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Chair

The Honourable Mark Eyking

Standing Committee on International Trade

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● (1100)

[*English*]

The Chair (Hon. Mark Eyking (Sydney—Victoria, Lib.)): Good morning, everyone.

Thanks to the witnesses for being with us here this morning. Also, through video conference, we welcome Brian Kingston, from the Business Council of Canada.

As you may know, you're going to hear some bells this morning. We're into that season when there are a lot of votes. Sometimes that disrupts our committee but, number one, we're going to try to get all the witnesses to do their briefings before we split to go and vote. Then we'll come back and get in some rounds of questions. Without further ado, I want to get this meeting going right off the bat.

I'll think we'll start with you, Brian. If you want to go for five minutes or less, we're good to go.

Mr. Brian Kingston (Vice-President, Policy, International and Fiscal Issues, Business Council of Canada): Thank you.

Mr. Chairman and committee members, thank you for the invitation to take part in your consultations on Bill C-30.

The Business Council of Canada represents the chief executives and entrepreneurs of 150 leading Canadian companies in all sectors and regions of the country. Our member companies employ 1.4 million citizens, account for more than half the value of the TSX, contribute the largest share of federal corporate taxes, and are responsible for most of Canada's exports, corporate philanthropy, and private sector investments in R and D.

The Business Council strongly supports the ratification and implementation of CETA. On behalf of the council, I would like to congratulate Minister Freeland, Steve Verheul, the team at Global Affairs, and the previous government for their tireless efforts in achieving signature of this world-class agreement.

There are four key reasons why we believe CETA will benefit Canada and support its swift implementation.

First, CETA will boost economic growth. While this may seem like a very obvious point, it deserves to be emphasized, given that we're living in a time of slow growth in Canada and around the world. The agreement will benefit Canadian businesses of all sizes by giving them preferential access to the world's largest and wealthiest economic bloc, with a population of over 509 million people and a combined GDP of $17 trillion.

The EU is the world's second-largest importer of goods and also a major services importer. According to a recent analysis by the Conference Board of Canada, tariff elimination on goods alone will result in over $1.4 billion being added to Canada's merchandise exports to the EU by 2022. At a time of lackluster Canadian trade performance, this will serve as a significant boost.

Across Canada, in industries from food processing to chemicals, health sciences, and professional services, the removal of tariffs and other barriers that currently impede Canadian exports will create jobs, improve productivity, and promote growth. At the same time, the agreement will benefit Canadian consumers by eliminating tariffs. This will enhance competition and will lower prices for Canadians, while businesses will have access to cheaper inputs.

Second, CETA is Europe's first comprehensive economic partnership agreement with a western developed country. This gives Canadian companies a significant first-mover advantage over their competitors.

With the U.S.-EU transatlantic trade and investment partnership—TTIP—negotiations stalled, Canadian companies will be positioned to take advantage of preferential access over the U.S. competitors in the large European market. For many small, medium-sized, and large Canadian employers, this will mean new opportunities and, potentially, increased sales. The first-mover advantage will also help to attract investment to Canada. Companies looking to increase sales to Europe through CETA can use Canada as an export platform, and we believe this will attract investment and jobs to communities across Canada.

Third, CETA sends a positive and hopeful signal to the rest of the world about the benefits of international economic co-operation and open markets. Since the end of the Second World War, trade has been the principal means by which countries around the world have grown and prospered. As trade has flourished, incomes have increased and workers have benefited from new opportunities.

Despite the clear benefits of trade, we are unfortunately witnessing a rise in protectionism around the world. Since 2008, according to the WTO, G20 economies have introduced nearly 1,600 new trade-restricting measures, while removing just 387. This has contributed to slowing global trade growth, with the WTO forecasting that global trade will expand by just 1.7% in 2016. This is well below a previous forecast of 2.8%. Most notably, if this forecast holds, 2016 will be the first time in 15 years that the ratio between trade growth and world GDP falls below 1:1. In short, I believe that CETA builds on Canada's reputation for openness to the world at a time when others are turning inward.

My last point is that CETA will help to diversify Canada's trade. With last week's U.S. election outcome and the uncertainty created by potential NAFTA renegotiation, Canada's trade diversification efforts are more critical then ever to sustaining our collective prosperity. Canada must do everything possible to find new customers for our exports and new economic opportunities for our citizens. The best way to do this is to position Canada as one of the world's most open and global markets through a renewed trade strategy. The swift implementation of CETA must be the first component of this strategy.

With that, I'll conclude my remarks and look forward to questions.

Thank you.

● (1105)

The Chair: Thank you, Mr. Kingston.

We're going to the Canadian Cattlemen's Association, with Mr. Darling, the president, and Mr. Masswohl, the director of government and international relationships.

Go ahead, folks. You have five minutes.

Mr. Dan Darling (President, Canadian Cattlemen's Association): Thank you for the invitation to appear before the committee and for your continued attention to international market access for Canadian agriculture.

The committee will be aware that Canadian beef producers have faced their fair share of trade barriers. I am pleased to say that through industry and government co-operation we have collectively achieved many successes in removing barriers.

The establishment of new market access through trade agreements is now our top priority. Europe and Japan are at the top of our priorities list. I imagine we'll talk more about Japan in the future, but I am pleased to be with you here today to discuss the implementation of the Canada-European Union Comprehensive Economic and Trade Agreement.

The CCA has long been a champion of increased trade with Europe. We produce a high-quality, high-value product, and access to European consumers' high disposable income for a quality product is what the Canadian beef sector needs.

Before the negotiations were launched, we supported the CETA concept. During the negotiations, we were a near-constant presence to support the negotiators. Toward the end of the negotiations, when access for beef was a key sticking point, we were pleased that the former prime minister made it a personal objective to achieve meaningful access for Canadian beef.

In all, it is fair to say that the access for beef was a core expected benefit for Canada in CETA and is certainly what we expected.

We have always said that in order to achieve meaningful access for beef, we needed to address both tariff and non-tariff barriers. I'm going to ask John to outline how the tariff issues for beef were addressed in CETA, and I'll wrap up with some thoughts afterwards.

Mr. John Masswohl (Director, Government and International Relations, Canadian Cattlemen's Association): Thanks, Dan.

As it stands today without CETA, the European Union's most favoured nation tariff on beef imports varies, depending on the form of the beef, but it's in the neighbourhood of 3,000 euros per tonne, plus 12.5%. It is a prohibitively high tariff now without the agreement.

There are two existing quotas that give us access today below that really high MFN rate. The first is the so-called Hilton quota, which Canada and the U.S. share access to for just under 15,000 tonnes of carcass weight. That's at a 20% duty, so 20% is the current preferential rate. The second is a quota that was created in 2009 as compensation for the WTO dispute over the EU hormone ban. Currently, that allows 48,200 tonnes from all countries at a 0% duty. Both of those two existing quotas require the beef to meet a certain high-quality standard.

Our performance under these quotas really has been very minimal. Because they're open to competition from other countries, it's very difficult for Canadian producers to invest in EU production when the quota might just be used up by other countries and we don't get the chance to ship that beef. That's why we were so pleased that CETA will provide 50,000 tonnes of duty-free access exclusively for Canadian beef. That's split into a 35,000-tonne quota for fresh beef and a 15,000-tonne portion for frozen. Under the new CETA quotas, the beef may be of any quality standard, so there's more flexibility, and there's no competition from other countries.

Furthermore, on day one of CETA, that 15,000 tonnes of the Hilton quota that we share between Canada and the United States will become duty free for Canadian beef, while United States beef continues to pay the 20% rate, at least until the U.S. also gets its own free trade agreement with Europe.

With the new CETA quotas and the tariff elimination for Canada on the Hilton quota, that's nearly 65,000 tonnes of new duty-free access that we don't currently have. If we could actually ship these quantities, we feel CETA would be worth approximately $600 million per year for the Canadian beef sector. To put those quantities in perspective, over the last few years we've shipped in the neighbourhood of 600 to 1,000 tonnes of beef per year to the EU, for a value of about $7 million to $10 million per year. Really, what we're talking about is a sixtyfold to hundredfold increase if the access is real.

Dan.

● (1110)

Mr. Dan Darling: That's the good news. The concern we have now is to convert this immense potential into real trade.

There are critical food hygiene procedures used in Canadian meat production to ensure that consumers are not exposed to potentially harmful bacteria such as E. coli. Unfortunately, the EU does not allow the use of these procedures. Naturally, Canadian packing plants are unwilling to risk the health of Canadians to comply with European procedures. This likely means that we will see only a very modest increase until the EU approves the procedures.

Our concern becomes even more acute in the knowledge that Canada has removed all barriers to EU beef and they will have unlimited duty-free access to the Canadian market on day one of CETA. In short, we are worried about the trade imbalance, where we will see enlarged levels of EU beef in our market but will remain unable to realize the export potential.

Clearly, there is more work to be done, but due to the large potential and the history of our positive collaborative industry/government effort to achieve market access, we are supporting the passage of Bill C-30 and implementing the CETA, with three conditions from the beef sector.

First, we will expect a commitment from the Government of Canada to develop and fully fund a comprehensive strategy utilizing technical, advocacy, and political skills to achieve the elimination of the remaining non-tariff barriers to Canadian beef.

Second, we expect that any EU beef or veal imported into Canada is in full compliance with Canadian food safety requirements.

Third, we expect that the beef sector will be afforded Government of Canada investment into both beef processing and beef producer operations to help us comply with the complexities of the EU market.

I believe that it will likely take some years yet to achieve the resolution of these technical issues, but I also believe that by working together, and with the commitment of resources from the government, we can get the job done.

I will leave it at that. I'm happy to answer any questions.

The Chair: Thank you, gentlemen.

We're going to move to the Canadian Labour Congress and Ms. MacEwen, its senior economist.

Go ahead. You have the floor.

● (1115)

Ms. Angella MacEwen (Senior Economist, Canadian Labour Congress): Thank you very much.

I apologize to the translators because this isn't in my speech, but at the top I want to say that I'm very concerned that some people are drawing the wrong lessons from Brexit and from Trump.

Economists like Dani Rodrik at Harvard University and Thomas Piketty in the EU point out the flaws in a purely pro-free trade agenda. There are market failures, distributional impacts, and very real concerns that workers have, because trade deals can increase inequality if you don't take proper action to make sure they don't. The answer isn't in rushing more trade deals through. The answer is in taking a minute to examine those very real concerns that people have and those very real negative impacts to see how you can mitigate them. I'll leave that there.

The labour movement is keenly aware that trade is and has always been an important feature of the Canadian economy. We understand that all governments have an interest in fostering open trade. Distributional impacts from trade and investment agreements have long been ignored. We are told that trade deals have winners and losers, but “don't worry, we can compensate the losers”. Historically, Canada has done an inadequate job on this front, especially for workers.

The gains of these trade deals are never as big as they are projected to be, and the gains for CETA are small. They are among the error bars for what our economic growth is projected to be anyway.

The main gains from open trade come from reducing tariffs, as the beef producers commented, but much of this, outside of agriculture, was already accomplished by the 1990s. So-called modern trade deals are often more about advancing investor rights. As such, they do not necessarily increase trade, improve economies, or benefit Canadians.

CETA also goes farther than existing trade deals by putting restrictions on local governments. This is despite the fact that more than 50 communities, including Toronto, Victoria, Baie-Comeau, Sackville, Hamilton, and Red Deer—even communities in Alberta—are saying that they sent a clear message to federal and provincial governments that buying local and other public spending policies, as well as municipally delivered public services, should be excluded from CETA.

While we're sold free trade deals on the opportunities for Canadian business and the savings for Canadian consumers, as you've already heard today and we hear ad nauseam, the majority of this 140-page bill features changes to Canada's intellectual property rules, requiring changes that largely serve European interests. I note that you have had no witnesses who are intellectual property experts yet.

One of the biggest concerns regarding CETA is the impact on Canada's health care system. On a per capita basis, Canadian drug costs are already among the highest in the world, exceeded only by the United States, and they are among the fastest-rising among comparable nations. Bill C-30 devotes 30 pages of amendments to the Patent Act. These amendments will further exacerbate the rise in costs by committing Canada to creating a new system of patent term restoration, thereby delaying the entry of generic medicines by up to two years, locking in Canada's current term of data protection by creating barriers for future governments wanting to reverse it, and implementing a new right of appeal under the patent linkage system that will create further delays for the entry of generics.

Analysis conducted by Professor Marc-André Gagnon and Dr. Joel Lexchin estimates that CETA's provisions will increase Canadian drug costs by between 6.2% and 12.9%, starting in 2023. This is in line with internal government estimates that expect the patent changes to cost between $1 billion and $2 billion per year, and the generic industry's own research that put the price at $3 billion.

The previous federal government committed to compensating provinces for this increase in cost, but that simply means that the federal government will ask Canadians to pay pharmaceutical companies through higher taxes or cuts to services elsewhere. It also doesn't take into account that some of this increased cost will fall directly on low-income workers who don't have drug plans. As Lexchin and Gagnon point out in their paper: “cost-related nonadherence is 35% among people with low income and no insurance”. What this means in real life is that people won't go to the doctor because they know they can't afford the cost of the prescription.

● (1120)

The new legislation on pharmaceuticals is a very good example of the outdated approach being pursued through CETA. In 1987, we made a bargain with pharmaceutical companies. We strengthened patent protection and asked them to increase their R and D to 10% of sales. Since 2003, they have failed to meet this target.

The Chair: Excuse me. Could you wrap up? Your time is pretty well up. Go ahead, but try to wrap it up a bit.

Ms. Angella MacEwen: I want to get to the Coasting Trade Act. Wages and working conditions vary greatly in the global shipping industry. In recognition of that, Canada and the U.S. have placed significant restrictions on shipping within Canada. Bill C-30 undermines cabotage in three ways: government dredging; EU companies of any flag will be able to move empty containers; and EU-registered vessels will be permitted to move cargo between Montreal and Halifax.

The standard work week on a vessel is 44 hours, plus 85 hours of overtime. The standard wage for that internationally is $670 U.S. per month, which works out to $2.50 an hour. The standard wage on Canadian steamship lines within Canada is $23 an hour at the lowest level, and for overtime, $34 an hour. You can see that they are simply not comparable.

The Chair: Thank you.

If it is the will of the committee, we have enough time to hear our last witness before we break for votes. Is that okay? I think the bells are ringing. What I would like to do is hear Mr. Everson for five minutes. Then we'll go and vote, come back, and start questions. Is that okay with the committee?

Some hon. members: Agreed.

The Chair: Okay. Go ahead, sir.

Mr. Warren Everson (Senior Vice-President, Policy, Canadian Chamber of Commerce): I'll beat my time. I'll be shorter than five minutes, I hope.

I want to thank the committee very much for the invitation. I must tell you that over the last few years there have been plenty of times when we wondered if we would ever have a chance to be here on this legislation, so we're very delighted about it. The chamber has been a long-standing and strong supporter of this initiative.

I don't want to repeat all the things that my friend Brian Kingston very effectively summarized about the economic impact of the agreement, but I do want to add to his comment about the politicians involved.

History is not often very friendly to politicians, but I think we need to salute the visionaries who originally initiated this. I would include Mr. Charest, when he was premier, and then Ed Fast and his prime minister, through their term, who fashioned the agreement, and, of course, a big salute goes to Minister Freeland and Prime Minister Trudeau, who played that game of high-intensity chess in the last few weeks to try to close this agreement.

We've been very well served by our public servants as well. Brian mentioned Steve Verheul and his team at Global Affairs. That's an exceptionally talented group of people. All through the piece, we were well briefed, well informed, and consulted constantly on it, so at every level, I think, Canada has been well served here.

We'll have an interesting question period, I hope, if we can come back. I did want to say that not only is CETA an important economic agreement, but in the political world in which we currently live, it's an extremely significant gesture, taking us away from a rising tide of protectionism, hostility, and suspicion. Modern trade agreements—Angella made this point—are less agreements about trade than about national relationships. We're getting more and more complex and moving into things that were never countenanced as part of the trade dialogue in the past, but that we recognize as very significant issues, such as intellectual property and all the regulatory agreements. These make the agreements more complex, but they also lay the groundwork for better relationships between the states when they are signed and ratified.

The way to confront this rising tide of suspicion and conflict is to prove it wrong. We can make as many speeches as we want to about the virtues of free trade, but what really works, I think—and we'll see this in our dialogue with some of our major trading partners in the next couple of years—is to demonstrate that parties on both sides, citizens of every nation, have benefited, that they've seen real prosperity and, we hope, no significant diminution in any of the things they hold dear, such as health and safety standards.

We consider trade agreements to be starters' pistols. They lay the groundwork for success in trade, but as we've been saying and publishing reports on, Canada needs a vigorous trade strategy, especially to get smaller businesses to take advantage of this. The chamber is very much looking forward to that part of the dialogue, and we'll be partners to anybody who will be partners with us in terms of trying to capitalize on the opportunities.

The final thing I would say is that the Chamber of Commerce certainly agrees that adjustment support is an appropriate tool when you are trying to move trade agreements into the economy. It's no shame to acknowledge that some people are challenged by the developments in a trade agreement, just as it's not necessarily a proof of manhood that some people are going to win significant benefits under an agreement.

The way to maintain public support for these things, as well as to ensure that the economic impact is as controlled as possible, is to be there at every level to respond to those changing circumstances. Some of the things I'm proud of, in my own experiences with this, are adjustment investments that Canada made after the signing of the Canada free trade agreement, which allowed industries to recover and become extremely competitive. That's a logical part of our dialogue, and we need to keep it in the window as we go forward.

Why don't I stop now? If we get a chance to come back for questions, I'm looking forward to it.

● (1125)

The Chair: Thank you, sir. We'll have some good dialogue.

Again, I'm sorry for the inconvenience. We should be away for about half an hour. We'll be back around noon, I hope.

● (1125)

(Pause)

● (1210)

The Chair: We're back.

Thanks to our witnesses for patiently waiting for us.

We're not going to waste too much time here. We had your presentations well done and in good time. We're going to go right to the list and start the dialogue with the MPs. We're going to start with the Conservatives.

Mr. Van Kesteren, you have the floor for five minutes. Go ahead, sir.

Mr. Dave Van Kesteren (Chatham-Kent—Leamington, CPC): Thank you, Mr. Chair.

Thanks to all of you for being here again. We've seen each other a number of times. Every time we see you, we're always appreciative of what you share with us.

Historically, of course, when we think about what happened last week, there's probably a lot of angst, I would say, within the business community at this point as to how our relationship will continue to flow with the United States. I hope and I trust that our officials will do the work that's necessary to continue with the good relationships we've had with the United States, but the question begs to be answered: what will CETA mean for us should that agreement start to go south?

Mr. Everson, could I get you to comment on that? Maybe we'll ask for a few other opinions at that time.

Mr. Warren Everson: I think you're referring to the provisional process of—

Mr. Dave Van Kesteren: If NAFTA starts to disintegrate, how important is it that we have CETA in place?

Mr. Warren Everson: I think we all recognize that Canada enjoys a privileged position, and that gets more privileged if we have both free trade into Europe and free trade into the United States. No one else has that, so we're enthusiastic about the possibilities.

The NAFTA dialogue that's starting in the United States obviously is a source of concern. I guess it's our advice is that people should keep their powder dry until the new government is sworn in there. There's a lot of rhetoric, and there's a lot of rhetoric from people who may or may not be quite authorized to be making the comments they're making.

We don't want to jump at every shadow, but oddly, the chamber a few years ago was urging that it was time to reopen NAFTA and fix it up, because it's an old agreement and there are a lot of places where it's a little creaky. E-commerce didn't exist when we signed the Canada-U.S. Free Trade Agreement and NAFTA, and it does now, and it's a big issue. I don't think it's a bad idea to open it. The spirit with which it's now being talked about is not very encouraging, so I think the Canadians will probably do their best to kick this down the road a little.

Mr. Dave Van Kesteren: I was going to go the other side. I want you to continue, because you alluded to the fact that trade agreements are a living organism. They continue to grow, and as society starts to change, it's always important that we continue to re-evaluate.

Ultimately, a lot of good has come out of trade agreements. How important is it to recognize that? Maybe you can elaborate a little more on why agreements like NAFTA have to be revisited periodically?

Mr. Warren Everson: I think Canada punches way above its weight in trade negotiation because we are such a trade-dependent nation. At least two-thirds of our economy is dependent on trade, so threats to trade are significant threats to us.

Trade agreements have tended to be milestones on a path by which Canada has become one of the more effective trading nations in the world, and you can see that agreements.... I really liked your comment about how this is a sort of an organic process. The most important provision in any trade agreement is the one that says "and we can keep talking about this stuff", because you're never going to get it exactly right. There's no moment at which you graduate and say that you have your diploma and you're finished. All of those things, such as my colleagues here have been raising, still need to be worked on. At a certain point, the nations have to sign on, but the concept that it's an unmoving contract is false.

● (1215)

Mr. Dave Van Kesteren: You're on a roll, but I want to get some others who may want to jump in on this.

Mr. Kingston, would you agree that CETA is a better agreement than NAFTA in view of what Mr. Everson has said with regard to some changes that might have to be made?

Mr. Brian Kingston: Thanks for the question.

Similar to what Mr. Everson was saying, CETA is a continuation of Canada's trade policy strategy. It's the most comprehensive agreement we've ever negotiated. In terms of tariff elimination and the sectors it covers, it truly is a world-class agreement that goes beyond anything we've done in the past. Yes, it's more comprehensive than NAFTA, but that's just based on the fact that it was negotiated later on and we've become more skilled at doing these things.

Mr. Dave Van Kesteren: Thank you.

We'll let the beef guys weigh in on this, just quickly. In terms of the trade agreements we've managed throughout the past 10 years, have they been helpful to the beef industry? I think about the Korean one and some of the other smaller ones. For this one in particular, is it going to be a good thing for the beef industry?

Mr. John Masswohl: Yes, absolutely.

With the Korea agreement, our only complaint is that we wish we could have gotten it done earlier. We did get the same access into the Korean market as the Americans did, but we're three years behind them. That would be one of our hopes for the TPP; Korea wants in there eventually, and we could accelerate to match that.

Coming back to your question about NAFTA versus CETA, we do have unlimited access into the U.S. market, which we did not achieve in the CETA. We're constrained by a quota, and that probably is going to be a good-sized quota, but with the U.S., the sky is the limit. We don't have the same regulatory complexities with the United States. We tend to be more—

The Chair: Your time is up. I'm sorry, but we'll have to move on. I know you were on a roll there, Mr. Van Kesteren, but we have to move over to the Conservatives.

Are you splitting your time, Mr. Dhaliwal?

Mr. Sukh Dhaliwal (Surrey—Newton, Lib.): We move to the Liberals.

The Chair: Sorry about that.

Voices: Oh, oh!

The Chair: Go ahead, Mr. Dhaliwal.

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

Thank you to all our witnesses.

Mr. Darling, you've said that CETA will help all sizes of businesses. Could you elaborate on how it would help small and medium-sized businesses, particularly when it comes to British Columbia?

Mr. Dan Darling: Sure. Thank you for the question.

First of all, in the agriculture sector for the beef producers, when you put another buyer on the market, it's going to drive the price up. It's going to drive the price up and it's going to find a market for products that we don't value here or that go to the renderer here. That's going to help both small producers and large producers.

As far as other businesses go, it's very well known that agriculture —we'll use Ontario as a prime example—is the number one driver of the economy next to the auto sector. If we find another market and if we have more profitability, that will help small businesses, whether they be electricians or plumbers or whatever, and it will help large businesses, whether they're packers or whatever. It's a win-win for all sectors, really.

Mr. Sukh Dhaliwal: Does anyone else want to add to that?

Go ahead, Madam Lapointe.

[*Translation*]

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

I want to welcome the witnesses and thank them for being with us today.

Mr. Everson, I would like to talk about SMEs and, more specifically, about auto parts manufacturers.

In my riding, the Raufoss company manufactures auto parts that are exported around the world. The parts are made from aluminum. We have a trade deficit when it comes to auto parts. We buy more of them from Europe than we export.

Do you think CETA will help that company export more to Europe?

[*English*]

Mr. Warren Everson: I do. I think we have to be careful not to assume that we know about the complexities of every sector. It becomes quite complex. Already, Canadian parts are extremely significant in certain chunks of the European automobile market. In other words, we have some very strong winners.

It's becoming hard to follow the track because people are functioning in the supply chains; a significant part of the auto parts from Canada is going to the United States, and some of that is finding its way into the world market over United States exports. While we put 70% of Canadian exports into the United States, only about 55% is actually intended for the United States. The rest of it is us and the Americans selling into the world, and some of that happens in auto parts.

I think the main virtue of CETA is opportunity. I think the challenge for Canada, for its government and its business, is to make that opportunity work by supporting smaller businesses and niche suppliers and the like. I think the value of this agreement will only become clear over the years as we exploit it.

● (1220)

[*Translation*]

Ms. Linda Lapointe: Thank you.

Do you believe that small and medium-sized businesses know how to take advantage of the market that will open up to them once tariff barriers are removed?

[*English*]

Mr. Warren Everson: I think that's a really important question. Global Affairs has begun to talk to us about a promotion exercise that they would like us to participate in, and we certainly will.

I think we need to not assume that a small business owner is dumb. They'll see opportunities if we provide support for them. It's mostly information at this point, although we do think there's a very ambitious role for the Canadian Trade Commissioner Service in matching and helping smaller businesses. The complexity of that rises as there are more people playing.

I do think that's the way this agreement will work best for us. The Canadian economy is overwhelmingly a small business one, and a very small proportion of those businesses are exporting today.

[*Translation*]

Ms. Linda Lapointe: Thank you.

My next question is for Ms. MacEwen.

Regarding drug prices, some witnesses have told us that free trade agreements hurt their pricing. Do you think the issue with the cost of medication in Canada is caused by anything other than free trade agreements?

[*English*]

Ms. Angella MacEwen: No. It's specifically the extension of patent protections in Bill C-30 that will cause prices to rise.

[*Translation*]

Ms. Linda Lapointe: Our drug prices are already higher. How could you explain that situation?

[*English*]

Ms. Angella MacEwen: There are other reasons behind our higher drug prices and the fact that they're rising. Bulk buying is one of the things we can do to address that, but what CETA will do is increase it beyond how it's already increasing. Having a national pharmacare program, bulk buying, looking at other options to keep it low—

[*Translation*]

Ms. Linda Lapointe: I am from Quebec and we have such a program. We have assurances when it comes to that.

Thank you.

[*English*]

The Chair: Your time is up. Thank you.

Ms. Linda Lapointe: *Merci beaucoup*. I'm like Mr. Hoback now.

Voices: Oh, oh!

The Chair: We're going to move to the NDP now.

Ms. Ramsey, you have the floor for five minutes.

Ms. Tracey Ramsey (Essex, NDP): Just quickly, I wanted to say something about the auto sector, because my colleague asked about it. The 2012 study commissioned by Foreign Affairs, Trade and Development Canada said that for the Canadian automotive sector a Canada-EU CETA would lead to a 0.16% decline in automobile production, and presumably those very integrated supply chains would be impacted.

My question is actually in regard to my colleague's last point about the cost of drugs. Twenty-five per cent of Bill C-30 is changes to patents. At this point, unfortunately, we have no IP witnesses scheduled to come before the committee on such a significant change. I believe the generics companies say that this is the most significant change in over 20 years in Canada.

Picking up on her point about what we can do to address this, you mentioned pharmacare and bulk buying, but I wonder if you could speak to the implications that CETA could have for the ability of Canada to bring in some form of pharmacare or bulk buying.

Ms. Angella MacEwen: What CETA will do is make drugs more expensive, which will make it more expensive to implement a pharmacare program. CETA itself doesn't restrict the introduction of a national pharmacare program—that's allowed—but it's clear that the single largest impact from CETA will be on prescription drugs. There's no clear benefit to Canada, because it only affects drug costs in Canada, not in the EU.

EU nations already regulate prices, so that's one other thing we could do. We could regulate drug prices. We could cap prices. We're told that nothing in CETA prevents us from doing this, but we have been shown no indication that the federal government intends to take any action on that front. Where we're talking about compensation, we should be talking about capping prices. We should be talking about insisting on R and D investment in Canada, which has fallen to 5% of sales when in the EU it's at 20% of sales in comparable countries such as France and Germany.

● (1225)

Ms. Tracey Ramsey: What has been brought before this committee, certainly around the TPP, but not specifically around CETA, are the concerns on the ISDS provision, which in CETA has been morphed into a court system. There is very little language on the actual set-up of that court system in the bill that has come before us. What does this court system, the ICS, offer investors to Canada that our federal courts cannot?

Ms. Angella MacEwen: That's a fantastic question. I think you know that Gus Van Harten, Michael Geist, and other experts have said that much of what we want to accomplish could be accomplished through federal courts or state-to-state dispute mechanisms like we have through the WTO, and if we get rid of NAFTA, we had that in the Canada-United States Free Trade Agreement.

The problem it presents is that the company then has to convince their country that it's a worthwhile case to bring forward, but we think that's a useful step so that you can't bring forward frivolous cases. Certainly, if you're talking about contracts and about being treated fairly, if we don't respect those contracts, that can fall under federal courts, federal jurisdiction. We don't see the necessity for investor-state, and we think it will fail in Europe because of the insistence on it.

Ms. Tracey Ramsey: That is what we saw the Walloons hitting up against.

You represent 3.3 million Canadian workers. It has been estimated by Tufts University that we'll lose 30,000 jobs under CETA. I wonder if you could comment on that and its impact on communities across Canada.

Ms. Angella MacEwen: As others have noted, we're in a slow growth situation. We are in a situation where, over the past 30 years, wages have not kept up with productivity growth in Canada or the U. S. Obviously, it's better in Canada than it is in the U.S.

As for what these trade deals do, that Tufts study found that the returns to capital were higher than the returns to labour, and inequality increases because of that. If the government doesn't take any moderating action.... Chrystia Freeland was asked why CETA will lower inequality, and she said it was because there's a progressive government. We don't always have progressive governments, and there's no specific action that this government has put forward that would reduce the inequality that will result from CETA. You'll notice who is here presenting.

The Chair: You still have time, Ms. Ramsey.

Ms. Tracey Ramsey: I still have time? Okay.

The other thing I want to ask you is about the ILO. CETA encourages, but doesn't require, participating countries to ratify and fully implement the International Labour Organization labour conventions. If participating governments really want CETA to be the gold standard for trade agreements, violations of its labour provisions must be subject to sanctions.

I wonder if you could speak about what sanctions you think CETA should impose on a country that doesn't ratify or implement all the ILO fundamental labour conventions.

The Chair: It will have to be a very quick answer.

Ms. Angella MacEwen: Sure. I think we should be able to have trade sanctions. For example, if a shipping company doesn't pay fair wages or the minimum wage in Canada, then we should be able to revoke their privilege to move shipments within Canada.

The Chair: Thank you.

We're going to move back to the Liberals.

Ms. Ludwig, you have five minutes. Go ahead.

Ms. Karen Ludwig (New Brunswick Southwest, Lib.): Good afternoon. Thank you very much for your presentations.

Earlier this week, we heard from the officials regarding CETA. Certainly, to Mr. Everson's points, the chief negotiator also discussed the significance of trade to Canada's GDP. We know that there are about a million small to medium-sized enterprises in Canada, but only about 41,000 are exporting.

In terms of preparation, to continue with Ms. Lapointe's questions, how are you working with the chamber members on reaching out to talk with the members about the opportunities that come forward in this trade agreement?

You also discussed the Trade Commissioner Service. In my experience, so many businesses are not aware of the work of the Trade Commissioner Service and therefore do not get the benefits of it. Could you speak to those benefits for your members and to any other government programs that would help support exporting and getting our companies and all Canadians the best from this deal?

Mr. Warren Everson: Yes, absolutely. Thank you very much for the question. I'll try to be quick. I also desperately want to get in on a point that was raised earlier, so I'll try to slide that in as well.

We're just getting spooled up now. Last summer, we spent some time at Global Affairs talking about a promotional program to get Canadian business properly supported, informed, and matched up to European partners and so forth. When the agreement lurched into the ditch for a while there, we dropped all of that in the interests of just trying to encourage the Europeans to support it.

Now we're getting back into the business. I think you make the point: information is the first and most important thing. People will find advantages for their own businesses, but for small business, all these international adventures are highly risky. They don't have a lot of people, and if the president spends a week in Europe, then the president had better come back with some scalps in his or her hand.

The Chamber of Commerce also has allies in all the European countries in chambers of commerce or the like, such as MEDEF in France, for example, and we deal with them. We are going to try to engage them on what will be a mutual push and pull. It will also have to assist the Europeans as they try to scope out the Canadian marketplace.

● (1230)

Ms. Karen Ludwig: That's more in terms of matchmaking...?

Mr. Warren Everson: I think so.

I've heard people testifying in front of committees like this say, “If anybody in a small business thinks they're coming into a foreign country and competing with me, I'm going to kill them.” Their only way to do it is if they can make deals with existing players, and that's becoming the way of the world anyway. I think matching and helping people find the best match, the best quality player, the most reliable—

Ms. Karen Ludwig: But don't you find, Mr. Everson, that sometimes that's an education in itself? As a Canadian company, if you're perceiving your business to be a big player, it's not easy to enter into a partnership or to lose your name recognition, but then you know from your experience internationally how significant it is to the Canadian enterprise to have some form of strategic alliance.

Mr. Warren Everson: Absolutely, and there's a cultural aspect as well. We understand how to talk to the British and French and probably the Germans, but we don't have as much experience with the eastern Europeans and the way they do business.

On the Trade Commissioner Service, we're strong believers that it's an important part of Canada's trade strategy. There's more to a trade strategy than just agreements.

For the Trade Commissioner Service, the challenge is the bewildering complexity of all the new players that are starting to show up. It was one thing back in the old days to have MacMillan Bloedel say they had 10 million board-feet of pine and there it was, that it was from that sawmill over there. Now, somebody will show up and say that they don't make the cup and they don't paint the cup, but they make the chemical fixative that goes on the paint. That's their product, they'll say, so find them somebody in Romania who deals with painting cups so they can.... The trade commissioners are going to be saying, “Huh?” That's going to be a challenge for them.

Ms. Karen Ludwig: Thank you.

I have three questions for the beef industry as well.

In terms of a Canadian beef strategy, you mentioned that the significance of this deal could be a hundredfold. You're trying to reach that capacity. Where are you at this point within your industry for succession planning, for working with small industries or a small area? I represent the riding of New Brunswick Southwest. Our farmers are significant, of course, but they certainly don't have the large capacity that we see in other parts of the country. Could you speak to that as well? How could we offer supports regionally as well as nationally?

Mr. Dan Darling: First of all, before we threw our support behind CETA, we consulted with our producers and their representatives from their provincial organizations to make sure that they were supportive of new access. Of course, they all were, under conditions of meaningful access, in that we get proper tonnage and whatnot in order to make it meaningful for us.

As far as the timing goes and where we are in terms of meeting that, you have to remember that one of the things that controls how much product we can send in and when we can send it in is hormones and growth promotants. That's never been on the table. Europe never has agreed to that, so we go into it saying, all right, we will not send anything in there.

Because of that, once this deal is signed and ratified, we have probably a two-year window before our producers have enough production to send into Europe in any mass whatsoever. These are baby steps, but we're fine with that. We hope that by that time we can ramp up production, and we're confident we'll ramp up production in order to meet the needs of exports.

Ms. Karen Ludwig: Do you think that will also change on the domestic side?

The Chair: I'm sorry, but we are way over time. Nice try.

We're going to move to the second round.

Mr. Fonseca, you have the floor. Go ahead.

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

Thank you to the witnesses.

One thing I always like to say is that people buy from people. When we think about the people who are in Europe and the people who are in Canada, something that we hold as a great value is our multiculturalism and our diaspora communities. Think about all the different diaspora communities we have from European descendants.

Have you looked at your organizations, Mr. Kingston and Mr. Everson, and thought about all the individuals in those various companies who hold executive roles and bringing them in...? There are those who are of Italian background, and German, Spanish, Portuguese, English, French, and all the different European countries. I can go through the whole list.

I think we've really underachieved when comes to our diaspora communities that we have here in being able to trade with the rest of the world, and in this case with Europe. Could you speak to that? Has that ever been a focus or a question that's been discussed?

● (1235)

Mr. Warren Everson: Brian, do you want to go first on this? I've been hogging the the mike.

Mr. Brian Kingston: Sure.

Thank you. It's a great question. It is something that we've looked at. We do have examples of large Canadian companies that have done business with and made major investments in Europe in part because they have links to certain countries.

There are examples of it happening, but I would agree with you that we don't do a good enough job of taking advantage of large diasporas in Canada, of ensuring that we link up and take advantage of that. I think there's a huge opportunity there. I think there's a role for the government to play, as well as business associations, in helping to facilitate that and making sure that companies are aware of the opportunities that are now in place because of CETA.

Mr. Peter Fonseca: I think of something like the auto sector. We have a gentleman, Sergio Marchionne, the CEO of Fiat Chrysler, who was born in Italy, came to Canada, is Canadian, studied here, and raised his family here, etc. He has risen in the ranks at Fiat Chrysler to head up that organization.

I know that for a long time we looked to land a Fiat Chrysler assembly plant here, and that's never come to fruition. Now, with CETA, would that open up a new opportunity in terms of having someone like a Sergio Marchionne being able to come here and to have that competitive edge to be able to open an assembly plant?

Mr. Brian Kingston: I can't speak on his behalf, but I would say —and I mentioned this in my comments—that Canada, with its suite of trade agreements now, is an increasingly attractive place for large multinationals to invest in and to use Canada as an export platform. Once CETA is in place, if we go ahead and we actually secure market access to some large Asian markets—Japan, in particular, and perhaps China—Canada will stand out in the world as a great place to do business and to manufacture and export from. I think it creates huge opportunities.

Mr. Peter Fonseca: In 2008, Canada and the EU did a joint study to look at the gains from a CETA agreement. What they found was that the major comparative advantage for the EU would be for services, and for Canada, the area would be in industrial goods. I want to ask now, post-Brexit, with the U.K. possibly out of CETA, do you know if much of that services advantage the European Union had was coming from the U.K.?

Mr. Warren Everson: We don't know that.

Ms. Angella MacEwen: No. A lot of German, French, and other companies.... “Services” is actually code for municipally provided public services, where they'll be coming in and doing waste water.... They've already privatized those services in Europe. There are large companies with that expertise, and that's their advantage. That's why they wanted access to municipalities.

Mr. Peter Fonseca: Thank you, Ms. MacEwen.

Mr. Everson.

Mr. Warren Everson: I'm going to punt the question a little bit, but I will mention to you that we host the Canadian Services Coalition at the Chamber of Commerce, and they would be delighted to be witnesses to talk about this agreement. We also host the Intellectual Property Council, and if you are interested in a new witness on IP, I can have one here for you tomorrow. We're interested in that.

I think our assumption of the services is that Canada is very powerful in financial services, insurance, consulting, engineering, architecture, and the like. As you know, one of the first provisions of CETA to be agreed upon was joint recognition of the certification of professionals. I think there is a whole raft of different kinds of services where we can still expect to do extremely well.

Mr. Peter Fonseca: One more...?

The Chair: I think we have enough time for one more round of questions.

We're going to move to the Conservatives.

First, I would like to welcome Mr. Clement to the most exciting committee on the Hill.

Hon. Tony Clement (Parry Sound—Muskoka, CPC): I would tend to agree.

The Chair: Okay. So you're going to split your time—

● (1240)

Hon. Tony Clement: As Keith Richards once said: “It's great to be here. It's great to be anywhere.”

Voices: Oh, oh!

The Chair: You're going to split your time with Mr. Hoback. Go ahead. You have the floor.

Hon. Tony Clement: I'm going to ask just one question of Mr. Everson and Madam MacEwen.

I was struck by something you said, Angella, about training adjustment and the relatively poor efforts that Canada has made on that front. I have done a bit of research on this. It is in fact true that in terms of adjusting workers to new realities that are put in because of trade agreements, when you look at what we've done versus what European countries and other trading nations around the world have done, you see that we do a third to a half of what they do in terms of training adjustments.

I wanted to get your perspective and the perspective of the chamber on what we have to do better, because I don't think any of us want a situation where people are left out and ignored. There is a lot of talk these days about how the political class has ignored a whole swath of people on both sides of the border, but also on both sides of the Atlantic, and I think part of that has to do with a very poor record of training adjustments.

I want to tease out more of your views on that and hear from Warren too.

Ms. Angella MacEwen: Absolutely. We have the labour market development agreements, which have been at around $2 billion since they started. Those have been devolved to the provinces, and I think we are in the process of renegotiating them. Using what we already have in the labour market development agreements and increasing the funding, as the Liberals promised during the election...and they've done a bit of that so far. It's about increasing the funding to that and targeting areas that are hard hit and providing what we had when auto workers were very hard hit and we had worker adjustment centres in place. Employers provided some funding, governments provided some funding, and there was personalized assistance.

Another thing that we need to do if workers are within five years of retirement, say, is to consider having employers—or funding from government compensation packages—actually pay into their pensions or pay them an early pension if they are unable to find a job. There's retraining, and then there is support for workers who are near retirement. Also, we do pay. We already have a fraction of the labour market adjustment policies that Europe has. Globally, we're absolutely terrible on this front.

Also, when workers are doing this training, we don't provide them income supports. If your EI runs out and you're still doing the training, or if you need a certificate to become a nurse and you need three years of training for that, we don't provide funding while you're doing that training. If we can provide income support to workers who have been hit, either because we are shutting down coal plants or because of trade deals....

Hon. Tony Clement: Thank you.

I wanted to hear from Warren a bit anyway.

Mr. Warren Everson: Yes, but you're mostly going to hear the same thing. We strongly agree. The human resource is the main thing that a nation has and, increasingly in the modern economy it's the only thing that really matters, so we're strongly supportive.

This government has been pretty creative so far. We've seen at least an opening of the door to a lot of new experiments. At the chamber, we have a very active committee in this space, and we publish routinely on the new tactics of work-enabled learning and the like. We strongly concur that this is essential.

I've made the point that a lot of the time trade agreements are just a signpost on a road you were going down anyway. Americans, as we saw under Mr. Trump's campaign, are very angry about job losses in manufacturing, but the highest level of production in manufacturing in the United States ever was yesterday's. They are producing more goods than they ever did before; it's just that they are not employing as many people.

Agriculture is the same. They produce four times as much as they did pre-war, with a third—or a quarter, or a fifteenth, or whatever it is—of the workforce.

Hon. Tony Clement: There a a lot of good jobs for robots.

Mr. Warren Everson: Unfortunately, yes. The trade agreement wasn't the cause, but it certainly gets the attention.

However, when you say, all right, we are actually signing on to this course of action and this economic future, I do think it's an obvious moment to recognize that you have to pay attention to your workers while you're doing that.

The Chair: Mr. Hoback, do you have a question?

Mr. Randy Hoback (Prince Albert, CPC): Chair, I'm going back to the cattlemen.

I have one question on your third item. What were the expectations or what would you look at as far as what you'd want to see from the government as to the creation of these facilities that you can export into Europe? Do you have any idea of price tags or of what's been talked about and committed to in the past and where you're at right now?

● (1245)

Mr. John Masswohl: I think that's a conversation we want to have collectively with us, the packers, and the processors to sit down with the department and craft something. To give you a couple of examples, in order for the cattle to be eligible, they have to be raised without the hormones.

Mr. Randy Hoback: So to do that would mean...?

Mr. John Masswohl: To do that, it's probably about an extra 20% cost of production. Half of that is the physical cost of feeding them and keeping them longer. Probably half of it is the documentation and having the CFI certify your facility. A lot of producers are holding off on that until they know this is real.

If we can have the government say that they will make it a priority for CFIA to get out and certify your farm so that you're enrolled in the EU program without costs to the producer, a lot more producers would be actively getting involved. Producers are raising cattle without the hormones anyway, but they aren't certified under the program.

Mr. Randy Hoback: Again, it's making sure that we have the mechanisms in here to take advantage of the deal, and the proper certifications.

The Chair: Okay. Even with all of our interruptions, all the MPs seem to have had a dialogue with the witnesses, and the witnesses all seemed to get their five minutes in.

Thank you very much for coming. We hope to see you here again.

We're going to suspend now for one minute and then go in camera.

[*Proceedings continue in camera*]