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Chair

The Honourable Mark Eyking

Standing Committee on International Trade

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● (1110)

[*English*]

The Chair (Hon. Mark Eyking (Sydney—Victoria, Lib.)): Good morning, everybody. I call the meeting to order.

I see a large slate of witnesses today. Sorry; we're a little late. As you know, what happens on the Hill sometimes rules how we operate throughout the day. We had some votes up there.

Go ahead, Mr. Hoback.

Mr. Randy Hoback (Prince Albert, CPC): Mr. Chair, I'd like to move a motion at this point in time before we get started in light of the guests that we will have a bit later this afternoon. I do apologize to the witnesses who are here, but hopefully we can deal with it quickly and then move on to the witnesses.

I move:

> That the House of Commons Standing Committee on International Trade immediately hold a meeting on the Comprehensive Economic and Trade Agreement in order to receive an update from the Minister of International Trade and officials on the breakdown of talks between Canada and the European Union.

After what's happened last week and on the weekend, I think it's very important that the committee be brought up to speed and that the minister be brought in front of the committee, with officials, and that we schedule a meeting post-haste to do that.

The Chair: I think the motion is pretty self-explanatory.

Do we have any more comments? Does anybody oppose it?

Mr. Sukh Dhaliwal (Surrey—Newton, Lib.): Yes.

The Chair: We're going to have a show of hands.

An hon. member: Could we have a recorded vote?

The Chair: All right. Are you ready to go?

Does everybody understand the motion?

(Motion negatived [See *Minutes of Proceedings*])

The Chair: The motion has been defeated.

We'll move on to the rest of our meeting.

Again, welcome.

Our witnesses know we're dealing with the TPP, a very big agreement that has an impact on all Canadians, whether you're a consumer or you're in business.

Our committee has been travelling across the country and holding consultations. We did the territories and provinces. Many stakeholders have come before us so far, and of course many individuals. We have over 20,000 submissions from individuals. We had an open microphone at all our meetings, so we have had quite a bit of input.

We're hoping to finish our submissions by the end of this month, and we'll move on to prepare a report for the House of Commons.

Without further ado, I have a list here, and we'll get right into it. We have two official languages, so we have translation.

If you're not familiar with the process, I'd like to keep it to around five minutes for each group or each individual. We're going to go through all the individuals and we then will proceed to interaction with the MPs.

We're going to start by welcoming, via video conference, Alex and Jeronim.

Can you hear us?

Mr. Alex Izurieta (Senior Economist, United Nations, As an Individual): Honourable members of the committee, we want to thank you for offering us the opportunity to discuss the findings of our study.

This is an empirical analysis using the United Nations global policy model—“GPM” henceforth—conducted as part of a memorandum of understanding between UNCTAD and GDAE-Tufts University. As such, it should be understood as an academic exercise, not necessarily representing the views of the institutions with which the authors are associated.

In Canada we project that TPP will have virtually no effect on GDP growth and a negative effect on employment, leading to the loss of approximately 60,000 jobs over 10 years.

Our study is different from other model-based studies of the TPP for three reasons.

First, the model that is used, the UN GPM, is not a specialized global trade model, but rather a trade, macro, finance, and policy model of the world economy.

Second, the GPM is not based on the full employment and general equilibrium assumptions of standard trade models.

Third, we focus on aspects of macro-financial adjustments ignored in the standard models. As a matter of fact, most standard trade models do not incorporate macroeconomic dynamics, do not incorporate markup pricing or other frictions, do not capture the role of fiscal or monetary policy, and do not even have a financial sector.

The first difference with studies using standard trade models should be properly understood. International trade is a core part of the GPM, but this model considers import and export equations disaggregated into four main categories: manufacturing goods, primary commodities, energy, and services. Meanwhile, standard trade models usually consider many subsets of traded goods.

Whether trade in these models is better handled depends on various aspects. For example, despite their greater diversity in products, their estimates—that is, the factors that determine the magnitude of cause-effect relationships—are for the most part imposed parameters. Meanwhile, in the GPM these factors are estimated by econometric techniques using data spanning various decades.

Also, as most of the changes contemplated in the TPP are not tariffs per se, but rather non-tariffs and a large number of costs, institutional changes, and regulatory changes, it could be argued that the standard assumption that all such changes are equivalent to tariffs is unreasonable.

Nevertheless, to allow for a useful comparison between our study and those carried out with standard trade models, we took the findings of the latter about trade volumes as our starting assumption. To be clear, we built our projections assuming that standard models are correct about the impact that the TPP will have on trade volumes. If there is a heroic assumption in our work, it was this.

This brings us to our second difference: in the GPM we do not assume that full employment will necessarily be maintained after changes in specialization, preferences, and prices resulting from competition and freer flows of capital. These potential effects of TPP can leave employment, capital, and skills unutilized.

Likewise, in the GPM we do not assume that all savings generated by changing spending and portfolio patterns are fully invested in fixed capital. Neither do we assume perfect competition, and therefore, in the GPM, increases of efficiency or productivity do not translate fully into reduced prices for consumers.

In brief, in the GPM, unemployment can be a lasting effect—called hysteresis in the literature—excess savings can be transformed into speculative finance when demand is weak, and greater profits or markup margins can prevail over benefits for consumers.

Finally, the third difference between our study and standard ones is our focus on non-trade effects of trade and investment treaties, such as deregulation of trade and finance, profit protection, and limitations of government policy sovereignty. Hence, we analyze the impact of TPP on income distribution, aggregate spending and demand, tax rates, and government expenditure on goods, services, and social protection.

● (1115)

We find that GDP growth is not unambiguously positive, as claimed by studies based on the standard model. Jobs are lost in meaningful numbers among TPP members and non-TPP members. Domestic and global income distribution deteriorates as profit shares increase.

Our detailed results, assumptions, method, and the technical aspects of the model are discussed in our paper and in a series of technical studies referenced in it.

Thank you very much.

● (1120)

The Chair: Thank you, gentlemen. I guess it's evening where you're at.

I'll stick with the video conferencing in case we have some technical difficulty. We'll move over to Canadian Doctors for Medicare.

Dr. Mehta, go ahead, sir.

Dr. Chetan Mehta (Member, Canadian Doctors for Medicare): First off, I'd like to thank the Standing Committee on International Trade for inviting me. My name is Dr. Chetan Mehta. I'm a family and addictions medicine physician who works at Queen West Community Health Centre and for the addictions medicine service at Women's College Hospital.

I'm speaking today on behalf of Canadian Doctors for Medicare, or CDM. CDM is committed to evidence-based policy reform that advances publicly funded health care and systems that treat patients based on need, not their ability to pay.

Our organization is concerned about TPP's impact on the health outcomes of Canadians. Today, even without the ratification of TPP and CETA, many of them face severe barriers to accessing the medications they desperately need. Many of these issues that Canadians face are determined by forces beyond their control, by policy and trade decisions made by government, corporations, and panels such as yours.

We've highlighted three provisions in the trans-Pacific partnership agreement that have the potential to negatively impact the health of our patients.

The first is that the TPP's extension of patents to medical procedures constitutes a most significant divergence from existing medical and legal structures. Currently procedures such as laparoscopic surgery or interventional procedures are protected from patent restrictions, giving the medical community instant access to the best techniques that are available. Under TPP, new techniques would be subject to patents, meaning that the next breakthrough—the next laparoscopic surgery, for example—could be hidden behind legal and political barriers and rendered less accessible as a result.

Many of these services have the potential to save lives. This kind of patent reform could significantly affect allied health professions as well—for example, dentistry, physiotherapy, or respiratory therapy—that are increasingly linked to hospital care. There is little doubt that the quality of Canadian health care overall would suffer as a result, both from patients being blocked from accessing the appropriate services and Canadian innovation being hampered.

The second provision, the strengthening of patents for new pharmaceuticals, has received the most attention, and for good reason. It could have a profound impact on those who rely on medications, especially those without drug insurance plans. The TPP allows drug companies to extend the term of a new patent by five years or more, depending on whether delays in the patent approval process are considered "unreasonable". Similar provisions have appeared in other trade agreements, but TPP weakens their required justification for an unreasonable delay, opening up new opportunities for patent extension and further delay regarding the development of generic alternatives.

Generic drugs are essential to health systems globally. For example, MSF lobbied to have the cost of HIV medications brought down by 99% through the introduction of generic alternatives; these generic manufacturers still made profits. By extending patents, we delay the development of generic drugs, and we do so at a massive cost to the patients who rely on them. The TPP's patent provisions are corporate interests with no proven benefits to public health.

Recent history has shown that longer patents actually decrease R and D. When patents were extended to 20 years in 1989, the pharmaceutical industry's promise was to increase R and D budgets to 10% of overall spending. Instead, R and D has dropped to as little as 3%, while marketing budgets to doctors have grown. The end result has been that increased patent protection delivers more profits but less innovation.

I'm happy to discuss my case study of hepatitis C drugs. It shows that these new drugs currently cost $80,000 to $150,000 per course of treatment, per person, in the Ontario health system. The risk to public and private insurers is significant today, and it would be worse under TPP.

Our final concern is the weakening of government regulatory powers under TPP. You may know that this occurs through a process called ISDS, which has been discussed at length. ISDS claims allow corporations to challenge foreign government policies that diminish, or have the potential to diminish, their earnings.

ISDS claims are not new. What is new is the emphasis on potential losses. The TPP's ISDS provisions can be launched by corporations on the basis of alleged financial losses, not proven financial losses.

● (1125)

Along with existing structural flaws, these details further erode state regulatory powers in the realm of public health and Health Canada and potential medical device and drug safety. While these developments certainly unfold in front of small asymmetric tribunals, their effects are felt by patients across the country, patients directly exposed to corporate decision-making when public health regulation is blocked.

The TPP carries with it the potential to compromise and jeopardize the health and lives of patients. It does so by blocking access to innovative techniques, creating barriers to medically necessary drugs, and strengthening the means by which multinationals can avoid and deter regulation, even if that regulation is designed to benefit Canadians and save lives.

For these reasons, and for others not dealt with here, we urge the federal government to subject the trans-Pacific partnership to a rigorous and transparent health impact analysis, and ask that the results be made available to all Canadians.

If we are going to ratify a trade agreement with sweeping health implications that touch the lives of us all, we should be clear about the consequences.

Thank you very much.

The Chair: Thank you, Doctor.

We're going to move to the panellists who here at the table with us.

We're going to go to the Barley Council of Canada first, and Philip de Kemp.

Go ahead, sir. You have the floor.

Mr. Philip de Kemp (Executive Director, Barley Council of Canada): Mr. Chairman, ladies and gentlemen of the committee, thank you for the invitation today.

Some of you obviously have met me before in my capacity as executive director of the Barley Council and the malt industry, but also as a quite important participant within the Canadian Agri-Food Trade Alliance, CAFTA. I appreciate your time today.

The Barley Council of Canada is led by farmer and industry members and serves as a national voice for Canada's barley industry. Our council comprises all provincial and regional barley producer commissions and grain councils. These organizations have a vested interest in barley as Canada's third-largest crop. They represent about 23,000 barley farmers from coast to coast.

The council also comprises strong advocates and participants from Canada's beer and malting industry, the cattle-feeding industry, grain exporters, and finally, barley research and seed development industries.

As a representative for Canada's barley value chain, we focus our mandate on enhancing Canadian barley in research and innovation, market development and international trade opportunities, market access issues, and finally, best management practices. The health and viability of our industry rely significantly on our ability to grow and expand export opportunities both for bulk feed and malting barley and our ability to meet the needs of our domestic value-added industries, which rely on top-quality barley in their operations. This primarily applies to Canada's malting industry, which is the second-largest exporter of malt in the world and buys more than one million tonnes of malting barley annually.

Further down the value chain, our Canadian beer industry, as reported by the Conference Board of Canada about 12 months ago, generates more than $5.8 billion in federal and provincial tax revenue via sales tax, excise tax, corporate tax, municipal tax, and employment tax. This revenue is created only from the purchase of about $75 million worth of Canadian barley. These levels of multipliers, I guess, are probably unparalleled anywhere in any other Canadian sector, given that you have $75 million of Canadian barley from Canadian barley farmers generating $5.8 billion in tax revenue for Canada. I don't think you're going to see a better multiplier anywhere.

Finally, our industry also relies on the strength and the growth of our beef and hog sectors. These sectors purchase about two-thirds of the roughly 8.5 million tonnes of barley produced in Canada.

Given our industry's reliance on exports through bulk barley sales or domestically value-added and processed malt and beef and pork for export, it should come as no surprise that our industry strongly endorses and supports Canada's negotiated agreement within the trans-Pacific partnership. For Canadian barley, the TPP will provide significant opportunities and benefits for the entire value chain.

For example, in Japan alone, reduced or eliminated tariffs, mark-ups, and country-specific quotas for feed, food, barley, and malt, coupled with the enhanced opportunities for additional exports of processed beef and pork, translate approximately into the sale of an additional 400,000 to 500,000 tonnes of barley valued at between $75 to $100 million in the producers' pockets.

Alternatively, without the ratification of the TPP, our record of feed barley sales into Japan will continue to be at risk, as demonstrated currently by our loss of about 250,000 to 300,000 tonnes of feed barley to Japan. This could partially be due to Australia's current bilateral trade agreement with Japan, which has eliminated tariffs, giving Australian feed barley a current competitive advantage.

We recognize that the political discourse surrounding support of the TPP within the confines of the U.S. election may perhaps be the deciding factor as to the outcome of the TPP. However, if that is the case, we believe it becomes increasingly important that Canada show international leadership on this agreement. We need to stand with our TPP trade partners and show that we acknowledge the agreement and will stand with our signatory commitments regardless of what happens as a result of the U.S. election. This step may perhaps be symbolic, but it does show Canada's continued commitment to our other trading allies in that region.

The majority of Canada's agricultural industries have always led the way in advocating and supporting expanded global trade opportunities, and I believe our global success and export record over the past several decades speaks for itself.

● (1130)

We can walk the talk. We can and will deliver on our export capabilities, as we have always said we would do, and we've always continued to do. Overall, the TPP is a good deal for Canadian barley and for Canadian agricultural exports as a whole.

In closing, Mr. Chairman, I would like to take this opportunity to personally thank some of the people who have been instrumental in getting this deal at least to where it is today. Former ministers Ed Fast and Gerry Ritz, thank you for your service and support to enhance Canadian agricultural export opportunities during the TPP negotiations.

As well, we would like to acknowledge and thank our chief negotiator, Kirsten Hillman, and our Agriculture Canada team, including Frédéric Seppey and Denis Landreville, all of whom worked extremely hard to get the best deal possible for Canada. Thank you for your dedicated service.

The Chair: Thank you, Mr. de Kemp. Thank you for being here on behalf of the growers today.

We're going to move over to the Canadian Association of Railway Suppliers. We have Jerry Giroux and Sylvia Newell. Thank you, and welcome.

You have the floor.

Mr. Jerry Giroux (Chairman, International Trade Committee, Canadian Association of Railway Suppliers): Thank you Mr. Bourgault, Mr. Chair, and committee members.

My name is Jerry Giroux, and I'm the chairman of the international trade committee of the Canadian Association of Railway Suppliers, known as CARS. My sincere thanks for the opportunity to present on behalf of CARS. We greatly appreciate the consultation, and we welcome the chance to share our thoughts on the trans-Pacific partnership from the perspective of our association.

With me is Sylvia Newell, the executive director of CARS.

CARS is a member-driven association representing a diverse group of companies that are involved at all levels within the Canadian freight, passenger, commuter, and urban light rail segments. We supply both products and services through our 140 members.

CARS has long advocated for the removal of trade barriers that inhibit the ability of Canadian rail suppliers to access more global markets. The ability to access the rapidly expanding Asia-Pacific region would be an excellent opportunity for our members. With these objectives in mind, we believe the TPP has the potential to provide our members with increased export opportunities.

The world rail supply market accounted for a record level of approximately $232 billion in 2015. Growth of the worldwide rail supply market is expected to be 2.6% per year and reach $268 billion in 2021. These projections were the findings of a worldwide market study conducted by Ronald Berger and commissioned by the European Rail Industry Association. It is worth noting that compared to the last study, which was two years ago, the world rail supply market has achieved a substantial growth of 3%, largely driven by the Asia-Pacific region.

CARS generally feels that the TPP has the potential to provide an effective way to access the Asia-Pacific region and the potential to eliminate tariffs on industrial goods. It has the potential to provide increased use of international standards and regulations, predictable access to government procurement contracts in a new and harmonized procurement provisions among NAFTA signatories, and easier movement for business purposes to the benefit of the consulting and engineering segments of our association.

In addition, a secondary benefit of the TPP to our members is the potential growth of commodities and merchandise, which results in a volume increase of goods transported on our railways and increased requirements for railcars, locomotives, and rail infrastructure to support increased exports to the Asia-Pacific region.

We've researched the TPP—I didn't read all 5,000 pages—and how it relates to the Canadian rail suppliers segment. We were able to find the TPP government procurement provisions that do cover Canadian rail equipment, but we're unclear within the TPP text how you are addressing the Canadian rail community. We see subsections for auto, agriculture, and construction, but rail just doesn't even seem to be on the radar screen.

While CARS' members generally support the TPP, there are concerns about how the TPP could disrupt our members' North American businesses. Open trade with low-wage countries in the TPP could have unintended consequences for existing Canadian rail manufacturing suppliers.

Here's a little story. Although China's not currently in the TPP, they are an example of a low-wage country that can disrupt the Canadian rail supply. Recently, a Chinese firm invested in a Moncton, New Brunswick, facility to manufacture railcars. The firm has a similar investment in the United States, where recently 47 senators sent a letter to President Obama accusing this firm of dumping steel fabricated rail assemblies into the U.S. through this newly created railcar builder.

Canada has a world-class railcar manufacturer in Hamilton, Ontario, that creates thousands of direct and indirect jobs in Canada. The example of this Moncton facility expresses our memberships' general concern about achieving a fair trade of manufactured goods with any trading partner that may have a largely differing labour, environmental, or tax-law environment. There are countries within the TPP that could cause similar disruptions.

Another concern expressed by our membership relates to currency manipulation, which in many instances is a very significant trade barrier in our space, and it's a risk that Canadian companies face in selling into international markets.

● (1135)

When countries intervene in currency markets to depress the value of their currency to increase export competitiveness for domestic manufacturers and increase imports, they are creating an unfair playing field.

In the context of the free trade agreement, currency manipulation can completely offset the benefits of these tariff reductions by simultaneously creating an unfair export subsidiary or import surcharge. World-class rules have long obliged countries to refrain from currency manipulation because of the potential to distort trade, yet despite these rules being in place at the IMF and the WTO, no multilateral enforcement actions have taken place in the seven years of this global economic system having been in place.

The Chair: Could you wrap it up?

Mr. Jerry Giroux: Jolly it up?

The Chair: Yes, you have half a minute, sir. Go ahead; just kind of tighten up.

Mr. Jerry Giroux: Quickly then, one of the real threats we see is a lack of understanding. Probably 95% of our membership couldn't name the countries in the TPP. We are urging you to bolster up your trade commissioners and get the messages out.

How do Canadians, SMEs especially, benefit and access and take advantage of these opportunities that may present themselves through TPP? CARS is hosting a seminar at the Royal York Hotel next month, and we're bringing in EDC, global trade commissioners, trade lawyers—you know, for CanExport provisions—and addressing our membership. We is really trying to bring this to the fore.

Regarding Buy America, our guys are creeped out by the Buy America provisions that would potentially stomp on any deal you have. Frankly, my bookie says that the U.S. isn't going to ratify this thing anyway. It kind of makes you wonder. If it's a yea or nay thing with us—if we either have to say yes or no—are we going to have to rewrite this thing after seven years of your painful work?

In closing, we feel that....

We're behind. Thank you for your time.

The Chair: Thank you, sir. I didn't mean to cut you off. We have so many witnesses.

I'll just let you know that we have your submission. It will be submitted around, and it will be in the text anyway. Thank you.

We're going to move on now to the Canadian Vehicle Manufacturers' Association, and we have Mark Nantais.

Go ahead, sir.

● (1140)

Mr. Mark Nantais (President, Canadian Vehicle Manufacturers' Association): Thank you very much, Mr. Chairman, and good morning, honourable members. Thank you very much for the opportunity to provide our perspective on the negotiation of the TPP.

For 90 years, the CVMA has represented Canada's leading manufacturers who assemble vehicles here in Canada. Our members include FCA Canada Inc., Ford Motor Company of Canada and General Motors of Canada Company, and together these companies are responsible for approximately 60% of all Canadian production. In fact, they're are also the largest multinational companies in the world, exporting their vehicles to 100 countries around the globe.

The CVMA is supportive of fair and balanced trade agreements that offer real opportunities and benefits to Canadian automotive manufacturers. CETA is an example of one such agreement. I have to say that we greatly appreciate the efforts the government has made, especially over the last few weeks and days, and are hopeful that the European Union can work towards consensus and a successful conclusion.

Our Canadian plants are among the most productive in North America, and are consistently producing award-winning quality vehicles. Company investments in Canada support the entire value chain, from parts manufacturing to research and development that leads to exciting technology advancements.

Auto manufacturing and its contribution to Canadian international trade is a foundation for economic growth, as it contributes to a prosperous economy and sustains many middle-class jobs.

For instance, exports of motor vehicles and parts totalled $87 billion last year. Vehicles are Canada's second-largest export. Ninety-seven percent of those vehicles produced in Canada are exported to our primary market, the United States, for sale and for transshipment to countries across the globe. Auto manufacturing supports 115,000 direct jobs in communities and 500,000 direct and indirect jobs across Canada. For every assembly job, there are seven to nine other jobs created in the economy. We don't know of any other manufacturing sector that has such a high job multiplier. Finally, the industry made direct contributions of over $18 billion to the GDP in 2014.

In our conversations with government regarding the TPP, we have been consistent in our recommendations and we believe that they are necessary to create the proper foundation for free and open trade in automotive goods.

First, we have specifically recommended that there be the same terms and outcomes between Canada and the United States with respect to automotive trade, due to the highly integrated nature of the U.S. and Canadian auto industries.

Second, a long and back-ended tariff phase-out for Canada's auto tariffs on Japanese imports of cars and trucks, commensurate with the timeline for phasing out tariffs secured by the United States, is absolutely necessary.

Third, we recommend the inclusion of strong and enforceable currency disciplines to ensure that market access provisions are not undermined by a country's inclination to manipulate its currency, given the intersection of trade and finance.

The final text of the TPP did not provide similar outcomes for Canada and the United States, nor did it address currency manipulation.

Recently, the Office of the Chief Economist at Global Affairs Canada released a report entitled “Economic Impact of Canada’s Potential Participation in the Trans-Pacific Partnership Agreement”. It states:

> The sector that will be affected most by the erosion of NAFTA preferences is the automotive sector. ...Canadian automotive production will experience a decline.

Likewise, the United States International Trade Commission's report on TPP concludes that Canada's elimination of tariffs on automotive parts will primarily benefit Japanese parts exports.

Accordingly, we submit that there are two key provisions that must be addressed in the TPP: first, the tariff schedule misalignment with the U.S., and second, currency manipulation measures.

The material differences with U.S. terms for automotive tariff phase-outs will compromise the economic rationale for auto assembly and supply chain investments to be made in Ontario and Canada and undermine the hard-won historical benefits of regulatory, infrastructure, and supply chain integration and the alignment between the Canadian and U.S. auto sectors.

Canada accepted an accelerated tariff phase-out over five years, and that is five times faster than the auto tariff phase-out that was agreed to in the United States, which was 25 years for cars and 30 years for trucks. Both of the U.S. tariffs are back-end loaded.

The TPP, as it currently stands, fails to recognize North American integration for the automotive manufacturing industry. Automotive manufacturing operates as an inextricably linked industry as a result of our historical development under NAFTA and the Auto Pact prior to that. Automotive trade under NAFTA is one of the most successful trade relationships in the world, accounting for $100 billion in two-way trade annually between Canada and the United States, which is more than 20% of the total trade between the two countries.

● (1145)

As a result of this high degree of integration, it is critical that Canada achieve the same auto provisions in the TPP as the United States. Trade should facilitate a level playing field, not skew trade in favour of imports.

In closing, as it currently stands, the terms of the TPP will not increase auto exports in any meaningful manner unless the tariff phase-out schedule and currency concerns are addressed.

As supporters of new trade opportunities for our vehicles produced in Canada, we would appreciate your assistance and advice on what options would be available to address the shortcomings of the TPP auto-related terms going forward. We remain interested in open dialogue to address these concerns that I presented this morning, and we wish to explore potential solutions.

Mr. Chairman, thank you very much, and I would certainly be willing to answer any questions members may have.

The Chair: Thank you, sir, for coming.

We're going to move to our last group of witnesses here.

We have Arnold Drung and Ron Davidson from the Canadian Meat Council.

Go ahead, folks; you have the floor.

Mr. Arnold Drung (Member of the Board of Directors, Canadian Meat Council): Good morning.

Thank you for the opportunity to speak to the committee with respect to the trans-Pacific partnership.

My name is Arnold Drung. I am a member of the board of directors of the Canadian Meat Council, which represents Canada's red meat industry and has been doing so for 97 years. I'm also the president of Conestoga Meat Packers, which is a producer-owned co-operative pork processing operation located in Breslau, Ontario, with 170 farmer-owners. Accompanying me is Ron Davidson, who is the meat council's director for international trade, government, and media relations.

By way of background, food processing is the foundation of Canada's manufacturing sector, employing more people than auto and aerospace combined. With sales of $24 billion, exports of $5.7 billion, and 65,000 jobs, the meat industry is the largest component of the food processing sector. A meat packing facility is typically either the largest or one of the largest employers and taxpayers in the community.

Competitive access to foreign markets is an absolute necessity for the livestock and meat sector. Exports account for one-half of beef producer income and two-thirds of pork producer income.

Regarding the TPP, exports to the 11 other TPP nations are of paramount importance, amounting to $4.7 billion and accounting for an indispensable 81% of total meat exports. TPP member Japan is the world's largest and most profitable market for pork and third-largest market for beef. Last year, Canadian meat exports to Japan were valued at $1.1 billion.

Second only to the United States, Japan accounted for $944 million of Canadian pork exports, equivalent to 56% of shipments to non-U.S. destinations. The TPP will greatly reduce the impact of the very protective gate price system in Japan. Following the United States, China, and Mexico, Japan was the fourth-largest foreign destination for Canadian beef, accounting for sales of $94 million, equivalent to 14% of shipments to non-U.S. destinations. The TPP will substantially reduce import tariffs from 38.5% to 9%.

Canada is losing competitive market access to the Japanese market as a result of the Australia-Japan free trade agreement. To date, Australian beef producers and processors have accumulated a 7% tariff advantage on frozen beef and a 10% advantage on fresh chilled beef. Market access disparities will continue to increase until they reach 15% and 19%, respectively. Furthermore, European meat packers are urging the European Commission to conclude negotiation of the Japan-EU economic partnership agreement.

Canadian farmers and meat processors cannot relive, in the case of the TPP, the destructive experience of South Korea, when Canadian negotiators retreated from leading to trailing their European and U.S. counterparts. The Canada-Korea free trade negotiations drifted from first to last, and Canadian meat exports plummeted by 64% within two years.

Also of interest are Malaysia, Singapore, and Vietnam, to which meat sales totalled $1.3 million, $12 million, and $5.8 million respectively. Exports to these countries are projected to grow significantly following implementation of the TPP. Additional countries are expected to join the TPP. Terms of access will be established by the initial TPP members. It is preferable to be a founding member rather than to stand in line waiting and then pay for membership at a subsequent date.

The moment that the TPP enters into force, the status quo will no longer exist. To place the risk of non-membership in the TPP in perspective, the $1.1 billion of actual sales at risk in Japan are greater than the up to $1 billion of potential sales under the CETA. Furthermore, failure to participate in the TPP would jeopardize not only $1.1 billion of current meat exports but would also forfeit $500 million in new export potential in Asia. Moreover, whereas the CETA places caps on export potential in Europe, the TPP uncaps sales opportunities in Asia, including in Canada's most valuable overseas markets.

In summary, the loss of competitive access to TPP markets, particularly Japan, would be devastating for Canadian feed grain and livestock farmers, meat industry workers, and the numerous municipalities across the country in which they live, work, and pay taxes. Conversely, participation in the TPP will permit Canada's meat industry to solidify, rather than relinquish, market access parity with other signatories, thereby allowing the livestock and meat sector to expand production, increase exports, maintain competitiveness, increase jobs, enhance economic growth, and slow the hollowing out of rural Canada.

Thank you.

● (1150)

The Chair: Thank you, gentlemen. That wraps up our presenters for this morning.

We're going to move into dialogue with the MPs. I would like to welcome the member from Jonquière, Quebec. Welcome, Madam Trudel, to our committee.

We're going to start off with the Conservatives. Mr. Ritz, you have the floor for five minutes.

Hon. Gerry Ritz (Battlefords—Lloydminster, CPC): Thank you, Mr. Chair.

Thank you, all, for your presentations today. They are always very helpful.

I want to start with the gentlemen presenting from Geneva this morning—or afternoon or evening, whatever it is over there.

I was quite taken aback when one of the first things that were presented was a disclaimer about both of the organizations you represent. You are creating a distance between yourselves, your report, and them. Who commissioned this study?

Mr. Jeronim Capaldo (Research Fellow, Global Development and Environment Institute, Tufts University, As an Individual): Thank you for that question.

We put in place a disclaimer because we did this work as an academic exercise as part of a research agreement between UNCTAD, the UN organization that specializes in trade, and Tufts University. This is part of a research project that I started as an independent researcher at Tufts University, well before joining the United Nations.

Hon. Gerry Ritz: Do you have other studies like this?

Mr. Jeronim Capaldo: I have another prior to this, on the Transatlantic Trade and Investment Partnership, and it's part of the same research project.

Mr. Alex Izurieta: To complement that answer, the institutions within the United Nations umbrella signed a number of collaborative research endeavours with a variety of universities around the world, precisely to deepen our analysis and our ability to understand the world economic effects of trade, investment, finance, etc. This is one of the many memoranda of understanding that we write with various universities.

Recently, UNCTAD signed another memorandum of understanding with the University of Geneva, and it goes on and on.

Hon. Gerry Ritz: How many Canadian universities are involved, and which ones?

Mr. Alex Izurieta: There are none at this moment that I'm aware of, but I don't have in front of me the complete file of written memoranda of understanding with universities around the world.

In my area, in economics, I don't think there is currently a memorandum of understanding with a Canadian university, but we would be very happy to consider one, surely.

Mr. Jeronim Capaldo: To answer the second part of your question, it is normal for academic researchers not to speak for a university, because they speak individually for the research they do. The answer to your question about who commissioned the study is that nobody commissioned it. It was decided as part of the initiative, as an application of a research project.

Hon. Gerry Ritz: I'm just wondering how accurate your data is for Canada when you don't even have a university from Canada supplying some of that input. Anyway, I'll leave that for now.

To the Barley Council, Mr. de Kemp, there is so much more at stake here than just tariffs. Tariffs are the easy part. It's all about the non-science side, the phytosanitary and the non-phytosanitary, the low-level presence. It's about stability and predictability in these trade corridors. That's very important in this particular agreement as well. I wonder whether you have a comment on that.

● (1155)

Mr. Philip de Kemp: I can't speak for some of the other grains and oilseeds commodities, which we've heard.... I've been there. I was in Japan, with you and others. Sanitary and phytosanitary non-tariff barriers are certainly really important for some of the other commodities, such as grains and oilseeds, but for barley, not so much just yet. The issue coming up for everyone is on maximum residue levels, MRLs. That's really important for barley.

Here is the other thing that people have to understand. Whether it comes down to trade or transportation and railways, as far as security of supply to countries is concerned—particularly Japan—Canada has always been known in the past for timely deliveries and what have you. That's starting to erode a bit. That's not part of the discussion here with this committee, because it deals with transportation and the railways, but hopefully we get some resolution in the next couple of years.

Without the TPP—we've heard it from the cattle guys, and we are seeing it right now in barley—we have bilaterals with other countries, such as Australia, and we are really back-slipping, as far as our exports are concerned.

Hon. Gerry Ritz: Thanks, Phil.

The Chair: Thank you, Mr. Ritz.

We are going to move over to the Liberals now. Mr. Dhaliwal, you have the floor.

Mr. Sukh Dhaliwal: Thank you, Mr. Chair.

Thank you to the presenters. My question goes to Mr. Capaldo.

A new report released by the chief economist at Global Affairs Canada finds that Canada's GDP would have a permanent increase of $4.3 billion by 2040 if the application of the TPP occurs. By contrast, if Canada chooses to remain outside the TPP, there would be a projected loss in the national GDP of $5.3 billion. Your research seems to have a different perspective. Can you comment on these findings, please?

Mr. Jeronim Capaldo: Thank you.

I have not seen the report you mentioned. I would be happy to answer the question after I have seen it. However, if it is anything like the other studies that have been done on TPP, meaning if it uses the same model that has been used for every other standard study of TPP, then those gains are probably the result of several unrealistic assumptions, the first being the assumption of full employment in Canada from here up to 2040, or the end of the projection period.

I cannot answer this question until I have read the study.

Mr. Sukh Dhaliwal: My next question goes to Dr. Mehta.

Dr. Mehta, is it just the Canadian universal medicare system that is at the most risk from the TPP, or are there any other nations on which it will have a negative effect as well? Also, would it benefit the U.S. more than Canada?

Dr. Chetan Mehta: To answer that question, globally other countries are at a much greater health risk than even Canadians are. I'm going to use a quick case study of hepatitis C.

In the Canadian population, 0.8% are hepatitis C positive. People who are chronic carriers need to be treated, because at the 30- to 35-year mark they will most likely go into liver failure or develop liver cancer, which is very difficult to treat or is incurable in many cases

To bring that home to the Canadian context, the first-line medication that is currently being used, which came out a year and a half ago, is called Harvoni. It costs $24,984 for 28 tablets, and it's a three-month to six-month course of treatment, so the cost per patient just to the Ontario health care system ranges between $75,000 to $150,000.

That's just a start, because for some of the other genotypes that are not treatable by this medication, the new drugs are coming out in the price range of $150,000 per person, so in Ontario alone, this potentially will cost $9 billion to $10 billion for one disease and one drug. Globally, 2% to 3% of the world's population is hepatitis C positive, so this is a very significant public health crisis that's before us nationally and internationally.

● (1200)

Mr. Sukh Dhaliwal: Thank you.

My question is to Mr. Nantais. Your organization suggests a bilateral automotive oversight body to ensure the enforcement of tariffs and all these things.

Would it be a simple process or a very cumbersome process to implement within this agreement?

Mr. Mark Nantais: I'm not sure I understand your question, Mr. Dhaliwal.

Mr. Sukh Dhaliwal: You are saying there should be a bilateral automotive design oversight body that should be overseeing the enforcement of key commitments, including auto tariffs. What kind of organization would that be?

Mr. Mark Nantais: That is one of the things that actually came out of the negotiations. It's been our experience in other bilateral agreements or plurilateral agreements in the auto sector to have similar mechanisms to address things when things go wrong.

As an example, we have seen this happen in Korea, where although we have a free trade agreement, they continue to put in non-tariff barriers to trade, yet there's no really quick, fast mechanism to address the reintroduction of that non-tariff barrier without holding back the tariff relief that was otherwise provided in the agreement.

In other words, this would be something that is not new to trade agreements, but it would be necessary in terms of whether you would have snapback provisions included in the agreement, whether you would have other mechanisms to address non-tariff barriers that had been introduced after the agreement's been in place, and so forth.

These mechanisms can be very useful if they are constructed properly. They are looking at that in this case, but our experience previously, in agreements such as the agreement with Korea and elsewhere, has shown they have not been very effective, at least in the way they were constructed then.

The Chair: Thank you, Mr. Dhaliwal.

We're going to move over to the NDP now.

Madame Trudel, you have the floor.

[*Translation*]

Ms. Karine Trudel (Jonquière, NDP): Thank you very much, Mr. Chair.

Many thanks to the witnesses for their comments.

My first question is for Mr. Capaldo and Mr. Izurieta.

In your study, you talk a lot about full employment. I also found that troublesome when I read the TPP agreement. You mentioned in your study the possible loss of 58,000 jobs by 2025. In order to help the committee understand, could you explain how you arrived at the figure of 58,000 jobs lost by 2025?

[*English*]

Mr. Alex Izurieta: Thank you very much for your question.

As we tried to explain initially, this is a trade, finance, macroeconomic, employment, and distribution model. It's a very comprehensive model of the world economy in which various feedback loops are taken into account.

When, for example, there are increases in productive efficiency due to increases of fixed capital resulting from freer trade and financial movement, we are somehow displacing jobs in industries when they shift into more capital-intensive activities or when the same industry supplements or replaces jobs with robotics. There are increases in fixed capital.

In the standard trade literature, all these jobs that are lost are recycled through the economy by a sort of magic trick that assumes that the economies will always revert to full employment. In the non-standard literature and in our model, for example, we take into account past dependency or the fact that over time workers who lose their skills in particular industries are out of the labour market long enough to actually lose the ability to reinsert themselves into the labour market.

Together with that, there are also influences of freer financial flows in the distribution between profits and wage earners because of the process of further capital intensification. Also, because of the process of further diversion towards financial speculation, there is a tendency for workers to lose the potential for their wages to follow the rise of productivity in the workplace.

These differences, which are translated into increases of profit shares and decreases of wage shares, diminish the purchasing power of households, and diminishing the purchasing power of households diminishes the demand for household consumer goods. It is through this process over a long period of time that you lose a considerable number of jobs.

The case of Canada in our exercise is not dramatic. Losing 60,000 jobs over 10 years is not a figure large enough to create a cataclysm, but it is certainly a change of direction. It is contrary to the assumption that everybody who is displaced because of changes of intensification or changes of capital flows will come back to the job market some months afterwards. Only if you have a magic assumption of this kind in a standard model can you create full employment, but the reality on the ground is far different.

● (1205)

Mr. Jeronim Capaldo: If I may, I'll add, as I said earlier in response to Mr. Dhaliwal's question, that I have not read the study by Global Affairs Canada, but I just looked at the type of model they used, and it is exactly this model that assumes full employment in order to make its projection happen.

[*Translation*]

Ms. Karine Trudel: Thank you very much.

[*English*]

The Chair: Thank you, Madam Trudel.

That completes your time.

We're going to move over to the Liberals now.

Madam Lapointe, you have the floor.

[*Translation*]

Ms. Linda Lapointe (Rivière-des-Mille-Îles, Lib.): Thank you, Mr. Chair.

I would like to thank the witnesses for being here. Their comments have been very interesting.

My first question is for Mr. Giroux.

You referred earlier to currency manipulation. Which country were you referring to primarily?

[*English*]

Mr. Jerry Giroux: It would tend to be more of an up-and-coming economy and an economy that would be more difficult to police.

I wouldn't want to point a finger, per se, but we've seen alleged examples of it on numerous occasions. Asia-Pacific markets have been widely regarded as culprits.

[*Translation*]

Ms. Linda Lapointe: Are they countries that have signed the TPP or countries that have not yet signed it?

[*English*]

Mr. Jerry Giroux: There are a few TPP countries that are potentially capable of this type of action.

[*Translation*]

Ms. Linda Lapointe: I now have a question for Mr. Nantais.

You represent the U.S. automotive manufacturing sector. The Japanese are not among your automakers, is that correct?

[*English*]

Mr. Mark Nantais: That's correct. We represent the traditional automakers.

[*Translation*]

Ms. Linda Lapointe: You also mentioned currency manipulation. You talked about eliminating tariffs in five years.

With respect to automotive plants, you said 25 years, and 30 years for trucks. Is that to set up a new production line?

Could you tell us more about that?

[*English*]

Mr. Mark Nantais: Yes.

First off, on currency manipulation, there are several countries within the TPP that have exhibited that manipulation in the past, such as Japan, Korea, and China.

When I speak about the tariff, what I'm referring to is the tariffs that were negotiated by the United States, which are the 25-year and the 30-year tariffs, and then the tariffs that were negotiated by Canada, which were basically five years. You have 25 years to phase out a 2.5% tariff on passenger cars in the United States, and you have a five-year tariff schedule to eliminate a tariff of 6.5% on passenger cars here. There's a huge amount of daylight between those two tariffs and the schedules, but the impact is far more significant on vehicle manufacturers that produce here in Canada than it would be for those in the United States.

● (1210)

[*Translation*]

Ms. Linda Lapointe: So eliminating tariffs is more of a problem for Canada than it is for Mexico or the United States.

[*English*]

Mr. Mark Nantais: That's because we are such a highly integrated industry.

The integration started in 1965 under the Auto Pact. Under the Auto Pact, there were principles that led to the full integration of our industry, and that literally led to tens of thousands of jobs in Canada. Now we have a very disparate tariff elimination schedule between the United States and Canada, so you start to decouple that integration.

We have plants, for instance, that produce parts and components for both sides of the border. We export more than 87% of what we build into the United States. This could be very disruptive to our industry, and it really starts to decouple that integration that has been so beneficial to Canada.

[*Translation*]

Ms. Linda Lapointe: As I understand it, your association does not support the TPP.

[*English*]

Mr. Mark Nantais: We support free trade and we support trade that provides benefit in our industry. CETA is a very good example of a modern class A type of agreement that recognizes the integration of our industry.

We do support free trade, but we think that the TPP has some aspects that are not very useful.

[*Translation*]

Ms. Linda Lapointe: Thank you.

I have a question for Mr. Izurieta.

What is your definition of full employment, which should have been used in the TPP during negotiations?

[*English*]

Mr. Alex Izurieta: We don't use full employment in our models. We let the labour adjustments take place, and we measure the number of employed people in the entire economy. That's the reason for the difference between the projected baseline and the TPP scenario.

Other models use different definitions of full employment. These definitions are tautological, in a sense, because every worker who is displaced and has lost his skills and is no longer, after a period of time, looking for a job is therefore not considered part of the labour force any longer.

That is how in these other models—not ours—you can get away with the problem of the unemployed, because they simply disappear from your definition of the unemployed. In our model, we don't do that. We measure the number of employed people in different scenarios.

The Chair: We have time maybe for two short sessions. We'll keep it to around three and a half minutes.

Mr. Fonseca is next, and then we're going to have somebody from the Conservatives for three and a half minutes.

Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.): Thank you, Mr. Chair.

My first question is for Mr. Izurieta and Mr. Capaldo.

In your study that you did of the TPP and of all the countries, did you break down each country in terms of its particular job losses? I know you said for Canada it's 60,000. There may be some winners and some losers in this. Who would be kind of on the top end?

Mr. Alex Izurieta: We have various sectors in our model, but only one single pool in the labour market. That is because, dealing with a global model, which is different than dealing with a country model, the amount of data and calculation time that would be required to split the total employment into winners and losers, as you suggest, would be irreconcilable.

That is indeed a partial limitation of our model. At the same time, it gives us the great advantage of seeing the aggregate picture, which is where we can look at a global model.

● (1215)

Mr. Peter Fonseca: So within the TPP—

Mr. Jeronim Capaldo: Sorry; if I may add, there is also the advantage that at least we do calculate employment impact, which we wouldn't be able to do if we assumed that employment is always full.

In other words, standard models often have a much more detailed disaggregation of the economy, but because they assume away the problem of unemployment, from that point of view, they're useless.

Mr. Peter Fonseca: Assuming away the unemployment, and with some of the comments that you made earlier, are you saying that well-paying jobs in Canada are going to now be lower-paying jobs or jobs that aren't as good? Are you saying there will be unemployment or underemployment? Is that what would happen? Is that the shift that you see?

Mr. Alex Izurieta: In an economy like Canada, which is pretty diversified between manufacturing industries and the other respondents who are expressing their concerns, it is possible that there could be some winners and losers.

Looking at it from the perspective of the aggregate macroeconomic variables, whatever the industries are producing, they have to sell somewhere, and they sell either to the export markets or to domestic markets. A big part of the aggregate amount in Canada is domestic consumption. A considerable amount of income is spent on what Canadians themselves produce. A big part of that, in turn, is consumer goods.

If household incomes are not rising as fast as productivity, that means that there will be a gap in the shares of spending between income earners on wages and profit earners. There's a gap in favour of profits in our simulation, resulting therefore in lower consumption demand. That's because wage earners tend to spend a larger proportion of their income, more than profit earners. That's the basic logic underlying our analysis.

The Chair: Thank you.

We're going to move over to Mr. Hoback. You have three and half minutes, sir.

Mr. Randy Hoback: Do you want to go, Dave? You go ahead.

Mr. Dave Van Kesteren (Chatham-Kent—Leamington, CPC): I guess it's me, Mr. Chair.

I thank everybody for coming. We only have three minutes, so I'm going to try to zero in.

Mark, it's near and dear to my heart too, as you know. The auto industry is so important in our neck of the woods.

Correct me if I'm wrong, but I think the previous government has probably done more for the auto industry than any government within recent history. I know that we really had some challenges at that time. Your organization was always very helpful in showing where we could help, and we could talk about some of those things: the harmonization, border crossings, and some of the assistance that you needed. I remember at the time that one of the areas that the union was really adamant about was our high dollar. We have a low dollar now.

First, can our auto industry compete with the rest of the world?

Then, what are the top three things, and maybe you'll have five, that make it difficult for the auto industry in Canada to compete at this particular time?

Mr. Mark Nantais: You hit the nail on the head. The key challenge for us is to keep what we have.

As I mentioned, we have a seven to nine job multiplier, so if you lose one assembly job, there are seven or nine others in the economy who also lose their jobs. The key is to keep what we have.

First off, to your question on competing elsewhere, we can compete elsewhere, but our main competitors, in terms of at least production, which produces the jobs, are primarily the northern mid-states.

A lot of the good things that we've done federally and with the province are very helpful—there's no question about that—and we came out of some very dark days in 2008-09. Those things were very helpful. The key now is keeping the cost of business down.

Right now, whether it's regulatory differences or the cost associated with climate change and cap-and-trade programs or the price of carbon, which we don't have in our competing jurisdictions, they add to the cost of doing business. That is very critical to us, and it's critical to any manufacturer in Canada. If we are incurring costs that our competitors aren't, that's a problem.

We have some really positive things in terms of skilled labour, and we now have some new labour agreements. These are all things that are going to work in our favour, but we cannot forget to connect the dots, whether it's trade, whether it's regulatory alignment and harmonization, or whether it's the cap-and-trade costs of doing business. You cannot deal with those singularly. You have to look at them in their entirety, and you have to connect the dots, because that's what ultimately adds up to whether we can or cannot continue business in this country, whether it's auto or otherwise.

● (1220)

Mr. Dave Van Kesteren: Thank you for that.

One of the issues, of course, was the bridge, because there's so much trade, as you said yourself, with all these parts going back and forth.

How important is it for that bridge to get built?

Mr. Mark Nantais: Our view is that it has to get done. We account for roughly 25% of the traffic that goes across the Windsor-Detroit gateway, and our view is that it has to get done. It is absolutely necessary.

When you think about it, it's part of the NAFTA corridor, right from Mexico City through to Quebec City, and it's deficient. We have to have modern facilities and customs systems. We're in the digital age, so we need something that's consistent with that.

As you know, because we're a very highly integrated but very sophisticated industry, we need that there. We need good customs procedures. The crossing at the border is an essential extension of our just-in-time delivery systems, and it has to be equipped to do that.

Mr. Dave Van Kesteren: I have a very quick question; I think this is important.

I think it's GM and Ford, and Chrysler has signed. Is Ford signing? Do we have labour stability at this point?

Mr. Mark Nantais: The only outstanding one right now is Ford Motor Company, and I think they have until October 31 to do that, and then they have to ratify beyond that.

Fiat Chrysler and General Motors are now fully ratified. It's passed, and they're good to go.

Mr. Dave Van Kesteren: Good. Thank you.

The Chair: Thank you, sir, and that wraps up our first round here this afternoon.

I thank all of the witnesses from across the pond in Europe, from Toronto, and everybody who came here today to have a good dialogue with our MPs. Your input is very important, and it'll be in our report. We look forward to it by the new year.

I'll just remind the MPs that we are only going to take a five-minute break because we have the New Zealand high commissioner coming.

We'll suspend for five minutes.

● (1220)

(Pause)

● (1225)

The Chair: We'll continue with our session on the TPP.

We're very happy to see you here, High Commissioner.

We've met before, sir. You have a wonderful country. It's very similar to ours in many respects—in how it was developed, the type of people, the type of food. My wife and I had a special time down there for two or three weeks. We went to both islands. It's just a wonderful country.

I guess you would know all about the TPP and about how big it is for all of us. It has the potential to be one of the largest trading blocs. I'm sure for New Zealanders as well it will affect everybody one way or another, if it's engaged.

You have the floor, sir. You can take as much time as you need. Then we'll open up the dialogue with the MPs.

Go ahead.

● (1230)

His Excellency Daniel John Mellsop (High Commissioner of New Zealand to Canada, New Zealand High Commission): Thank you very much, Mr. Chair.

Members of the committee, thank you very much for making the time to hear my presentation. The chair has already commented on how close our countries are, which is probably the first page of my remarks, so thank you very much for that.

I'd like to start by saying that Canada is one of New Zealand's closest friends, and we want to make this relationship even stronger. We share a Commonwealth heritage. Our shared values and world view are underpinned by our common parliamentary, legal, social, and defence traditions.

New Zealand and Canada are co-operating on some of the toughest issues facing the international community today, including cybersecurity and the international response to ISIL. Our business communities enjoy working with each other. Our trade statistics are almost perfectly balanced. Last year New Zealand exports of goods and services to Canada surpassed $1 billion in New Zealand dollars. Our services trade is growing even more rapidly than our goods trade.

Canada is consistently one of the top foreign direct investors in New Zealand. Two years ago Canada was the number one investor in New Zealand.

Our people-to-people linkages are also very close. Kiwis love to travel to Canada, and we know that Canadians love to travel to New Zealand. In fact, over 50,000 Canadians visited in the last 12 months.

What's missing from this relationship is a trade deal. Just before I go into the detail of TPP, I want to explain why trade is so important to New Zealand.

We are 4,000 kilometres from Australia, our nearest neighbour. We have a small population and a small manufacturing base. Around 30% of our GDP comes from exports. That's a sizable chunk, but we aspire to do even better than that. With 4.5 million people, we're too small to produce everything we need. We have to import medicines and medical technology, vehicles and agricultural machinery, and we like to enjoy seasonal foods. We like to travel in Bombardier planes. We like to use the latest smart phones, and on Netflix we like to watch TV episodes that are made in Canada.

To pay for those imports, we need to export. Our biggest export sectors produce more than we can possibly consume. For example, our dairy industry exports 95% of its entire production. Our sheep farmers export about 90% of their meat. Wine, of which Canadians are drinking their fair share, will earn New Zealand a record $1.5 billion this year.

The people who work in these sectors need to secure access to much larger markets than just New Zealand. We say this a lot, but it deserves repeating: New Zealand will not prosper selling to ourselves. For this reason, New Zealand was a founding member of TPP. In fact, the trans-Pacific partnership was the culmination of an export-orientated trade strategy that New Zealand followed since the 1980s, after the U.K. joined the European Economic Community.

Once we no longer had that special trading relationship with the motherland, we were forced to make some drastic changes to our economy. We removed all our agricultural subsidies in the 1980s and tore down tariff walls protecting our sensitive industries. Some industries prospered; others were left behind or moved. We decided there was no point trying to make cars, because the Japanese or Koreans could do it much better, more cheaply, and more efficiently. Our farmers began to run their farms like businesses, investing in new machinery in the good years and cutting inefficiencies and waste during the bad years. We became highly efficient producers of food, and we need consumers.

The TPP will be worth at least $2.7 billion to New Zealand per year by 2030. Tariffs will be eliminated on 95% of our current trade with our TPP partners. Yes, there are some costs in the agreement. We would have preferred a higher level of ambition, particularly when it comes to dairy market access, but the costs and concerns are significantly outweighed by the benefits.

Members of the committee, over the last decade New Zealand has signed multiple trade agreements with countries around the Pacific Rim, from the ASEAN region to Hong Kong, Singapore, Korea, Thailand, and of course China. For the first time, our isolated geography became our advantage. We can ship goods more quickly to Asia than to Europe, and we aren't competing with the French and British farmers. We have become an essential part of the supply chain in Asia. As we see Europe putting up protectionist barriers, New Zealand businesses continue to look to Asia.

TPP is important for New Zealand, but it is also important for Canada's future prosperity.

● (1235)

I could recite the statistics. The key ones you know, I am sure: combined GDP of $27.5 trillion, nearly 40% of the global economy, 800 million consumers, and annual global income gains estimated at around $300 billion by 2025. These are pretty compelling numbers, but in our view, the real reason TPP is important to Canada is its geostrategic significance. Before joining TPP, Canada will have had only one trade agreement with an Asia-Pacific country. TPP will increase that number to eight.

We know that trade diversification is vital for Canada. Successive governments here have acknowledged that. You never want to be beholden to one market, because when they sneeze, you catch a cold. New Zealand learned that the hard way.

Being able to access multiple markets gives our exporters options. We know that Japan is a big drawing card for Canadian beef and pork farmers, but we also believe there will be plenty of other niche market opportunities. The Canada brand is very strong in Asia.

The trans-Pacific partnership is also an historic opportunity for Canada to set an ambitious trade agenda with the fastest-growing economies on the planet. It is a chance for Canada's small businesses to integrate themselves into key supply chains and markets in the Asia-Pacific. TPP provides an excellent stepping stone towards even more free and open trade agreements in the Asia-Pacific. TPP was always conceived of as a living agreement that will continue to evolve over time, both in substance and in membership.

Members of the committee, New Zealand certainly welcomed Canada's decision to join TPP. There is no doubt that the reasons for negotiating TPP and bringing it into force remain the same today as they were at the very beginning. It is clear that TPP marks a new frontier in the Canada-New Zealand economic relationship. It offers an unprecedented opportunity to grow Canada-New Zealand trade and investment and it will enable our businesses to co-operate more closely together, directly and in partnerships around the Pacific Rim.

TPP places our two countries at the centre of a unique platform for deeper integration in the Asia-Pacific region. We know that deeper economic ties and a strong, modern architecture are essential building blocks for prosperity, security, and stability.

Of course, it is not the role of diplomats to question domestic policy in their host country. The advice I would give, though, is that if Canada concludes that it is in your interests to be part of TPP, then you should move ahead with ratification, regardless of action in other countries.

Canada has an opportunity to demonstrate leadership on the global trade agenda and encourage economic links that increase prosperity and create jobs. Not being part of TPP will not make Canadian farmers better off. Canada is a major producer and exporter of quality food backed with integrity. You export much more agriculture produce to the other TPP members than New Zealand does. Non-participation in TPP would threaten Canadian farmers' viability and undermine their competitiveness.

To conclude, TPP provides an excellent stepping stone towards even more free and open trade arrangements in the Asia-Pacific. It provides New Zealand and Canada the opportunity to develop greater economic links with a fast-growing part of the world.

New Zealand encourages Canada to ratify the TPP agreement. We look forward to working with Canada to implement the TPP in the spirit in which it was negotiated.

Thank you.

The Chair: Thank you, sir.

Before I open up the dialogue with MPs, while as chair I don't usually ask too many questions, I have two quick ones for you.

You're probably well aware that our committee has done quite a bit of consulting and travelling across our big country, talking to stakeholders and individuals. My first question to you is this: what process did New Zealand take in reaching out to the public or consulting?

My second question is a bit of a hypothetical one. I think only the Americans and Japanese can open up this agreement again. Is there anything that New Zealanders, if it were ever opened up, would want to see changed?

Mr. Daniel John Mellsop: Thank you very much.

Our public consultation process has been incredibly extensive. It's been by far the biggest consultation process that we've had with any free trade agreement. It involved touring around the region meeting with the general public as well as with specific industry groups. A big part of our consultations has been engagement with our indigenous population, the Maori population. There were specific consultations for them.

In terms of the issues that were raised during those consultations, there were a lot of questions about the detail of the agreement. There were some concerns raised about certain elements of it, but overwhelmingly there was strong support from our business community and others for the benefits that would accrue from TPP.

In terms of your second question about renegotiating the agreement, the agreement, as you know, was signed earlier this year. It was signed in good faith by the 12 parties, and I think we've all been clear that renegotiation is not a possibility. The outcome reflects very carefully balanced outcomes, and we've agreed that these are in our mutual interests.

From our perspective, it's not possible to reopen the negotiation, and we believe all parties have been clear that it's not what we want.

● (1240)

The Chair: Thank you, sir.

I will just remind you also that we have two official languages and there might be some French and English coming at you, so I just want you to be prepared.

We're going to have one round. We're going to go to the Conservatives first.

I understand you're splitting time.

Mr. Hoback, you're up.

Mr. Randy Hoback: Your Excellency, welcome to the committee. It's great to see you here. I'm going to split my time with former minister Ritz.

I have a question on TPP and how it sets the rules for trade in Asia. How does it impact your other agreements, and what do you see for the future in Asia as far as trade agreements with or without TPP are concerned?

Mr. Daniel John Mellsop: Within the Asia region, as I mentioned earlier, we have a range of existing free trade agreements, one of which was actually the Pacific four agreement, which was the predecessor to TPP or the catalyst for it, if you like. We also have bilateral deals with the likes of Thailand. We have an agreement with the ASEAN countries as a group. The TPP certainly builds on those existing FTA relationships that we have, so has better outcomes in most areas than we had already.

In terms of what else we have going on, the other major initiative that we have at the moment in the Asia region is the RCEP, or the Regional Comprehensive Economic Partnership. That involves 16 countries negotiating to a comprehensive FTA. Of course, that does not include Canada or the U.S. in that group.

Mr. Randy Hoback: I think I'm going to turn it over to Mr. Ritz.

Hon. Gerry Ritz: Thank you.

Daniel, thank you so much for cancelling your escape to Jamaica for a day or two. I understand the weather's going to turn tomorrow, so I'd advise you to be out to be out of there tonight.

Mr. Daniel John Mellsop: I'm leaving as soon as these questions are over.

Hon. Gerry Ritz: Good for you. Travel safe.

You and I have a mutual friend in Tim Groser. Tim was the voice of trade out of New Zealand for a decade that I've been around, and a good friend, and he's now the ambassador to the United States.

We had a meeting last spring where we talked about alternatives and the reticence of the Americans to move forward and whether there is any way that we could do a plan B, whereby the other 11 like-minded countries could move forward and get around this six or seven countries with 85%. He seemed to think that there was. I know he's come out publicly in the last little while, trying to help President Obama get this done in the lame-duck session, but other than that he was saying that there's nothing that stops the rest of us like-minded countries from moving ahead.

I was wondering if you had any comments in that regard.

Mr. Daniel John Mellsop: New Zealand's position, as I mentioned before, is that we're not looking for a plan B for TPP. The ratification period is there. If the signatories, or some signatories, don't complete their processes within that two-year period, TPP can still enter into force when those that are ready have ratified it. Of course, we know that needs to be at least six countries and it needs to be 85% of the total trade, which has to include Japan and the U.S.

In any case, our position, as I've said before, is we're not looking for a plan B on TPP at this point. However, that said, TPP is not the only game in town. We do have other options, other FTAs that we're negotiating.

Hon. Gerry Ritz: As do we. It's so important that we diversify our trade portfolio. We're 75% reliant on the U.S. market, and we've seen the vagaries of the political action and some of the economic problems they've had there that have put our own industries at risk, so we have to start looking afield.

Of course, when we look at the CETA agreement, it's a mature market that we can take advantage of, but the Pacific rim is the exciting new kid on the block, and there is a lot of different work that needs to be done there. Japan, of course, is the crown jewel—we all agree on that—but at the end of the day there is still some work to be done to get this ratified.

I think it can be expedited. I think we, as like-minded countries, can actually help the United States get over that hurdle, and whether it happens in the lame-duck session, or whoever the presidential designate ends up being, I think they'll be more pragmatic at the end than they are during the politicking that they've been doing for the last year or better, so if you have any insights as to how we can help them get over that finish line, I'd be more than happy to listen.

● (1245)

Mr. Daniel John Mellsop: I think on that I'd say the main message we delivered to the U.S.—and our Prime Minister was in the U.S. doing exactly this last month—was emphasizing to the U.S. audience that not ratifying the TPP would be a huge missed opportunity for the U.S., and not just for its consumers and its businesses. I think the point he was really stressing was that it would be a huge missed opportunity for the geopolitics of the region and the U.S. influence in the Asia-Pacific.

The Chair: Thank you, Mr. Ritz. We're going to go to the Liberals now. Mr. Peterson, you have the floor.

Mr. Kyle Peterson (Newmarket—Aurora, Lib.): Thank you, Mr. Chair. Thank you, Your Excellency, for being here, and welcome. We appreciate your making the time for us.

I just wanted to ask you a little about the process that your country is going through. I understand there have been some consultations. Is there a date when ratification is intended to take place? Has that been set yet?

Mr. Daniel John Mellsop: Our process in New Zealand is that we've introduced an implementing bill into the House. We need to make some legislative changes that will come into effect once the TPP is ratified and implemented. That bill is currently going through the House. It's had its first reading. It's in the consultation phase with the select committees, which are similar to your committees. It has two more readings before it will be passed.

The government's intention is to have that bill passed by the end of the year. That will then enable the government to ratify it.

Mr. Kyle Peterson: Thank you for that. That's helpful.

You mentioned that you learned the lesson the hard way, after having all your eggs in one basket. I presume you were referring to your relationship with the U.K. I think part of the attraction for free trade deals for Canadians is that we also want to diversify our international trade markets and move away, to some degree, from the United States. It's prudent business to diversify your markets.

Having lived the experience that your country did, can you elaborate on some of the dangers that flow from being too reliant, perhaps, on one trading partner?

Mr. Daniel John Mellsop: The big damage occurred when the U. K. joined the European economic community back in 1973. I think at that stage we were exporting around 70%—don't quote me on that figure—of our exports to the U.K. Suddenly they were part of the European community, and there were subsidized farmers within Europe that we then had to compete with. As part of joining that community, the U.K. was not able to provide the same access to New Zealand that we enjoyed when the U.K. was not part of the EU.

What that meant was a shock to the New Zealand economy. It forced us, in a lot of ways, to make the changes that we needed to and reform our agricultural sector to allow it to be more competitive. It also forced us to seek new markets, which we had never really had to proactively do previously. Now our trade is much more diverse. Australia is less than 20%, and that's our largest market.

Mr. Kyle Peterson: That's good. You're very diversified.

My understanding is that our top imports from New Zealand are beef, wine, and lamb, which are three of Mr. Ritz's favourite things. That's probably not coincidental, but it might be.

Our exports to New Zealand, or our top three based on 2015, are potash, lumber, and pork. Those are big industries for the Canadians, and I presume your exports are big industries there.

You mentioned that there are niche market opportunities for Canadian exporters that will result from the TPP. Can you elaborate on what some of those might be?

Mr. Daniel John Mellsop: Sure. There are a couple of points.

The first one is that Canada has such a strong brand in the Asia-Pacific region. On the agricultural side, for example, you're well known for your food safety and food security issues. That will work well to your advantage in Asia.

The second point I wanted to make was that New Zealand has been actively trading with Asia for many decades now. We know the market extremely well through our free trade agreements. There are New Zealand businesses that will be interested in partnering with Canadian companies on joint initiatives in the Asia-Pacific region, whether they be in the goods trade or perhaps more likely in the services and investments space.

● (1250)

Mr. Kyle Peterson: Thank you. I think I have time for one more question.

You indicated that there was consultation with your indigenous people, the Maori. Can you expand on that? What was the process, and what shape or form did those consultations take?

Mr. Daniel John Mellsop: Sure. The Maori word for “meeting” is “hui”. I can give you the exact number later on, but I think there were around a dozen of these meetings with the different Maori communities around New Zealand. They were either led by the chief negotiator or by the minister of trade. They were to consult specifically with the Maori groups on what their interests were.

The Maori exporters are a significant part of our export community. They have an asset base of around $42 billion. They're very interested in things like forestry, seafood, wine, and tourism, so there's a lot of export interest there.

There are also some questions around sovereignty issues that came up. We were able to reassure them that the TPP doesn't undermine our Treaty of Waitangi, which is our founding agreement between the crown and the Maori people in New Zealand. We were able to reassure them that the TPP did not in any way undermine that arrangement.

The Chair: Thank you, Mr. Peterson.

We're going to move over to the NDP now. Madame Trudel, you have the floor.

[*Translation*]

Ms. Karine Trudel: Thank you, Mr. Chair.

Thank you very much for being here, Mr. Mellsop.

In my riding, the main source of revenue is milk production. As you certainly know, we have a supply management system in Canada. Please correct me if I am wrong, but as I understand it New Zealand eliminated supply management in the 1950s.

[*English*]

Mr. Daniel John Mellsop: We didn't have the same arrangement as you have here with supply management, but what we did do was remove all our agricultural subsidies in the 1980s. We didn't provide any industry support under specific sectors. That enabled the farmers of New Zealand to move into the most productive and profitable areas of production.

Back then we were supplying a lot of wool around the world. Wool prices went down. The economy went down as a result, but deregulating the agricultural sector enabled the farmers to move into more profitable sectors like dairy production or wine production.

[*Translation*]

Ms. Karine Trudel: If the TPP is concluded, how can supply management be adapted to it? How can this agreement and supply management co-exist for everything to run smoothly?

[*English*]

Mr. Daniel John Mellsop: To be quite frank, we were quite disappointed when the TPP came out. Our objective was to eliminate all tariffs on all products in the TPP region, including on dairy, so we were disappointed that we didn't get a strong outcome on dairy. The agreement is still overwhelmingly of benefit to New Zealand. The outcome here in Canada for dairy was quite a small opening of the market, so I wouldn't expect any significant impact on the supply management system as a result of TPP.

[*Translation*]

Ms. Karine Trudel: Thank you.

[*English*]

The Chair: You have three minutes, if you want.

Ms. Karine Trudel: That's okay.

The Chair: Thank you.

We're going to move over to Madam Ludwig. Go ahead.

Ms. Karen Ludwig (New Brunswick Southwest, Lib.): Good morning, Your Excellency. Thank you so much for joining us here today.

In terms of exports to Australia, what percentage of your exports are destined for Australia?

Mr. Daniel John Mellsop: I think it's around 18%, off the top of my head.

Ms. Karen Ludwig: I was just trying to see if there's any comparison between New Zealand's relationship with Australia and Canada's relationship with the United States, because we are heavily dependent. Many of our exports go south of the border, but we are physically aligned geographically.

One thing we've heard about from a number of companies across the country has been in the area of trade training. As your population is 4.5 million, how many of your companies would be considered small to medium-sized businesses, roughly, as a percentage?

Mr. Daniel John Mellsop: I think the answer is just about all of them.

In terms of the North American definition of a small or medium enterprise, most of them would fit into that category. There are probably 100 or so that would be in the large company category.

● (1255)

Ms. Karen Ludwig: Thank you. That one is very similar to Canada. Roughly 98% of Canadian businesses have fewer than 100 employees.

One thing we've heard from exporters would be in the area of preparation for trade, in preparing our small to medium-sized businesses to not only know the information they need to know to enter those markets, but also to sustain themselves in those markets and then diversify their product lines. They could be emerging markets, or they could be well-established markets for other industries.

What is your government doing to support the small businesses, or I guess in your case all businesses, for export preparation and sustainability?

Mr. Daniel John Mellsop: That's a huge focus for us in terms of my own government department. We have an entire section that's dedicated to free trade agreement implementation. It's also integrated across all the economic agencies under one umbrella. The government policy that leads all of this is called the business growth agenda. We have one policy to govern them all, if you like. It focuses very much on getting the most out of these free trade agreements and helping the businesses to succeed in those markets.

In some markets it's very challenging. If you look at our free trade agreement with China, for example, which we signed in 2008, you see the resources that we've had to put in from the government side into the market in China are hugely significant. We've opened, I think, four new posts across the country, and put in agricultural officials, trade promotion officials, to help the New Zealand businesses and customs officials. There's a lot more work required.

Ms. Karen Ludwig: Thank you.

Kirsten Hillman was the chief negotiator for TPP for the Canadian government. She had submitted a brief, and in that brief she said, "Under the TPP, facilitated access into Canada would be limited to highly-skilled business persons that have either invested substantial capital or have pre-arranged contracts or employment offers in Canada."

Do you hear much concern from the people who have come before your committees regarding labour mobility or labour shortages?

Mr. Daniel John Mellsop: It's something that's discussed regularly in New Zealand.

I think the context, in some ways, is similar to here in Canada. Our countries are multicultural and embrace immigration. We know that both of our countries need inward migration for economic development and the investment that goes along with that.

We're very strong and positive about the clauses around labour mobility, including the provisions that give New Zealanders the opportunities to work overseas. We would be happy for an even more ambitious arrangement in the services area. Our services exports, which labour mobility is a big part of, are growing much more rapidly than the goods trade. They're growing almost three times faster.

Ms. Karen Ludwig: Thank you.

Looking at the TPP going forward, if it is ratified and Canada is not in the deal, but we do have Japan and the United States, how might that impact your relationship, and vice versa, on trade with Canada?

Mr. Daniel John Mellsop: From the High Commission perspective, that would be very disappointing.

As I mentioned right at the start, the trade agreement is the missing link between our two countries. Our relationship in many other areas is so strong. Business communities, both here in Canada and New Zealand, are keen to do more business with each other.

I'll use our indigenous communities as an example, because I think it's one that's growing very rapidly. Your indigenous communities here are very keen to do business with the Maori people in New Zealand, so having a trade agreement that can facilitate that sort of co-operation is something that we want on both sides.

I think it would be very disappointing if we didn't have that bilateral relationship squared away with a trade agreement.

Ms. Karen Ludwig: Thank you very much.

The Chair: Thank you.

Sir, that wraps it up. We thank you for coming today. I think Canada really appreciates your representing New Zealand here in Canada over the last while. We look forward to your having a good posting in Jamaica

Sir, do you have any last comments you're willing to make?

Mr. Daniel John Mellsop: As soon as Canada ratifies the TPP, and when it's implemented, there will be a party at the New Zealand High Commission to which you'll all be invited, and that will cap off a great posting here in Canada.

Thank you.

The Chair: Thank you, sir. Good luck.

The meeting is adjourned.

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