responses I get. My distribution is only 25,000, and I try to read as many of those responses as I can, but I find that very challenging with my other responsibilities.

How were you able to have the inputs to be able to come forward today with your view? I’m sincerely curious about and interested in how you do that.

Mr. Steve Anderson: For the call-out I did for today, I think I got about 150 comments. I like to go where people are, so I put the call-out on Facebook, Twitter, Google+, and our website. We also have engaged about 12,000 people in a kind of survey tool, asking them what they think copyright policy should be.

The way we analyze both of those, really, is that we go through the comments—I have a small staff, so it’s not just me—and we break them up into themes. Then we try to get a kind of consensus point on those different themes.

That’s how I had those three points—just from reading the comments and breaking them down thematically.

Mr. Ed Holder: Okay.

My time is done, but thank you both.

The Chair: Thank you, both. I appreciate you being here and sharing with the committee. With that we will suspend as we set up our next panellists.

• (1500)

(Pause)

• (1515)

The Chair: We'd like to call the meeting back to order. We'll move on to our second from last panel of the day.

We have, as an individual, John Calvert, who is an associate professor of health sciences at Simon Fraser University. Thank you for being here.

From Ballard Power Systems Inc. we have Mr. Kassam.

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

Dr. John Calvert (Associate Professor, Health Sciences, Simon Fraser University, As an Individual): Good afternoon.

Let me begin by thanking the committee for giving me the opportunity to express my views today on the proposed Trans-Pacific Partnership trade agreement. This initiative has important public policy and public health implications, which I believe do merit extensive examination. Let me also note that I am here as an individual and not as a representative of Simon Fraser University, where I teach.

I'd like to start by making clear that I am not opposed to trade. We all benefit from trade. My focus is on whether the terms of this proposed agreement constitute a reasonable way to ensure that Canadians—and other parties to the TPP—achieve the benefits of trade in a fair, balanced, and equitable manner.

This committee hearing is also challenging because the full draft text of the agreement is not available. While secrecy is normal in trade negotiations, there is a powerful democratic argument that the public does have a right to know what is being negotiated on its behalf, given the major public policy and health implications of the TPP and given that once ratified, it is almost impossible to reverse. The limited information accessible to Canadians contrasts with the privileged access given to 600 of the world's largest corporations that have been included as U.S. advisers in the negotiating process.

I believe the Canadian government should engage in a much wider process of consultation to enable Canadians to make an informed choice about whether they support the TPP. Canada should publish the full draft text of the agreement and provide adequate time for full legislative scrutiny and public debate before it considers ratification. It should follow the lead of the EU, which suspended negotiations with the U.S. on a new trade agreement until the completion of extensive public consultations on enhanced investor rights proposals.

Trade agreements are very complex, both in terms of the obligations in individual agreements and in terms of their interaction with other agreements. This makes it very difficult to know, in advance, how particular provisions will be interpreted by dispute panels. Complexity and interlinkage also open the door to costly trade challenges, the prospect of which can chill government initiatives. The increasing number of agreements—we have nearly 3,000 bilateral investment agreements globally and numerous other free trade agreements—also facilitates venue shopping by those who wish to challenge government policies. Dispute adjudication is handled by a small number of trade law experts who may have little

background in health, increasing the risk that their decisions may ignore important population health considerations.

The proposed TPP, like other trade agreements, places restrictions on the policy tools available to governments. These restrictions are meant to minimize any policy on regulatory barriers to trade or investment flows, regardless of the actual intent of these policies. Public regulations to protect health or the environment or to achieve socially beneficial purposes can be challenged if they violate trade treaties.

However, there is a long history of public-health-based regulations that have contributed significantly to improving population health. In light of the well-documented benefits of public regulatory capacity, it is essential that nothing in the proposed TPP erode or restrict the ability of future governments to protect public health, or require governments to adopt measures that subordinate public health considerations to other policy objectives. Governments must continue to have the policy tools needed to protect and advance population health, including the policy flexibility to address future challenges.

The scope of the TPP is very broad, as you know, with 29 chapters covering matters such as intellectual property, public procurement, state enterprises, market access, investment, and so on. In the time available, I can comment on only a limited number of issues and will focus primarily on health implications. A more thorough analysis of the impacts of the TPP on population health is clearly needed. I hope the committee will do this.

Let me turn to some of the major health and public policy concerns raised by the proposed agreement. As the committee knows, intellectual property rights—IPRs as they're called—cover patents, copyright and trademarks. The U.S. has advocated stronger IPRs than exist in TRIPS and stronger than those Canada currently provides or may provide under CETA.

The proposals would extend the duration of pharmaceutical patents, that is TRIPS-plus; lock in data exclusivity, further restricting the ability of generics to enter the market; and include for the first time medical procedures, something the U.S. did not get in its recent agreement with Korea. They would also provide additional protection for biologics. If implemented, the changes will increase the time-to-market for lower cost generic drugs and increase the range of life-saving measures that may be patented, making it more difficult to provide affordable medicines and implement universal public drug coverage.

● (1520)

Canada's past experience with patent extensions has not been favourable. In the mid-1980s under compulsory licensing, prescription drug expenditures represented 6.3% of total health spending. In 2012 they were 13.6% or \$27.7 billion. Drugs have been the fastest-growing component of health expenditures over the past 25 years.

A recent analysis of patent extensions in the proposed CETA estimated that this would add between \$850 million and \$1.65 billion annually to our drug bill. High drug costs adversely affect many Canadians. Many patients do not fill prescriptions due to cost, or use less than prescribed amounts to make them stretch to fit their budgets, risking their health.

The multinational drug corporations promised to increase research and development in return for increased patent protection from Bills C-22 and C-91. The research and development target was an extremely modest 10% of revenues. While reached between 1993 and 2002, it has now fallen to 6% of sales despite the huge increase in industry revenues.

Much of this R and D is not basic scientific research, but rather applied, that is, clinical trials, marketing, and sales research. Almost half of the R and D is funded by federal and provincial subsidies and tax credits. Our ratio of R and D to sales is a fraction of that of other OECD countries.

● (1525)

The Chair: I'm going to slow you down a little and just remind you that you're not quite halfway through and your time is crowding.... I think what you really want to do is hit the points that you want to drive home and then we'll capture the rest in questions.

Dr. John Calvert: I'll be quick as I can. Thank you.

Canada's balance of payments in pharmaceuticals has also deteriorated. In 1987 under compulsory licensing, we had a trade deficit of \$334 million. In 2012 our trade deficit had ballooned to \$7.6 billion. Once our Patent Act changes were locked in by NAFTA and TRIPS, the multinational drug corporations had little reason and no obligation to locate production, employment, and research and development in Canada.

In light of the extensive evidence of this policy failure, it's not clear how further extensions of patent protection for pharmaceuticals will benefit Canada.

I'm going to jump down the page a little in light of your comments.

What Canada should demand is a clear commitment by all TPP parties to the Doha "Declaration on the TRIPS agreement and public health", including "the right of WTO Members to make full use of the safeguard provisions of the TRIPS Agreement in order to protect public health and enhance access to medicines for poor countries".

We should also oppose any proposals that would undermine existing protections for health in TRIPS.

The TPP proposes additional protection for trademarks, an area that's already witnessed numerous health-related trade disputes.

According to the World Health Organization, tobacco kills almost six million people annually. Over 168 countries have signed the 2005 WHO Framework Convention on Tobacco Control, but not the U.S. This treaty advocates numerous regulatory measures to restrict tobacco marketing and promotion, but the multinational tobacco industry has opposed these measures, launching numerous trade challenges to strike down public health measures designed to reduce tobacco consumption.

Canada should be particularly concerned about this. In 1994 we drafted new legislation that required manufacturers to sell cigarettes in plain packaging, based on evidence from the public health community that industry advertising linked logos and images on cigarette packages with attractive lifestyles and thus encouraged smoking. Despite the health rationale, Canada abandoned plain packaging, fearing it would lose a NAFTA trade challenge from U.S. tobacco interests. These fears were based in part on the testimony of Carla Hills, who was the U.S. negotiator representing R J. Reynolds.

We don't know how many Canadians might have stopped smoking had this legislation passed.

Other labelling requirements are also at risk. We see that Philip Morris has initiated arbitration to stop Uruguay from placing graphic images of smoking victims on its cigarette packages. There are several others that I cite in my paper.

Canada must also ensure in terms of technical barriers to trade that the provisions in the TPP be no more extensive than those in the current WTO TBT. This means that we need to have the right to an explicit guarantee for the right of governments to require health warning labels on all such products.

Another area is alcohol, which has numerous health and social problems. The WHO estimates that 2.5 million people die each year from its harmful impacts. The liberalization of alcohol markets and the elimination of restrictions on alcohol promotion have serious health consequences. In 2010, the UN's World Health Assembly adopted the global strategy to reduce the harmful use of alcohol. However, TPP commitments to regulatory harmonization and easier market access may pose significant barriers to achieving this goal.

Food safety is another—

The Chair: I'll just stop you there, but I'll allow you a final concluding remark if you'd like.

Dr. John Calvert: Okay.

This is the last point I'd like to make. In terms of investor rights, the TPP does go beyond NAFTA, and there are some very important issues here that we need to address, particularly, for example, the Eli Lilly challenge to Canada's court decision regarding its patents. The TPP proposes essentially to fold in IPRs within the definition of intellectual property, which is far beyond what we have in NAFTA and would expose us to further trade challenges.

Thank you for your tolerance.

● (1530)

The Chair: That's fine. We will translate the text and get the full text to the committee.

Thank you very much.

Mr. Kassam, the floor is yours.

Mr. Karim Kassam (Vice-President, Business and Corporate Development, Ballard Power Systems Inc.): Thank you very much.

I'm here today to speak to you from an industry perspective. I apologize that I didn't have notes for you in advance, but I just landed from a three-week trip abroad, and I'm a little disoriented from jet lag. Hopefully you'll indulge me over the next five to ten minutes.

The clerk asked that I perhaps give you a bit of background on Ballard Power Systems. Ballard is a fuel cell technology company based in Vancouver, Canada. We've been in this business for approximately 25 years. Our business is essentially the development of intellectual property, the sale of products and services, and the licensing of some of our technologies to our customers and partners.

To give you a sense of our revenue streams and where they come from, in 2013 Canada made up approximately 10% of our revenue. From a trade perspective, then, 90% of everything we do happens outside of this country, so anything that happens with regard to removing trade barriers to increase competitive forces for us is a very positive move and endeavour, given our reliance on trade for our business.

When I look at our business over the course of the last couple of years, and specifically in terms of market focus, we have four areas of business focus.

Number one is telecom backup power. Here we provide fuel cell solution systems that essentially replace diesel generators as backup power systems for telecom base stations around the world. As of today, we have about 10 megawatts of these systems operating in different parts of many of the countries you're looking at in terms of the TPP, which affects us, because in many of them we have customers who are buying our solution today.

The second key area of business for us is what we term "engineering services". In this area we help companies who are looking to advance their fuel cell developments. Specifically we work with automotive companies, such as Volkswagen, Daimler, and others, who are looking at various things in terms of moving ahead their fuel cell technologies, specifically for introducing them in vehicle applications.

We're also involved in material handling. Here we provide our core technology, particularly in the United States, to one of our customers who then builds fuel cell engines for forklift applications. We have approximately 4,000 of our fuel cell stacks operating in these engines in various distribution centres in the United States today.

Finally, we're also in the business of licensing our technology. Here is where we look at our core business, our core competency. We're trying to advance growth in different markets, and particularly markets such as the ones you're looking at, where we would partner with companies to essentially take on the manufacturing, sales, and distribution of the product where we would retain the core technology here in Canada and essentially license our know-how to these companies.

We have about 355 people working at Ballard, many here in Vancouver. These are engineering positions, with key employees who really are responsible for developing the technology and supporting our customers around the world for the deployment of these. We have R and D operations in Bend, Oregon, and in Hobro, Denmark. We also have a manufacturing facility here in Vancouver as well as in Mexico.

In terms of our focus and our real interest here, approximately 35% of our revenue in 2013 occurred in the countries that you've identified as being part of the TPP, so this is an area that's near and dear to us as it relates to the importance.

Really there are three things that matter to us when we're looking at doing business with companies in these various countries around the world.

First, are the governments, when they're talking about renewables, including fuel cells? Oftentimes we'll get into countries and they'll say, "Are you wind? Are you solar? If you are, you're eligible for a whole bunch of incentives." But oftentimes fuel cells don't get included on that list. One of the things I'd like to ask, then, as the market leader for fuel cells coming from Canada, is that you consider making sure that fuel cells are on that list of renewable applications.

Second, and just as important for us, is the reduction or elimination of tariffs and duties.

● (1535)

If we're going to compete in these markets, oftentimes there is a 20% to 30% tag to our price, which already, in terms of new technology, is trying to compete with diesel generators and other incumbent types of technologies. So that puts us at a disadvantage in these countries, and the elimination of these duties and tariffs greatly supports our export business. That would be the second area in which I'd encourage your commitment and support.

The third area, which is really key to our business and decision-making with regard to who we do business with and what countries we'll get involved in is the protection of our intellectual property. As is the case for most companies in the technology space, our core business is the development of patents and the development of know-how, and if we can't protect that when we're selling abroad, then we'll have real problems in terms of protecting our ability to continue to compete in these markets.

When I look at the role of trade barriers and I look at the role of trade negotiations from an enterprise perspective, I would say those are the three main issues that we grapple with on a day-to-day basis in our decision-making as to whether or not we're going to do business with companies in specific countries, and they are what drives us to have that growth.

When I look at our growth over the course of the last three years, 80% to 90% of our growth has been coming from either Asia or Latin America or from Africa and India. Really it's in the emerging-market space where we're seeing a tremendous amount of growth, and with the increase in trade barriers being dropped, we see our business as one that will continue to see growth in those markets. Obviously, our interest is to remain in Canada, because we see that we have the core competencies, the core personnel, and the core IP here. Our objective therefore is to leverage that to then export our know-how, our products, and our services to these other countries around the world.

With that, I'll pause and indulge in your questions.

The Chair: Thank you very much to both of you.

We'll move to questions and answers.

Mr. Davies, the floor is yours.

Mr. Don Davies: Thank you.

Mr. Kassam, you're saying there's an international tariff on fuel cells?

Mr. Karim Kassam: Yes. What happens is typically we get listed under generators or commercial products whenever we sell to other markets, and the tariffs and duties—duties in particular—depend on what parts of the world we are selling into for telecom application, because we simply get bundled into the telecom product category. That is the challenge we have. It is really an uneven playing field because in the same categories, solar and wind get basically a free ride on the duties, whereas we don't.

Mr. Don Davies: Has Ballard Power received government money or government grants or subsidies at all?

Mr. Karim Kassam: We partner with Sustainable Development Technology Canada, SDTC. It supports some of our product development efforts, but beyond that, no, we don't.

Mr. Don Davies: Thank you.

Mr. Calvert, first of all, I want to go on the record as saying that I and the New Democrats have publicly stated that we believe the full text of the trade agreement should be published for Canadians to look at and to have public comment on before it is signed off, so that we can actually get full stakeholder and Canadian input. That is an excellent suggestion on your part.

I want to ask you if you have any concerns that provisions in TPP or any of the so-called 21st-century trade agreements may impair our ability to expand our medicare system, for instance, to bring in a national pharmacare program.

Dr. John Calvert: One of the issues that is apparently being discussed and potentially could arise under the new TPP is the possibility that there could be restrictions on the formularies that, in our case, the provinces have. As you know, in the U.S., under

Medicare Part D, they're not allowed to use their bulk purchasing to actually negotiate lower prices with the drug industry. That is U.S. practice, and I think they are trying to incorporate something somewhat similar into the TPP, which would mean some significant restrictions for us in terms of essentially getting a better deal on behalf of patients. That is certainly one area that is quite important.

Remind me of the second part of your question.

● (1540)

Mr. Don Davies: It was whether or not there is anything in these trade agreements that might impair the expansion of medicare to include things like pharmacare or dental care.

Dr. John Calvert: The cost item is a major one. As I said in my presentation, just on pharmaceuticals, we're now spending at total of \$27.7 billion and they are now the second largest component of our total health spending. That amount has gone up quite dramatically over the last 25 years. Cost is certainly going to be a major concern for governments looking at a national pharmacare program. Pushing up the costs further, which I think the TPP will do, is going to make it even more difficult to afford a national pharmacare program.

Mr. Don Davies: Okay.

I'm interested in exploring the connection between intellectual property laws and research and development. The assertion is often made by the innovators that if we give them longer patent protection, there will be more R and D in our jurisdictions. Can you comment on that assertion?

Dr. John Calvert: Well, there's a long history here. Going back to 1969, we passed legislation providing compulsory licensing for Canadians, and that system applied until basically 1987. During that period, the role of drug costs in our total health care budget was effectively controlled and indeed went down.

After 1987, through Bill C-22 and then subsequently Bill C-91, we got rid of our compulsory licensing. The industry promised as a result that if they got extra patent protection, they would invest more in Canada. The target, as I said in my presentation, was 10%. They only did that for a few years. Now we're down to 6%.

The problem is that once we change our patent laws, they are locked in, particularly if they're locked in by this trade agreement or the CETA. But on the other side, there's no quid pro quo. There are some promises, but if they're not lived up to—and they haven't been lived up to—there's really nothing we can do.

They were supposed to minimally provide at least 10% of their revenue in R and D. It has not happened. There is no sign that giving them more patent protection will do anything more. So don't we learn from this experience? If we just give them more, with no obligation on their part to actually deliver anything, what's the benefit to Canadians?

Mr. Don Davies: In terms of generic medicine and medicine delivered to the developing world, do you have any concerns that there are provisions in the TPP that may inhibit or impair our ability to deliver generic medicine both at home and to the developing world?

Dr. John Calvert: There are several provisions, but the one that I think is most troubling, I guess from an ethical point of view, is the extension of data exclusivity. This basically means that a generic company doesn't have access to the information, the clinical trials, on which a drug that's coming off patent was originally patented for....

Without that information being made available relatively quickly, they're forced either not to produce a generic version of the drug, or to subject people again to clinical trials for a drug that we already know works. To give people placebos when you know that they actually need the drug seems to me rather unethical. The longer you have this arrangement where they have to wait, the longer, obviously, it's going to take for generics to get on the market, and the more costly it is for those countries.

This is a big barrier that, as the TPP is implemented, will be raised as a result of what is being proposed.

Mr. Don Davies: Mr. Chairman, how am I doing for time?

The Chair: You have less than a minute.

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

In terms of R and D, you've already said, if I heard you correctly, that approximately half of R and D money is actually supplied by the taxpayer in Canada.

Dr. John Calvert: Yes, just under half.

Mr. Don Davies: What percentage of that money is spent by the pharmaceutical companies on marketing?

Dr. John Calvert: I don't have the numbers right in front of me, but it's the largest component, as I recall. Basic scientific research is a relatively small component. Developing marketing and also doing some clinical trials are the other major elements, so we're not getting much scientific research. I guess that's the bottom line.

Mr. Don Davies: This will be just a quick one.

The Chair: Okay, but very quickly.

Mr. Don Davies: Can you give us one suggestion for something you'd like to see in the trade agreement?

The Chair: A very quick answer, please.

Dr. John Calvert: Well, a commitment to nothing beyond TRIPS.

The Chair: Thank you very much.

Mr. Holder.

Mr. Ed Holder: Thank you, Chair.

I'd like to thank our guests for being here today.

Dr. Calvert, what I really appreciate about you as I read your biography is that you did your undergrad degree and your first post-grad degree in the tenth-largest city in Canada, London, Ontario. I'm pleased to say, as the representative for London West, that obviously that education has suited you well.

I have to say that when you consider the intellectual repartee that's going on here.... I rest my case, Chair. My degree was in philosophy, so all I could do was sell insurance. That's all I'll tell you.

Voices: Oh, oh!

Mr. Ed Holder: You made some references that I just want to make sure I understand, Dr. Calvert.

Under biologics, you talked about universal public drug coverage. We don't really have that in Canada, do we? We have group insurance plans—my background was actually in employee benefits—and of course, if you're in a certain circumstance in various provinces, then you'll get it, but we don't have a universal public drug plan in Canada.

There may be parties opposite that have that as a thought. I don't think it's our thought as the government—it's certainly not mine—but I'm wondering if you can help me to understand where you think that's coming into play as it relates to the issues of the TPP.

● (1545)

Dr. John Calvert: Well, there is history. Again if you go back to the Hall commission, it advocated that. If you look at the National Forum on Health in the late nineties or at the Romanow commission, there have been many efforts to try to move us towards a more universal public approach.

We are not—

Mr. Ed Holder: Forgive me. I presume you support these?

Dr. John Calvert: I certainly do.

Mr. Ed Holder: Okay. I just wanted to be clear.

Dr. John Calvert: If you compare us internationally, we fall way below Europe in terms of public drug coverage. We're at just under 40%. Most European countries are around 70% to 75% public drug coverage.

Mr. Ed Holder: That's public not private. Is that correct?

Dr. John Calvert: Yes. It's public financing of drugs. We're way behind Europe in that regard.

Mr. Ed Holder: Forgive me, because I don't know all the details of European public drug coverage. Is that means-tested? Is that how that works?

Dr. John Calvert: It's going to vary in every country, but I don't think much of it is actually. The good thing about NICE in the U.K. is that the National Health Service there, for example, does provide universal coverage for everybody who's covered by the NHS.

Mr. Ed Holder: Ours in Canada is effectively means-tested whether you're a senior or a student or someone on welfare.

Dr. John Calvert: It's a hodgepodge basically, and it's not very good coverage.

Mr. Ed Holder: Here's my question for you then, because I appreciate you clarifying your position. You made another reference to tobacco rules. You have a passion for health, and I respect that. Do you think Canada's tobacco laws are too lax?

Dr. John Calvert: Well I was implying that, I think, in what I said about the plain-packaging legislation. I think that was a very unfortunate back-down on the part of the Canadian government. For all these years since then we've not had really effective plain-packaging legislation.

Australia, as you probably know, in 2011—

Mr. Ed Holder: Respectfully though—and I keep interjecting just so I can understand—even in our nation's capital the notion of being able to go out onto any patio to have a tobacco product isn't possible, and if you want to buy tobacco products, they're under wraps. They're under windows and the like, and they have various warnings and the like. Is your big issue the plain packaging? Is that what it comes down to at this stage?

Dr. John Calvert: What I was saying was that the government should maintain policy flexibility to put in place any evidence-based approach that will deter smoking. Plain packaging is one of a number of different approaches. I would support all of them if they were shown to work.

Mr. Ed Holder: I won't put on the record my cigar habit, because that would not be conducive to this discussion, but I appreciate your commentary.

Mr. Kassam, thank you for coming in after your travels.

Just as a first basic question, are you in favour of TPP?

Mr. Karim Kassam: I am.

Mr. Ed Holder: As I was looking at my notes, I wasn't sure that had come out.

So how would it help Ballard Power Systems?

Mr. Karim Kassam: It will help provided it addresses the three issues that I talked about. Again for us our core business is intellectual property and the development of such. So if we're going to license our technology within these countries with which it is being negotiated, we want to make sure we have good protection so our IP is not being copied and utilized to a disservice.

Second, we want to see the reduction or elimination of tariffs on our products that are being exported.

Third, we want to be categorized under the renewables category when you are looking at the reduction of those tariffs, because oftentimes, as I indicated before, we sort of get lost in the shuffle there, and therefore don't qualify for those exemptions.

• (1550)

Mr. Ed Holder: You made reference, in terms of your three- or four-point strategy, that part of that was licensing the technology but keeping the core technology in Canada. In the environment of trade deals that Canada is aggressively embracing, is that getting harder to do, or do you think you're comfortable with keeping that core technology in our country?

Mr. Karim Kassam: One of the things that are abundantly clear to us—and I was trying to make it sort of a soft illustration—is that even though only 10% of our revenue is in Canada, we still have our employee base here. We still have our core head office capabilities here. Why? Because Vancouver is the head of the world's fuel cell centres. Not only us but a bunch of other companies have located

here because of the know-how and the people who reside here with that knowledge. From our perspective, we see us staying here. We see the people residing here and continuing to develop that core competency, and we see ourselves as an export business.

Mr. Ed Holder: Mr. Kassam, I was shocked to hear you say that some 20% to 30% of the extra cost of your product is due to duties.

Mr. Karim Kassam: Yes.

Mr. Ed Holder: Is that typical around the world or is that for any particular country or is that roughly average?

Mr. Karim Kassam: Yes, it's roughly average, I would say. India, for example, is 30%. Indonesia is 20%. It really depends upon where we're going. Japan is 10% to 15%. From country to country, how we get categorized in those countries makes a huge difference.

The Chair: You're done.

Mr. Ed Holder: So I'm done, but thank you.

I think that's a very important point, Chair, that we can absolutely take forward.

Thanks to both of you.

The Chair: Thank you very much.

Mr. Pacetti, the floor is yours.

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

"I'm done, I'm done".... That's what takes a long time.

Thank you, witnesses, for coming here to give us your testimony.

I will start with Mr. Kassam.

To go on with what Mr. Holder was asking you, your duties are anywhere from 20% to 30%. Where do you sell most of your products?

Mr. Karim Kassam: That 10% to 30% would be the number. As for where we sell our products, when I think about product sales, it would be the U.S., where there are no duties, and then Japan and China. The list goes on. There are about 20 different countries that we sell our products to. In each of those countries, we have a different allocation.

Mr. Massimo Pacetti: Because you wouldn't get immediate relief even if we're talking about TPP countries, for example—

Mr. Karim Kassam: That's correct.

Mr. Massimo Pacetti: —because first there would have to be an agreement. I think the TPP has been in negotiation since 2005, so that's around nine years and there hasn't really been.... It's been two years since Canada has been part of the negotiations.

What do you actually sell? Do you actually sell the fuel cell or do you sell the technology? Is it hard goods?

Mr. Karim Kassam: There are three things. We sell our core stack technology. That's manufactured here in Vancouver. That has the highest IP. We sell product solutions, so that's the actual generator that goes in as backup power in telecom stations, and we also license our know-how, which is really more of a service where the duties wouldn't apply.

So it's really on the first two. Also, on the core stack, we'll usually get exemptions on the stack. It's really that the system fails when we get into selling our telecom generator. That's when the duties get applied. That is specifically where we get hit with them.

To your question about whether it means that we're not selling in those markets, not at all. To me, all that does is open up a broader market. Instead of selling a certain amount, we see a multiple of that if we're able to get those duties down.

Mr. Massimo Pacetti: That leads me to my next question, which is about your competition. Where is the bulk of your competition?

Mr. Karim Kassam: In the telecom space, our two competitors would be in the United States, and there are some growing new companies coming up in China, as well as South Korea.

Mr. Massimo Pacetti: So it's to your benefit to get a heads-up on the Chinese if they're not part of the TPP? That would benefit you.

Mr. Karim Kassam: That's right, absolutely.

• (1555)

Mr. Massimo Pacetti: Okay. Thank you.

I have a quick question for you, Mr. Calvert. More than once, I think, you referred to drug costs increasing in Canada continuously. I think you mentioned that on a few occasions.

Dr. John Calvert: Over the last 25 years.

Mr. Massimo Pacetti: Yes. How does that have anything to do with the TPP? Do you feel that by signing the TPP the patent protections being given to the traditional pharmaceuticals will increase drug costs?

Dr. John Calvert: That is what will happen, because it will delay generics getting on the market.

A number of different components of the TPP proposals cumulatively would have the effect of delaying generic copies, as it were, of products getting on the market, and generics are much cheaper than the patents. Also, there will be patents applying to new areas that currently are not covered by patents. Again, that would raise the price.

Mr. Massimo Pacetti: With the CETA, we had to increase the patent protection for two years.

Dr. John Calvert: Yes.

Mr. Massimo Pacetti: In the TPP countries, what is the highest patent protection length?

Dr. John Calvert: Do you mean beyond the 20 years in TRIPS?

Mr. Massimo Pacetti: I don't know. I—

Dr. John Calvert: I don't know either, because I don't have a final text of the agreement to make any calculation about—

Mr. Massimo Pacetti: There is no agreement. They are in negotiations.

Dr. John Calvert: Yes.

Mr. Massimo Pacetti: I was wondering if you had more information than we do.

So that would be one of your concerns?

Dr. John Calvert: Yes, absolutely.

Mr. Massimo Pacetti: It's that we would lock in at one of the country's highest years that they would give or provide patent protection for?

Dr. John Calvert: It's that in total we would have a longer period of patent protection, given these various different elements that are being incorporated into that agreement.

Mr. Massimo Pacetti: Yes. Now I understand your point.

I don't know if you have a comment, but we heard from somebody—I think it was yesterday—who said that even though Canada would provide longer periods of patent protection, in countries like those in Europe the drug costs are actually less expensive even though they're provided with a longer length of time for patent protection. Do you have a comment on that?

Dr. John Calvert: Take the U.K., for example, with NICE, which is their national purchasing agent. They're a unitary country, but they have the advantage that they're essentially bulk purchasing and negotiating with big pharma for the drugs that people are using.

We're very fragmented in the way in which we deal with this. Provinces try to do that, but arguably not nearly as successfully as would be the case if, for example, we had a national drug purchasing system, which many people have recommended.

The Chair: Thank you very much.

Mr. Hiebert.

Mr. Russ Hiebert: Thank you.

Just on that note, what's the obstacle to a national drug purchasing system?

Dr. John Calvert: If you go back to the Hall commission, that's something that was recommended way back in 1964. Unfortunately, the federal government at the time and in the subsequent years did not get around to doing that.

The federal government has to provide leadership on this issue. It's the one government that could provide the provinces with the support, and arguably with the competency, to do that effectively. So there's a big gap in terms of federal leadership on drugs.

The federal government is in a very odd position, because it extends patent protection but it only pays for 5% of the drugs we use. The provinces pay for a good hunk of that. You and I as individuals, or private insurance companies, pay for the rest.

So it's able to extend patent protection, but it doesn't face the costs. Somebody else does. That creates the kind of odd dynamic we have between the federal and provincial governments around this issue.

That's why I say the federal government has to take leadership on this issue if we are going to make progress.

Mr. Russ Hiebert: How do you respond to pharmaceutical companies that say they need these extra years of patent protection to recoup the costs of the research and development to make the drugs in the first place?

Dr. John Calvert: Well, they've said that for the last 25 years. We gave them a huge extension on patent protection. We have a very good system of compulsory licensing, which was introduced in 1969 by legislation that didn't fall from the sky. There were four major commissions in the sixties that looked at drug prices in Canada. That legislation in 1969, which advocated an extension of compulsory licensing, was very successful in controlling drug costs.

Over the years, we came down compared with other countries so that by 1987 we were among the lowest in terms of drug costs in the OECD. Now we're the second highest.

Mr. Russ Hiebert: What happened?

Dr. John Calvert: We extended patent protection up to 20 years. Then, with some other bells and whistles that the industry has managed to arrange, it's probably in the vicinity of 22 or 23, depending on the drug and so on.

So we extended patent protection, which means it takes much longer for generics to get on the market.

● (1600)

Mr. Russ Hiebert: Yes, but my colleague Mr. Pacetti just said that the patent extensions in Europe are even longer than they are in Canada, yet their drug costs are less.

Dr. John Calvert: Yes, and I explained that they have national negotiations—

Mr. Russ Hiebert: They have purchasing power.

Dr. John Calvert: Yes.

The other thing that's important to recognize is that our pharmaceutical industry—in quotation marks—is all basically foreign-owned. In Europe we're talking about countries that are negotiating on behalf of large companies that see huge benefits in terms of their balance of payments.

Our balance of payments, as I mentioned, is now \$7.5 billion in deficit, and it's going to increase. There's no evidence that the extension of patent protection in the TPP will in any way benefit us with regard to that. There's lots of evidence to suggest that our balance of payments will get much worse as a result of that and CETA.

I guess that's my frustration. Why can't we learn something from this?

Mr. Russ Hiebert: During your opening testimony, you were kind of cut short, for lack of time, in your comments on food safety and investor rights. Could you elaborate on those topics?

Dr. John Calvert: Let me start with the second one, the investor rights issue.

There are many dimensions to it. On the whole question of the number of countries that now would be in a position to sue Canada, it would be greatly extended. Currently it's our NAFTA partners, so we're adding I think another 10 countries to that list, which obviously will mean a lot more lawsuits. That's one element of it.

The Eli Lilly \$500-million lawsuit is one that we should be very worried about. Eli Lilly is not suing primarily under TRIPS; it's trying to overturn a Federal Court decision in Canada that had invalidated two patents it had. It's trying to do that by creating the idea that the patents it was applying for were essentially an investment. That has not been done before under NAFTA.

The TPP would effectively enable companies like that to treat them like investments. That opens the door to lots of new lawsuits like the Lilly one. The Lilly one is not yet resolved, but it's very worrisome if that's the case. We should be very concerned about that, and we should be concerned that the TPP does not include provisions that would give all of those companies the same kind of rights that Eli Lilly is trying to establish through its NAFTA challenge.

Mr. Russ Hiebert: And on the topic of food safety?

Dr. John Calvert: There's a lot of concern about the whole issue of packaging and marketing in terms of labelling, in terms of what people are able to find out about what's in the foods. Here, arguably, if you want to talk about Europe, their food packaging and safety legislation is stronger than ours.

Also, there's the question of imports of food and the extent to which we have some control over ensuring that food safety is a major requirement. We're importing a lot of food, and there's nothing wrong with that, but the question is this. Do we have the regulatory capacity domestically to ensure that if we have any issues about something that's coming in, we're in a position to be able to regulate it effectively, or to stop it, if that's what's necessary, to protect public health? Those regulatory powers should not be in any way compromised by what's in this agreement.

Mr. Russ Hiebert: Mr. Kassam, you have a very educated workforce. You have 355 employees. A lot of them are engineers. Are you having any difficulty attracting an educated workforce in your current location?

Mr. Karim Kassam: No, not at all. In fact, as I said, companies such as the Automotive Fuel Cell Cooperation company, which includes Ford, Daimler, Nissan, and others, specifically come to Vancouver for this workforce.

We have a 25-year history of this engineering capability here. Between Victoria, UBC, and SFU, we have three universities that are committed to progress in the educational workforce so that there's an ongoing work stream coming up. We collaborate with them through co-ops. We have a very strong capability here in Vancouver that I don't see going away any time soon.

Mr. Russ Hiebert: You mentioned that you have some emerging competitors in South Korea and China.

Mr. Karim Kassam: Yes.

Mr. Russ Hiebert: We've had other witness testimony suggesting that the greatest strategic advantage that Canada could have would be if we could secure the TPP and other trade agreements before other countries do. But there's also talk about China getting involved in TPP.

● (1605)

The Chair: Very quickly, please.

Mr. Russ Hiebert: Would that have an impact on your view of the TPP if China were to join?

Mr. Karim Kassam: No. Interestingly, five years ago, we wouldn't have spent a minute in China. For 2013 we'll do about 8% to 9% of our revenue in China, so we've taken a very different perspective in terms of doing business in China. We see their laws getting much more stringent, so we'd welcome their participation if they were ever to come in.

On your earlier point, for us, we see this as an early competitive advantage if you guys can manage to close it sooner rather than later. As I've said before, it's not as though we're not doing business in these countries, but we do see us growing our business dramatically if some of these things would get resolved in order for us to have a more open capability of doing trade there.

The Chair: Thank you very much.

Madam Liu.

Ms. Laurin Liu: Thanks for your testimony. That was very informative.

I'd like to go back to you, Mr. Calvert. When my colleague asked you what you'd like to see in the agreement, you said, "nothing beyond TRIPS", and I'd like to give you some time to elaborate on that.

Dr. John Calvert: Well, one of the things that is quite important in the way in which TRIPS was modified in 2001 with the Doha declaration was the affirmation that countries would have the right to use what are described as the "flexibilities" in TRIPS, namely, compulsory licensing under certain conditions. This is something that I think has not been fully exploited in Canada, really, but one senses, when one looks at what has been released in terms of the TPP, that it could well compromise and indeed limit even the relatively modest gains that were made with respect to the Doha declaration.

I am concerned that we will end up with a tightening, as it were, of the TRIPS-plus regulations, which would undermine protections that were quite consciously negotiated with respect to the Doha declaration, so it would be, arguably, much worse. That's a major concern that I have, and that particularly is a concern also for the TPP partners. We should have some concern about what happens in other developing countries, and they, in particular, are going to need some of those flexibilities, I believe.

Ms. Laurin Liu: We also know through leaked copies of the negotiations that a number of proposed TPP chapters appear to contain provisions that would increase the role of the food industry in policy-making. This is true in chapters such as the chapter on regulatory coherence. Is it something that's of particular concern to you?

Dr. John Calvert: On the whole area of regulatory harmonization, and there are other ways in which they are expressing it, regulatory coherence, the question is whether this is going to be down to the lowest common denominator. Is that what we are going to see here and to what extent is it going to facilitate challenges to public regulations that we have in place or that we might have in place? My concern is public health, of course, but in other areas as well, that is definitely a concern.

I would be very worried that we would end up with lower standards than otherwise would be the case.

One of the key things that's been happening in the health sector for a number years now is that we're increasingly emphasizing the importance of evidence-based policy decisions in health. That is to say, what government should do should be based on the best possible evidence. That's certainly happening on the medical side.

In terms of public policy with respect to food regulation, to get back to your original question, this is something we should be doing on the basis of what is the best evidence, and not out of concern that we might get sued if we try to do that. That may be, in a way, how the government will be looking at this if it feels that the trade agreement obligations are ones that open the door to lawsuits against the government if it regulates in particular ways. We don't want to see that happen.

Ms. Laurin Liu: Right, and on that, what are the problems that you see associated with investor-state dispute settlement mechanisms, specifically with regard to food and nutrition?

Dr. John Calvert: There have been some challenges by us in the U.S. actually under existing WTO rules with regard to, say, hormone use in beef, and things of that nature. One can have different views about that, but in Europe certainly they have taken the view that they're very concerned about the quality and safety of the food that is imported. Again, my sense is that these kinds of decisions are ones that government should make on the basis of the best health policy that's out there. They should not be overturned because they violate a particular trade rule.

In all of this there have been trade challenges aside from tobacco and aside from alcohol. One of the things that we did, which we arguably should be very ashamed of, was in 1996, we challenged France's ban on asbestos. We know that asbestos kills something like 106,000 people a year, according to the WHO. We went to the WTO to overturn a ban on a product that we knew kills people.

Ms. Laurin Liu: Shameful.

Dr. John Calvert: The idea was that this was a technical barrier to trade. There were three different aspects of WTO agreements that were part of the challenge. This should not be something that is even possible, that we could overturn something that is so fundamental to public health based on certain trade rules.

● (1610)

Ms. Laurin Liu: You talked about cigarettes and alcohol as two that we should be able to regulate.

What about highly processed food, which is a big concern for many people watching TPP?

Dr. John Calvert: There was something even in *The Globe and Mail* this morning about the fact that sugar seems to be a major factor in terms of increasing heart disease, diabetes, and so on, and that there needs to be much more regulation in terms of how much sugar.... There are many other products of that nature that we are actually consuming that we're not aware of in terms of their health impacts.

Again, these are areas where, if there is good health evidence that the government should take measures to try to reduce consumption, we should be allowed to do that. We shouldn't have to worry about whether that is inadvertently going to lead to some sort of trade challenge.

The Chair: Thank you very much.

Mr. Cannan, you have five minutes.

Hon. Ron Cannan: Thanks, gentlemen, for being here this afternoon to share a little bit of your perspectives from the west coast.

As the member of Parliament for Kelowna—Lake Country in the interior of British Columbia, I appreciate the history of Ballard fuel systems. It's something I've been following for a number of years. I spent nine years on the Kelowna city council and have spent just over eight years now as a federal MP.

We briefly chatted before the meeting started, Mr. Kassam, and remembered when Arnold Schwarzenegger and Premier Gordon Campbell connected with the change of the torch and were going to develop a hydrogen highway and all those future exciting opportunities. Unfortunately, that didn't materialize. Still, some of your technology, as you said, has been exported worldwide, and with the TPP you feel that the three points you mentioned will provide additional opportunities.

Do you think there is some potential for growth in employment prospects here, or will that work be transferred abroad to other countries?

Mr. Karim Kassam: From our perspective I think there are two things. One is where you drive core competency and utilization of human capital. That is really in two areas. One is in the development of the technology from a research perspective. The second is from a product development perspective in terms of applications engineering. Then the third, which is downstream, is the manufacturing and sale of the products.

When you look at the first two areas, those are really the ones for which you need the core competency, the engineering know-how, and the capabilities. Those only come with people who are very much in tune with the development of fuel cell technology, for which, as I stated before, Vancouver is still considered to be the global hub. I see this as a unique opportunity to leverage our current know-how.

If we look at it, over the last little while we have been increasing our hiring here in Vancouver. That's because, as I have said before, we feel there is a great pool of candidates we can draw from. The sector and the industry are great at fostering that, so as we grow our business, we'll certainly see ourselves growing in Vancouver, in addition to growing with our partners in different parts of the world, but really the technology won't get developed unless we're here.

Hon. Ron Cannan: I hope that you have nothing but success in the future and that you continue to grow.

Mr. Karim Kassam: Thank you.

Hon. Ron Cannan: Mr. Calvert, I have just a couple of questions.

We briefly had a chance to meet as well before the meeting.

When I look at your CV, you've obviously had a career as an academic. Is that basically working post-secondary on your doctorate?

Dr. John Calvert: I did my Ph.D. a long time ago. Then I worked in various capacities. The last major thing I did before joining SFU was with the B.C. government, where I was for seven years. I've been at SFU now for the last 10 years.

Hon. Ron Cannan: I read that not only health but also international trade is one of the classes you've been instructing for a number of years.

So around 20 years ago when we were celebrating the NAFTA, were you supportive of NAFTA?

Dr. John Calvert: I was not at the time, because I was concerned about a number of issues that we've actually talked about today. I think my concerns are still valid. It's hard 20 years later to say where we might have been had we not been in NAFTA. The global economy has changed, but I think that a number of the provisions in there were not beneficial to Canada. That is not to say that I oppose trade or that I don't think we should have some arrangements with other countries. That's a different matter. The question is what are the specific terms in the agreement and how do they benefit us or otherwise?

● (1615)

Hon. Ron Cannan: What would be an example of a trade agreement that Canada has entered into over the last 20 years that you would support? You said you don't oppose trade.

Dr. John Calvert: You seem to be implying that you can't believe in trade without a trade agreement.

Hon. Ron Cannan: No, I'm just wondering if you have supported any trade agreements Canada—

Dr. John Calvert: The old GATT had many good things in it, because in the post-war period the intention was to reduce tariffs globally, and that happened. I think by the time the WTO was established in 1995, the tariffs had been reduced absolutely dramatically from what they were in 1947 when GATT was put in place.

Hon. Ron Cannan: What about bilaterals with either Israel or Chile or anything like those that have been around for a long time? There's been Jordan recently and the EFTA—

Dr. John Calvert: My sense is to repeat what I said before, that the terms under which these agreements have been negotiated are not ones that are favourable.

If you want to go back to the NAFTA issue, I would ask what major new social programs or public programs we have initiated since NAFTA. I think the answer is none. I don't see anything. If you look at the fifties and sixties and into the seventies, you see a whole plethora of new programs that benefited Canadians. We don't see anything. We just see the systematic erosion of our social safety net since NAFTA went into place. That's the reality.

Hon. Ron Cannan: That Okanagan wine is good for your health.

Dr. John Calvert: Well, there we are.

The Chair: There you go. With that, we'll draw this session to a close. We want to thank both our witnesses for being here and for their testimony before the committee.

We will suspend as we set up the next panel.

•(1615) _____ (Pause) _____

•(1625)

The Chair: I am pleased to introduce the final panel of the day.

You have a challenge ahead of you, as witnesses coming forward. We have had a long day, a long two days, but nonetheless we're here—alive, well, and keen.

We have an exciting guest with us from Port Metro Vancouver. That's Robin Silvester, president and CEO. Thank you for being here. We're excited to have your testimony.

The same goes for our guests from the British Columbia Chamber of Commerce, John Winter and Jon Garson.

We will start with you, Mr. Silvester. The floor is yours. We look forward to hearing from you.

•(1630)

Mr. Robin Silvester (President and Chief Executive Officer, Port Metro Vancouver): Thank you.

Honourable members, it's a pleasure to be here. Welcome to Vancouver.

At Port Metro Vancouver, free and open trade is crucial to the delivery of our mission and to our ability to provide value to the community in which we operate—and, for that matter, to the nation as a whole. With that in mind, we appreciate the opportunity to present to you today, and commend the committee for undertaking this important study.

Simply put, we view the successful conclusion of a comprehensive trade agreement between Canada and the European Union and Canada's ongoing participation in the Trans-Pacific Partnership negotiations as incredibly important initiatives.

As you may well already know, Port Metro Vancouver is Canada's largest and busiest port, acting as a vital gateway for domestic and international trade and a significant economic force strengthening Canada's economy.

We are the most diversified port in the whole of North America, facilitating trade with more than 160 economies around the world and handling 124 million tonnes of cargo—in fact, I expect in 2013 probably approaching 130 million tonnes of cargo—worth more than \$75 billion each year.

Putting those statistics another way, nearly 20%, or one-fifth, of everything Canada trades in goods moves through this port here in Vancouver.

In British Columbia's Lower Mainland, the activity creates 57,000 jobs. Nationally the jobs created by the port supply chain alone rise to 98,800. It's worthy of note that jobs related to the port supply chain are at income or wage levels typically 53% above the national average wage for Canada.

Even from the west coast of our nation, Port Metro Vancouver has a long history of facilitating trade with European nations. In 2012 Canadian exports to the EU through our port exceeded 5 million metric tons, and included wheat, meat, wood chips, coal, metals, and minerals. At the same time, Port Metro Vancouver handled the import of 169,000 metric tons of household goods, construction materials, vehicles, machinery, and beverages from the EU.

Canada's new comprehensive economic and trade agreement with the EU will strengthen ties to one of our most important markets while improving access for Canadian companies, and growing trade in general. An interesting example is the forestry sector, a crucial employer here in British Columbia. It's a perfect example of an industry that stands to benefit directly from a Canada-EU trade agreement.

Through the elimination of tariffs on B.C. wood and wood products, which currently average 2.2% but peak as high as 10%, our exports will now be able to price-compete on an equal footing, and as a result will gain better access to the roughly 500 million consumers in the EU. The 15,000 British Columbians employed in this sector will benefit directly. It's inevitable that employment and economic activity in the sector will increase accordingly.

Other sectors that Port Metro Vancouver believes will benefit include B.C.'s fish and seafood industry, which employs nearly 5,500 British Columbians; British Columbia's investment environment, through the facilitation of two-way investment in the assurance of equal market access; and our service sector, through the rationalization of citizenship and residency requirements, the introduction of temporary entry rules, and the elimination of ownership and investment restrictions.

All in all, we would support the assertion that the EU trade agreement provides the opportunity for a 20% boost in bilateral trade and a \$12-billion increase in Canada's GDP.

We are, of course, on the west coast also very optimistic about the potential benefits associated with the successful completion of the ongoing negotiations as part of the Trans-Pacific Partnership. A successful TPP agreement would be particularly good news for British Columbia, given our geographic position relative to the participant countries and our deep existing relationships with the markets in question.

Currently three of the nations taking part in TPP talks can be found amongst the list of the top ten trading economies for exports leaving Port Metro Vancouver in 2012. Trade to and from TPP economies via Port Metro Vancouver amounted to over 30 million metric tons in 2012.

While a significant number—going back to my opening—this represents just over 24% of goods traded through the port in that year. The opportunity to increase access to these markets is upon us. As it stands today, Asian countries represent a relatively small percentage of total Canadian exports. A successfully completed comprehensive agreement we believe has the potential to dramatically improve Canada's access to key Pacific Rim markets.

• (1635)

The benefits of the TPP would include increased exports to these markets and the development of stronger commercial ties and person-to-person connections between our province and the fast-growing Asian economies.

Again taking the B.C. lumber industry as an example, our current exports of wood and wood-related products face tariffs of up to 10% in Japan, 31% in Vietnam, and 40% in Malaysia. Paper and paperboard products face tariffs of up to 27% in Vietnam and 25% in Malaysia. Eliminating these complicated and costly tariff barriers on B.C. wood and wood-related products will help open a lucrative market of 792 million consumers through the TPP nations and generate direct benefits in B.C. in exactly the same manner, we believe, as the European customers we will shortly be able to access better through CETA.

Port Metro Vancouver has been a strong supporter—and in terms of infrastructure development, an enabler—of the Government of Canada's ongoing efforts to diversify Canada's trade partnerships and expand our international market access. In fact, as I speak, we are delivering more than \$200 million of infrastructure to connect the ports to the country and allow easier movement of trade through the port.

We firmly believe that the benefits of both a Canada-EU trade agreement and a future agreement with the Trans-Pacific Partnership are important to the long-term health of the Canadian and British Columbian economies.

On behalf of Port Metro Vancouver, I thank you for the opportunity to present today. We'll be very happy to take any questions you may have.

Thank you.

The Chair: Thank you very much.

That's very optimistic from the perspective of both CETA and the TPP. Thank you for that.

We'll now move to you, Mr. Winter. The floor is yours.

Then we'll go to questions and answers.

Mr. John Winter (President and Chief Executive Officer, British Columbia Chamber of Commerce): Thank you, Mr. Chair and committee members, for the opportunity to present to the Standing Committee on International Trade regarding the Trans-Pacific Partnership.

The British Columbia Chamber of Commerce is a volunteer, not-for-profit business association that serves its members as the provincial federation of autonomous community chambers of commerce or boards of trade and corporate members. The B.C. chamber represents the views of about 125 chambers of commerce and boards of trade, and they in turn have about 36,000 businesses as their members, businesses of all sizes from all sectors in all regions of the province. That being the case, the chamber truly is the voice of business in B.C.

Let me start by simply posing a question about the TPP. Why not? British Columbia is a trading province just as Canada is a trading nation. Across the country, trade drives one in five jobs and somewhere in the order of 60% of Canada's GDP. For B.C. and Canada to succeed, we need to continue to open new markets for our businesses to compete in.

Further free trade agreements provide the foundation for our businesses to access the world. When Prime Minister Harper announced an agreement in principle with the European Union, this signalled to the business community—and I'd even say to the world—that Canada is looking to lead again. It highlighted our commitment to sign comprehensive 21st-century trade agreements, and while the Canada-EU CETA will bring economic opportunity to businesses across Canada, including many of the B.C. chamber members right here in this province, the chamber is looking ahead to the opportunities in Asia.

For the B.C. chamber, the Canada-EU CETA agreement is an appetizer to the main course, the TPP. As we all know, B.C. is Canada's gateway to the Asia-Pacific. Of all the provinces, British Columbia is the least dependent on trade relations with the United States. That is not to say it isn't still an important market, but the fact that only 44% of our provincial trade is with the U.S. shows there is a growing interest in opportunities across the Pacific in the many emerging markets of Asia.

The TPP brings together 12 nations with a total population of 792 million people and a combined GDP of \$27.5 trillion. Put another way, as highlighted by the TPP trade ministers in their October report to their leaders, the current TPP participants represent nearly 40% of global GDP and approximately one-third of all the world's trade. With economic numbers like these, Canada needs to be at that table. For us as a Pacific nation, this agreement provides an opportunity to start to pivot the Canadian economy to some of the fastest-emerging markets of the Asia-Pacific.

As Canada's only Pacific province, B.C., along with B.C. businesses, stand to benefit from this shifting focus, and we already have much of the infrastructure in place. The TPP could provide annual income gains of \$9.9 billion and increase exports by an additional \$15.7 billion. Those numbers translate into jobs here in B.C. and across the country. We will have an agreement with several dynamic, emerging Southeast Asian markets, with GDP growth two to three times that of our established trading partners in the United States and Europe. Singapore, Malaysia, and Vietnam have growing middle classes that will only keep growing and that will be looking for the goods and services Canada offers long into the future.

Don't we want to get in on the ground floor of this opportunity?

The TPP will be a landmark agreement. Like CETA, this agreement will set the standard for future trade agreements in terms of market access for goods, services, investments, financial services, government procurement, temporary entry, and labour. The TPP appears to meet the standard of a 21st-century comprehensive, and dare I say, transformative agreement.

The B.C. chamber understands that comprehensive market access is a key objective for the TPP. A comprehensive agreement that provides duty-free access to goods and markets across TPP members while looking to remove restrictions on services, investments, financial services, temporary entry, and government procurement is potentially beneficial to many sectors of this economy.

B.C. is home to an abundance of natural resources. From the communities that bring these resources out of the ground or off the land to the service sector that does the value-add to the resources that are eventually exported around the world, many well-paying jobs depend on access to new markets.

● (1640)

Whether it's forestry, mining, oil and gas, agriculture and agrifood, or seafood and shellfish, B.C. has many businesses that stand to benefit from having their products gain access to TPP markets duty free. Beyond goods movement, B.C.'s engineering services, mining services, forestry services, and financial services are all world class and just need that last element of certainty that business looks for when looking to invest abroad.

Certainty is a key element in the potential of any business to succeed. Certainty for business can be found in more than just knowing that their products can access new markets duty free. Today, the global economy is more interconnected, with fewer and fewer tariff barriers. A lot of countries find creative ways to protect their industries through regulation and non-tariff barriers. The B.C. chamber believes that the TPP will benefit not only Canadian businesses but all businesses by improving regulatory practices, promoting transparency, and establishing processes that facilitate trade and investment.

The B.C. chamber hears from many businesses that regulatory burdens and the lack of understanding of international processes make entering the international market not worth it. Just as the B.C. chamber advocates for certainty and cutting red tape to doing business here in Canada, we encourage any initiative by which the government can provide certainty for B.C. businesses and streamline processes in those international markets.

The benefit of the TPP extends beyond the tangible benefits that such an agreement will bring to businesses. As the Fraser Institute has pointed out in their analysis, Canada stands to gain "not only by expanding its economic partnerships but also by shaping the rules that will govern trade...in the twenty-first century". In other words, being at the table in these negotiations is a benefit in its own right.

It is important that Canada be out in front of potential multilateral trade discussions, especially those involving the emerging markets of Asia. The TPP is the vehicle that allows Canada to shape the rules around investment, rules of origin, and other regulatory barriers to doing business.

Earlier in this presentation, the point was made that B.C. has slowly lowered its dependence on the American market. Again, this is not to minimize the importance of the U.S. and its economic benefit to Canadian and, for that matter, B.C. businesses. The U.S. market and the \$670 billion-plus of annual economic activity between our two countries will continue to be the standard of trade that we want to achieve with others around the world.

The rise of the Asia-Pacific, however, can't be underestimated. Canada can't afford to be sitting on the sidelines as others build the economic bridges throughout Asia-Pacific. The U.S. is looking to other markets, whether it's a deal with South Korea, a deal that we're looking to close ourselves, and other countries are looking to gain access to that U.S. market. When we look at other developed economies, such as the U.S., for example, and the EU, Australia, and New Zealand, we see that they are working hard to build economic ties across Asia. Canada can't afford not to be part of the TPP and future agreements like it.

Again, as the Fraser Institute points out, the TPP negotiations give Canada the ability to maintain its preferential trading relationship with the U.S. while providing the opportunity to formalize new trading partnerships with emerging markets. In other words, it gets our foot in the door for future agreements in the Asia-Pacific without shutting the window on the U.S.

In closing, the B.C. chamber sees potential benefits to several sectors that drive the B.C. economy, but there is little illusion that negotiations won't be challenging. As Canada continues to negotiate with 11 other countries, it's only fair and realistic to expect that everything is on the table for discussion. There are no sacred cows. This doesn't mean that the chamber doesn't expect the Canadian government to apply the same test that it has to other agreements it has signed, namely, that any final agreement is to the net benefit of Canada.

The B.C. chamber is realistic that negotiations are about give-and-take. Finding the right balance is the science, or perhaps better yet, the art of negotiation. Overall, the B.C. chamber supports the opportunity of being at the TPP table and the potential economic benefit and jobs that a final agreement would bring to our members in B.C. and to businesses across Canada.

● (1645)

Using a slightly tweaked version of the famous John Lewis quote, let me conclude by saying that if not this agreement, then which one? If not now, then when? Let's not let this opportunity slip through our fingers. Let's get this deal done.

Thank you.

The Chair: Thank you very much

We'll now move to questions and answers. We will start with Ms. Crowder. The floor is yours.

Ms. Jean Crowder: I want to thank the witnesses for coming before the committee today.

Mr. Winter, as you spoke, I was welcoming language that refers to promoting transparency and certainty around key elements. I think the challenge facing many of us with regard to TPP is that the details of the agreement are not known. A lot of what we are seeing and hearing is merely speculation based on leaked documents, many of which have moved on since they were leaked.

One of the points is that 80% of Canada's GDP is already covered by agreements that we have with U.S., Mexico, Chile, and Peru. I'm interested in how you came up with your numbers, given that it really is only 20% additional GDP. How did you come up with those numbers? You were talking about 9.9 billion and a number of other numbers. How did you come up with those numbers?

Mr. John Winter: I will defer to my supplier.

Mr. Jon Garson (Vice-President, Policy Development Branch, British Columbia Chamber of Commerce): Most of the figures and data that we used were taken from other publications. We used the government's own numbers that had been produced, and numbers that had come from the Fraser Institute as well.

Ms. Jean Crowder: Did you discount them based on the fact that we already have free trade agreements that cover 80% of those countries' GDP?

Mr. Jon Garson: No, because we were looking at what the conclusion of TPP would be, including those countries with the other countries that are parties to the agreement. We were looking at the complete picture of all those countries participating in the TPP negotiations.

Ms. Jean Crowder: So in fact 80% of your numbers would exist whether there was TPP or not, because we already have those agreements in place with the U.S., Chile, Peru.

Mr. Jon Garson: There are trade agreements with those countries, yes.

Ms. Jean Crowder: So 80% would be discounted then.

Mr. John Winter: Not really. That assumes this is standing still. That assumes nothing will change over time. What we're talking about are significantly emerging growth markets in Asia.

Ms. Jean Crowder: How did you calculate that? How did you calculate the percentages of those emerging markets then?

Mr. John Winter: Again it was based on the numbers supplied to us from a number of different sources. It really talks about the emerging markets and their growth. We're not going to get beyond 100% of GDP obviously, so it's going to be redistributed among those countries.

Ms. Jean Crowder: Given that we don't have the details for the TPP and that you have 80% of the trade agreements already covered, I'm having trouble with those numbers, on being able to backtrack those numbers.

Mr. John Winter: I'm not sure I understand your 80% number.

Ms. Jean Crowder: We already have trade agreements with the U.S., Mexico, Chile, and Peru, well, 80% of the total GDP of all of the countries involved. Those are numbers that have come up. We can call it 70%, call it—

• (1650)

Mr. John Winter: Are you suggesting that those countries amount to 80% in deference to the other countries such as China, Korea, and Japan?

Ms. Jean Crowder: China is not part of TPP.

Mr. John Winter: Well, Japan, Korea, Vietnam, Australia, New Zealand....

Ms. Jean Crowder: Korea is not part of it. These are the countries: U.S., Mexico, Peru, Chile, Australia, New Zealand, Japan, Brunei, Vietnam, Malaysia, and Singapore. China is not part of it. Korea is not part of it. Were China and Korea included in those calculations?

Mr. John Winter: No, they wouldn't be, because—

Ms. Jean Crowder: I guess the point I'm getting at is that a lot of numbers are thrown around, but it's never really clear what's been discounted based on trade agreements that are already in place. It's based on emerging markets, but we know there are some challenges around the world with what's happening with economic growth. We heard from somebody this morning who was talking about a decline in percentage of GDP for China, which isn't part of this. I think it's easy to throw numbers around, but we need to have them substantiated. If you have that background, I'm sure the committee would welcome seeing it.

I only have a few minutes so I'd like to go on to another question. Did you actually come up with numbers of jobs that you anticipated would be created as a result of TPP? Were you able to predict the number of jobs that would be created in British Columbia as a result of TPP?

Mr. John Winter: No, we didn't. We're not in the economic development business. As an organization we're able to look at the bigger picture of trade agreements and the history of trade agreements and understand the impact they would have on the Canadian economy. That said, we looked at the nature of our economy and the resource sector, and the growth of these emerging markets, and we were able to say that this will be the impact of those. Those numbers would come from other sources that would be considered experts.

Ms. Jean Crowder: Thanks.

Mr. Silvester, it again points to the difficulties of coming up with numbers, but in your presentation you talked about the B.C. lumber industry, for example, and you cited other numbers. We had Mr. Newman before us today from the Canada Wood Group. Again, because the elements of the TPP aren't known, he was much more equivocal than you were around the numbers of jobs that would be created in the forestry sector. He said that the TPP may or may not provide new benefits because agreements like softwood lumber already existed. He went on to talk about the fact that there are a whole bunch of caveats on whether or not there would be increased markets. Those would include things like tariffs, standards, environmental credentials, and preferential purchasing policies by some countries.

Again, I wonder where you came up with your projections on where some of these economies would be created.

Mr. Robin Silvester: Sure. The numbers I was giving in terms of employment for the forestry industry are for the industry as a whole as it stands today, so I haven't tried to extrapolate what might happen under TPP, other than to observe clearly that an increase in the trade in lumber would correlate with an increase in jobs.

What we've observed with, for example, China, which is not in the TPP but which has been a major focus provincially, is that at the time the U.S. economy faltered and lumber exports to the U.S. almost stalled completely, those were progressively, over the last five years, replaced with softwood lumber exports to China in containers, with the volume now I think reaching around six million tonnes of lumber. So even in the current environment, with challenges and trade barriers in place, the industry has been successful in accessing markets in Asia.

If we look at Japan, for example, I have the headlines statistics that Japan is currently importing around 1.2 million tonnes of lumber a year through the port. So if we take the hypothesis that reducing trade barriers will increase trade, and trade is already very significant in a number of B.C.-manufactured products with a number of potential signatories to the TPP, I would say that I think the TPP will have a beneficial effect.

The Chair: Thank you. Time is gone.

Mr. Holder.

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

I'd like to thank our guests for being here this afternoon. You are the final part of the show. We are very grateful that you would be here at this hour.

When I listen to my colleague opposite, I almost think that the opposition may not be supportive of the TPP. However, it's our hope that they will be as more information and wisdom come to bear.

Mr. Silvester, thank you for your statement. I was actually a bit surprised when I was listening to your comments about the relationship between Canada and the EU in terms of the amount of business that you do. I guess I was under the impression, even though you mentioned that your focus was Asia-based, obviously from geography...and I was surprised too that even the EU component was as significant as it was. While we're not here for the purpose of discussing CETA today, I did appreciate your comments on that, because I think that will add to our sense of how the port authority of Metro Vancouver feels.

My feeling, gentlemen, is that Canada trades with every country in the world. Regardless of whether we have an agreement or not, we trade with every country in the world. What's clear to me is that if we can establish rules-based systems that reduce tariff barriers, that reduce some of the non-tariff barriers, that put in the labour and environmental situations that we've put into every agreement we've done so far, there are going to be a number of positive outcomes that come from that.

The obvious question, Mr. Silvester, is this. Does the fact that you don't have an actual physical text—though you have some indication as to where they're going—in any way inhibit your support of TPP?

●(1655)

Mr. Robin Silvester: Fundamentally, we support TPP because we see the economic benefit trade brings locally, regionally, and nationally. We would really follow the same logical inference line that you follow such that if trade barriers are reduced within appropriate parameters and trade is increased, then the nation benefits, as do the communities local to the port.

With the scale of trade through the port, as I was emphasizing in my address, there are 57,000 jobs in the Lower Mainland alone involved purely in the supply chain, before we even start to consider those involved further up in the primary production activities. So without the ability to do a detailed economic analysis, we would still fundamentally support the logic that reducing barriers to trade will lead to improvements in the economy.

Mr. Ed Holder: Earlier today, we heard testimony from Yuen Pau Woo, who is the president and CEO of the Asia Pacific Foundation of Canada. He threw an interesting twist into it, and I'd appreciate comments on it from both of you and your organizations.

He talked a lot about China. Clearly, as you both know, China and Korea are not currently part of this deal, but it was his view that China is kind of that sleeping dog out there that you cannot ignore. He said that we might want to even consider engaging in a bilateral with China ahead of others and/or trying to encourage and take a leadership role as Canadians to get China at the table now, as opposed to waiting until that deal is done.

Do you have any opinions or thoughts as it relates to China being part of this agreement or going it alone with Canada?

I'll start with you, Mr. Silvester.

Mr. Robin Silvester: Thank you.

Clearly, I think the question of whether or not China is brought into the process is a complex one, but again, going back to the base that I'm qualified to observe on, trade with China through the port in 2012 was 28 million tonnes of cargo, ranging across metallurgical coal mined in B.C., to canola produced throughout the Prairies, to lumber predominantly produced in B.C., and of course, to household goods, which are sold and distributed all across Canada and are imported from China.

So we already have a very substantial trading relationship with China, and it's a fundamental part of the Canadian economy. I think that if there is an opportunity through TPP or direct negotiations to further improve and put structure around that trade relationship, that could have very positive benefits.

Mr. Ed Holder: Thank you for that.

Mr. Winter.

Mr. John Winter: Yes, I would endorse that thought. As an example, B.C. is a small, open, trading economy. It's been suggested that it's of a size similar to the GDP of Houston, Texas, as an example, so that puts it in perspective.

We need trade to prosper and to create jobs in this province. The ability of our forest sector to meet the needs of China and to compete internationally for China's business has been amply demonstrated.

Whether it's captured in the TPP or it's a bilateral between Canada and China, I think it can only benefit in the longer term the economic viability of this part of Canada and I think of Canada in general in the longer term.

• (1700)

Mr. Ed Holder: For both of you, it's one thing to have a deal like this—by the way, whether that be CETA or TPP—and it's another thing for businesses to have the capability to take advantage of them. I'm not thinking so much of the large businesses that seem to know how to do that and have the resources, but of the SMEs, the small and medium-sized enterprises, and how they can take advantage of it.

We have a natural north-south flow across the whole Canadian 49th parallel with our great friends and neighbours in the United States, and I'm not saying that just because that gentleman over there is part of the U.S. trading group. But whose responsibility is it or what do we have to do to help small and medium-sized enterprises take advantage of these very critical opportunities that are there?

Perhaps both of you have a perspective on it, but can I get your views on that, or through the chamber, perhaps?

Mr. John Winter: In regard to the small business sector, British Columbia's business profile is about 97% businesses with 10 or fewer employees. About 40% of those are participating in some form or other of export-import, primarily with the United States. For us to succeed with trade beyond those borders would take a significant investment in development costs, training, and preparation, and also in removing some of the aura, or the scare factor, if you like, that people don't seem to want to tackle.

But I think the reality is that as we become more and more global in our approach to doing business, the inevitability of this is very real. I think the ability of the Canadian business sector and the British Columbia business sector to compete and to grow has to be based on exports. We are concerned here in B.C. that we don't have enough small businesses in a growth mode. Many businesses are looking at themselves as surviving, as opposed to growing, and a lot of this has to do, I think, with attitude and somewhat with a reluctance to engage in international trade beyond maybe the U.S.-Canada situation, perhaps driven by language and perhaps driven by reasonably common currency and those sorts of things.

We need to do something, I think, to better educate our business community. The opportunities and the trade agreements like this are as good a tool as there is.

The Chair: Thank you very much.

Do you have a quick comment?

Mr. Robin Silvester: Yes, I might very quickly follow on here and shamelessly plug our Facebook page. I'd encourage you to have a look at it. We addressed this question from the point of view of community engagement, and we went out to look for port stories about small businesses that depend on the port. We were overwhelmed by the responses we got.

We now have a series of videos we've been using in our public engagement work about, for example, a fruit importer, a blackberry farmer who's exporting, a cheese shop, an Italian deli in the local community—those who have businesses because of the port. The infrastructure and the ability to trade have allowed them to create small businesses in the local community.

The Chair: Thank you very much.

Mr. Pacetti.

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

Thank you to the witnesses.

First to Mr. Winter, I'm just trying to see if I should follow up on what Mr. Holder was saying or what you were saying. I mean, the problem with small businesses, in trying to grow their businesses, is not just in B.C. It's also across Canada, especially in Ontario and Quebec, where the small manufacturing sector is suffering. Whether it's the high dollar now, or the low dollar, or competition with China, I think we're all feeling that effect.

We all support.... I'm not going to speak for the Conservatives or the NDP, but we Liberals support free trade, obviously. Is there any industry that can benefit from this immediately, or is it just of general benefit to all businesses?

Mr. John Winter: In the British Columbia context?

Mr. Massimo Pacetti: Yes.

Mr. John Winter: As I said, we're an exporting economy, and we export resources. We also import a great deal through some of the ports and other places, so it—

• (1705)

Mr. Massimo Pacetti: I'm assuming on the import side the consumer will benefit from lower costs.

Mr. John Winter: Yes, but so can business.

I think it's an issue around certainty as much as anything. I really believe that when you have trade agreements like this that start to remove the tariffs, that remove what are in effect obstacles to trade, physical or perhaps mental, and that encourage people to engage in this kind of business, then the results will start to show.

I think the reality is that right now there's nothing to really encourage B.C.'s business community to engage in Asia beyond the resource sector. Here at home, the small business sector supports the operations of those businesses. We have a very active technology sector, but largely speaking, its customers are the resource sector.

Mr. Massimo Pacetti: So I think the response from the chamber should be not whether you support it, but let's get moving. I think that's what your message should be: let's get moving and let's get this deal done. Right?

Mr. John Winter: That would be our message today, for sure.

Mr. Massimo Pacetti: Yes—because the government will not ratify the Canada-Europe free trade deal for another two years. The TPP has been in negotiations for nine years without Canada, and the last two years with Canada, so I don't see it happening in....

If we can push them, let's do it.

Mr. John Winter: I think the EU agreement is a precursor to a good Asian agreement.

Mr. Massimo Pacetti: Well, we hope.

I see from your brief here, Mr. Silvester, that even without any additional business coming from free trade, your volumes have been increasing.

Mr. Robin Silvester: Yes, absolutely.

Mr. Massimo Pacetti: How much can you handle? Are you going to require extra investment? Will you have to expand?

Mr. Robin Silvester: We have a huge investment program on the way that's been supported very strongly by the government, and in fact has had previous support from Liberal governments as well.

Mr. Massimo Pacetti: Is that part of the Pacific gateway?

Mr. Robin Silvester: Yes, it's the Pacific gateway strategy. It's been extremely successful. Under the current government, there's been \$750 million invested in connecting corridors alone. That in turn has resulted in or stimulated more private sector investment, probably to the tune of more than \$1 billion overall in terminal infrastructure investment, whether in coal export or grain export or similar.

As we look forward, we see the opportunity for continued growth, potentially accelerated by trade agreements. We have most of the tools we need to ensure that capacity is in place. There are one or two areas in which we will be looking to the building Canada fund, needless to say, to supplement the good work that's been done, but we are in a very strong position.

Mr. Massimo Pacetti: Good. Okay. My time is limited, and I want to get one more question in.

In your brief, you seem to indicate that you will benefit from the CETA.

Mr. Robin Silvester: We would expect to.

Mr. Massimo Pacetti: From your perspective, how does that happen? The port of Vancouver will benefit from CETA, where you're on the other side—

Mr. Robin Silvester: We sat down and looked at it, and we were similarly, if I'm honest, somewhat surprised.

If you look at the top 10 countries with whom we have export trading relationships, the U.K. slips in at number 10, with a total of nearly two million tonnes of product, primarily wood chips but also metallurgical coal, lumber, and wood-related products.

Mr. Massimo Pacetti: Explain to me how the port of Vancouver benefits from that.

Mr. Robin Silvester: The cargo is exported through the port. We have services that connect us directly via the Panama Canal and with Europe.

Mr. Massimo Pacetti: Oh, so you're [*Inaudible—Editor*] and it's not cheaper to send it by rail across the country.

Mr. Robin Silvester: It would vary on a case-by-case basis, but the cargo I am quoting is exported through the port.

Mr. Massimo Pacetti: Interesting. Thanks.

I guess we're going to see you guys tomorrow.

Mr. Robin Silvester: You should indeed. We look forward to hosting you.

The Chair: Thank you very much. We look forward to the tour tomorrow. I was going to close with that, but since you brought it up now, I'll mention it.

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

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

As a member of Parliament from British Columbia in the Okanagan, Kelowna—Lake Country, I've had the privilege of touring the port in various capacities over the years. It's always good to see the excitement. Even this morning I woke up and watched a helicopter land and the shuttle going across to North Vancouver, and all the activity. It is very vibrant and encouraging.

From your opening remarks and your printed presentation, you're obviously very supportive of TPP.

In 2008 the trade committee travelled to Panama. I was wondering about your expansion and the timing of the Panama Canal and what implications that would have on TPP and the expansion with our aggressive trade agreements, with CETA and the rest of the ones that are in the hopper.

Mr. Robin Silvester: As we look at the Panama Canal in aggregate, we see it as having probably not a huge effect on the port here in Vancouver, particularly on the import side, because so much of our imports are handled through eastern Canada by rail. On the export side it opens up some increased opportunities undoubtedly, certainly to Europe, the numbers we were just talking about. Interestingly, there's also the potential of potash being exported from Saskatchewan out through Vancouver and down to Brazil, which is a route already, but will be improved by the Panama Canal.

There is some upside opportunity, and little downside impact. The real economic growth opportunity we see through TPP is with the fast-growing Asian economies that are already part of, or seeking to become part of, the TPP arrangement.

Hon. Ron Cannan: As alluded to, Mr. Woo was here earlier and he was advocating to have China join as well, to have a 13th member, a baker's dozen.

Mr. Winter, welcome to the committee. We chatted earlier. You are active with our Kelowna Chamber of Commerce. We have the Lake Country Chamber of Commerce as well. I know you've been out to visit. We're one of the top three chambers in British Columbia out of 125 chambers, and I think you said they had 36,000 members.

I don't think very many Canadians realize the aggressiveness with which Prime Minister Harper and Minister Fast have been working on our global market strategy to expand trade. One of the startling realities with CETA would be a GDP of about \$17 trillion and 500 million consumers, and with the TPP it would be about \$27.5 trillion and 792 million consumers. Combined with NAFTA, Canada would be the only country in the world with comprehensive trade agreements with 75% of the world's GDP. It's really exciting. That's the message we've heard from business organizations such as yourself, representing the private sector.

I wonder if you could comment on how as a government we can get the message out. It seems to be the civil society groups are opposed to these trade agreements, and the job creators such as your organizations and the port, are supportive. What can we do to try to get businesses engaged more in understanding the benefits and the opportunities of these trade agreements and convince the public that a globalized world is where we are and the opportunities are immense?

• (1710)

Mr. John Winter: Continue doing what you're doing. There is a significant effort within the federal government, whether it's through Western Diversification or other ministries that are involved, Industry Canada, International Trade.

We perhaps need more information flowing back to us with respect to some of the specific benefits that are accruing for us in various parts of the world, so that we in turn can be players in that discussion perhaps more than we are. As an organization, we don't spend a whole lot of time talking about international trade to our members. I think the time has come for us to perhaps change that a little bit and to be more focused on opportunities as opposed to worrying about a lot of internal issues.

As has been already mentioned, we're the recipient here on the west coast of a significant investment in infrastructure through the Asia-Pacific strategy, and we are expecting even more. Between Prince Rupert and the port of Vancouver, the airport, and any number of other investment opportunities that exist, we're ready to begin acting and being a catalyst in the growth of international trade for Canada, for British Columbia, and the west coast.

It's continuing to do that, and doing it in a way that continues to work. I'm not sure that you'll ever be as successful in convincing the detractors, but the issue is that since NAFTA, and the Canada-U.S. Free Trade Agreement before it, the evidence is clear. If we look around us, our standard of living has never been better. I think it can only get better because of these kinds of agreements.

Hon. Ron Cannan: I'd appreciate it if you'd spread that to your members. That would be great.

Mr. Silvester, the committee was in Halifax in November and we saw the great opportunities with CETA. I think it's a day shorter from Europe to Halifax. We know Prince Rupert has great opportunities.

From your perspective, from your industry working together with bulletins and newsletters, working with civil society in trying to engage them in conversation, do you have an industry strategy as well? I know you're dealing with a dialogue on expansion. That's always an ongoing challenge. Are you looking at that discussion

explaining what's happening as far as the future of trade goes as well?

Mr. Robin Silvester: We are absolutely, and particularly in the community here in the Lower Mainland where a significant number of jobs are generated, but it's very easy to lose sight of the impact of trade on the economy.

Actually going back to the earlier question, we've taken a very proactive approach in telling the small-business stories, because people relate to those much better. So there's the seafood business based in Vancouver that is able to access a market in Japan or increasingly in China because of the sort of trade infrastructure created in the port, and indeed there are the improvements in trading relationships that are available through trade agreements. So it's really going to personalize the stories. We're putting a lot of effort into that and we're finding that is a way that resonates with the community here. We certainly will be continuing to do that.

• (1715)

Hon. Ron Cannan: Thank you for that. What better to go on the ship than some wine, some cherries, some B.C. apples, and all the rest of it.

The Chair: He's always promoting his local industry.

We'll now move into the second round.

Mr. Sandhu, the floor is yours for five minutes.

Mr. Jasbir Sandhu: Thank you.

Thank you to the witnesses for being here this afternoon.

Mr. Winters, I know the port of Vancouver plays a very important part in the economy of the Lower Mainland. I know a number of people who are directly or indirectly employed through the port.

There's a fairly good labour relationship with the longshoremen. They recently negotiated a long-term agreement. We see that. I also saw a couple of months ago that the United Truckers Association had some concerns. You know you would hate to have a stoppage of work or some sort of disruption. It would be detrimental to the economy of the Lower Mainland. Can you maybe highlight what's going on with the United Truckers Association and whether some of their concerns are being discussed or addressed?

Mr. Robin Silvester: We've had a lot of dialogue with them. It's undoubtedly a complex supply chain given that it's employing tens of thousands of people, but there's been some very good dialogue with the group you mentioned in particular amongst others. The concerns they were raising were in a large part related to some of the challenges we've addressed structurally through the infrastructure we were building over the course of last summer, which exacerbated the problem. But I'm pleased to say it opened in the middle of December, and that is alleviating the problem to a large extent.

We're also investing, with government support, in GPS tracking equipment, which is allowing us to understand where all the trucks are at any one time and how long they spend waiting in the terminals so that we can bring the stakeholders and the gateway together to have a dialogue about how to improve the system and how to liberate further capacity in the system to accommodate the growth opportunity we see. It's been a constructive dialogue and we certainly appreciate their input.

Mr. Jasbir Sandhu: Did you see a successful conclusion with regard to some of the concerns they have for the next two months, three months, four months?

Mr. Robin Silvester: Even already, with the exception of our short-term challenges related to the railcar supply, which have a knock-on effect through the supply chain because of the very cold temperatures in the east, which we expect to be resolved in a matter of days and weeks, we've seen significant improvements and reductions in wait times with the opening of the infrastructure, as I described, in the middle of December. We certainly expect to see those improvements be maintained and continue going forward.

Mr. Jasbir Sandhu: You also talked about building an infrastructure, which takes a long time, and I'm the Asia-Pacific gateway critic. Do you have a commitment from the government on long-term funding for some of the development that you're undertaking, which is needed for the infrastructure development, whether it's the port or the roads locally?

Mr. Robin Silvester: We as the port are in the middle of delivering about 200 million dollars' worth of infrastructure as part of the \$700 million Asia-Pacific gateway program, which is committed. All 17 or 18 projects funded by that will be completed by the early part of 2015. Those commitments are very tangible and are in progress.

As part of the ongoing dialogue, there are a number of other areas in which we see opportunities for infrastructure improvements that would increase capacity, and we continue to have constructive dialogue about those. We have a very big program that is nearing completion, and we have some other key projects that we're having dialogue about.

Mr. Jasbir Sandhu: Mr. Winter, you talked about not missing the opportunity of being at the table. The TPP talks started in 2005. It was 2008 when the real negotiations started happening, and Canada actually joined those talks in 2012. That was after 14 rounds were already completed. A part of the conditions of our getting into TPP was that those 14 rounds would not be renegotiated.

Do you think that was a missed opportunity? We weren't at the table when some of the negotiations took place.

Mr. John Winter: Well, I think it's better to be there than not to be there, and I think it's important that Canada be a party to the final

Mr. Jasbir Sandhu: I understand that, but do you think it's a missed opportunity?

Mr. John Winter: I can't comment, because I think, as I said earlier, we're not sure what the agreements were that went on in the earlier years. Certainly, Canada's track record in terms of completing trade agreements on behalf of Canada has been exemplary. I think from that perspective to walk in at this point—

• (1720)

Mr. Jasbir Sandhu: I have only a short time, and I do want to finish up. I actually would disagree with you in regard to completing trade agreements with other countries. We completed trade agreements with countries such as Liechtenstein, Peru, Panama, and Jordan.

Being from the west coast, I understand the importance of the economy in Japan and also in South Korea, where we have failed to complete those agreements in the last years. Do you think that is also a missed opportunity? Is it a missed opportunity that we have not been able to complete trade agreements with those two countries, which we trade a lot more with than we do with some of the countries we have already made trade agreements with?

Mr. John Winter: I don't know what your expectations are. I think being at the table is better than not being at the table.

I suspect that an agreement with Korea or Japan is obviously a difficult thing to agree to. I can imagine some of the issues that are on the table that Canada has to deal with in that regard, so the fact that we're still talking, the fact that there is optimism that these agreements will be put in place, is an awfully good sign from our perspective.

The Chair: Thank you very much.

Mr. Hiebert.

Mr. Russ Hiebert: Thanks, Mr. Chair.

I'm delighted to see my colleague, Mr. Jasbir Sandhu, emphasizing how urgent these trade agreements are and how we need to get on.

Some hon. members: Hear, hear!

Mr. Russ Hiebert: Mr. Winter and Mr. Silvester, thank you for being here. I have a lot of businesses, indirect or direct, and a lot of port employees who live in my community of South Surrey—White Rock—Cloverdale. I'm sure they're delighted that they're being represented by you as well.

Mr. Winter, in your opening remarks, you made reference to Singapore and Malaysia as countries with a growing middle class. Then you transitioned to a list of service industries that were going to benefit from this growing middle class. I didn't catch all of them. There were things like government procurement and financial services. Can you just refresh my memory? What else was on that list?

Mr. John Winter: I will try. On goods and services and future trade agreements, we talked about investment services, financial services, access, temporary entry and labour, and government procurement contracts.

Mr. Russ Hiebert: Are you suggesting that we're moving from being a commodity-based nation to more of a service-based nation in terms of our actions?

Mr. John Winter: I think Canada has a strong service sector regardless of free trade agreements. I work in a building not far from here. It has 12 floors, 75% of the tenants are in the mining sector, and not one of them has a business in British Columbia. They are service industries to the mining sector around the world.

Whether it is engineering, accounting, or legal services, there is a significant portion of our economy that's driven by the support for the resource sector, and that certainly is something that's in demand around the world.

Mr. Russ Hiebert: That relates to my next question, which is for Mr. Silvester.

Earlier we had a presenter make the statement that we're coming to the end of a commodities supercycle. I wasn't sure if I agreed. I don't really know the facts. I'd be curious to know if you have seen a reduction in commodity exports to Asia as it relates to this. Would you agree or disagree with that statement?

Mr. Robin Silvester: I struggled to see that data as well, although I would recognize that we, as Canada and as the port of Vancouver, are a relatively small component of the global commodity market. Without going into too much detail on data we haven't fully consolidated, we've just seen a record year in coal shipments through the port. I think we'll be close to a record year in grain shipments through the port. We see substantial upside opportunity for potash.

The market out there is huge, and the proportion of it that we, as Canadians, seek to access is relatively small. We are fortunate to have very high-quality resources at our disposal, and there is a lot of further opportunity.

Mr. Russ Hiebert: In your remarks you talked about how the port considers or expects the Canada-EU trade agreement to result in an increase of 20% in bilateral trade.

Have you crunched the numbers on what impact the TPP might have on your business?

• (1725)

Mr. Robin Silvester: We haven't. As my colleague from the chamber noted, that's not data we produced ourselves. It's data we've used from other sources. In the case of those numbers, actually, they're from the government itself, but what I would say is that we see evidence that would support components of that data.

For the TPP, again, we haven't done a detailed economic analysis, but we can certainly see a lot of sectors that have the potential to benefit from a reduction in barriers to trade.

Mr. Russ Hiebert: I know that the port looks at long-term planning regarding its facilities and expansion. Do you factor the successful conclusion of a TPP agreement into how you foresee the growth of the port and its facilities?

Mr. Robin Silvester: We haven't factored that in explicitly, but we have certainly based our forecasting on an assumption that having a favourable trade environment and having Canada perceived

as a favoured trading partner continue to be parts of the way that we trade with the world. On that sort of broad-based assumption, we see substantial opportunity for growth.

Mr. Russ Hiebert: You mentioned that of the 10 nations the TPP would include, three are top trading nations for your port. What are those three nations?

Mr. Robin Silvester: In volume order, they are Japan, the U.S., and Chile. Interestingly, of course, South Korea, which has been part of the debate today, if it were to accede to the TPP negotiations, would eclipse both Japan and the U.S.

Mr. Russ Hiebert: Really?

Do I have time for one last brief question? It's a short question.

The Chair: Okay, be very quick.

Mr. Russ Hiebert: Is the change in our currency having an impact on volume in ports?

Mr. Robin Silvester: It's too early to see at the moment. We're certainly not seeing any change that we can attribute to the change in the currency at this stage.

The Chair: Thank you.

That takes us to the end, but before we end, I just have a question that's sort of on topic, sort of off-topic. It's all about the supply chain and the reliability of it and Canada's reputation.

How many ships are offshore right now waiting to be filled with grain?

Mr. Robin Silvester: We have about 18 in the anchorages local to the port, and I believe there are probably about another 12 in anchorages across the Georgia Strait, so the number is substantial. It's abnormally high because of the challenges of rail service over the last week, given the cold weather.

The Chair: It's because you don't have the product. It's not because you can't get them in—

Mr. Robin Silvester: As you say, at the moment, it's more about product availability because railcar supply has been a challenge.

The Chair: Okay.

Very good. I want to thank you for coming and testifying. It has been very good. We look forward to a tour of the port tomorrow and we're excited about that.

That draws us to the conclusion of this session.

The meeting is adjourned.

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