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## **Standing Committee on International Trade**

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**EVIDENCE**

**Tuesday, October 18, 2011**



**Chair**

**The Honourable Rob Merrifield**



## Standing Committee on International Trade

Tuesday, October 18, 2011

• (1100)

[English]

**The Chair (Hon. Rob Merrifield (Yellowhead, CPC)):** I call the meeting to order. I see that the time is 11 o'clock. We have our witnesses with us today, and we have enough of our members to carry on with the meeting. We will start.

We'd like to, first of all, thank the Canadian Manufacturers and Exporters, and Jean-Michel Laurin, vice-president of global business policy, for coming in today.

As well, from the Canada Europe Roundtable for Business, we have the Honourable Roy MacLaren, the Canadian chairman, as well as Jason Langrish, the executive director. Mr. MacLaren will start, I believe.

We would entertain your intervention in this important study we're doing on CETA, the EU-Canada free trade agreement. We'll yield the floor to you for a 10-minute period. Then we'll have the intervention by Mr. Laurin and move on to questions and answers.

**Hon. Roy MacLaren (Canadian Chairman, Canada Europe Roundtable for Business):** Thank you, Mr. Chairman.

I don't know that the word "entertainment" is quite the word I would have used. We had a meeting in London the other day, a Canada-Europe energy meeting, during which two young people took off all their clothes and jumped on the table and protested about the oil sands. Actually, she was wearing a Canadian flag on her knickers, so it was—

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

**The Chair:** Please don't repeat that here.

**An hon. member:** That's way too much information—

**Hon. Roy MacLaren:** That's a confrontation I can't face....

Anyway, thank you very much for inviting us today. We're delighted to be back with the committee. I haven't had the opportunity of meeting with you before. My colleague Jason Langrish has, on several occasions, and I'm particularly pleased that he's here with me because he knows all about it. I'm merely decorative.

I do want to say, however, that the negotiations have gone forward very well. We've made great progress over the past year and a half. The support of the government has been essential in that respect, and we welcome that continuing commitment.

We began our interest in Canada-Europe with the recognition that the traditional route Canada has followed in seeking rules-based trade liberalization, that is to say, the GATT and, more recently, the World Trade Organization, no longer offers the promise that it once did. We have in fact been disappointed, as I'm sure you have been, by the failure of the Doha Round, which is now dead. The multilateral route that we had already to a degree abandoned when we in Canada sought a bilateral agreement with the United States—NAFTA—is no longer a promising route to trade liberalization.

For our part, and indeed, for my part, if I may be self-centred for a moment, we sought an agreement with the European Union as the most promising route to further diversification in Canada's trade relations. That, for reasons we could go into, Brussels did not welcome. It took us a good long time to induce Brussels to contemplate an agreement with, one, a developed country, as the European Union had no agreements with a developed country, and two, they had no agreement with a federation, which of course raises immediately the question of subnational government regulation.

Finally Brussels did agree, a couple of years ago, and the Canadian government, for its part, energetically assumed the negotiation. It did so and we did so in the Canada Europe Roundtable because of our conviction that Canada needs to diversify its trade relations. Canada, of course, as all of you know better than I do, is a country that depends so heavily on its exports that it would never be advisable to be quite so dependent on a single market as we became on the market of the United States.

Europe, as I said, responded eventually, and we then became engaged in a negotiation that is far more comprehensive and far-reaching than anything Canada has embarked upon before. This is partly because, as I said earlier, the internal barriers to trade that exist in all countries are more pronounced today than they have been in the past, and it's possible that the free trade agreement with Europe, the comprehensive economic and trade agreement—I date myself by still calling it a "free trade agreement"—will provide a way in which we can escape from our self-imposed trade barriers internally.

• (1105)

Trade, after all, has moved from the borders. It's no longer a question of tariffs at the borders. Tariffs are not really any part of this agreement. They've been dealt with at GATT, and the WTO has essentially removed tariffs, or reduced them, with a few exceptions, to a point where they no longer have any meaning. But internal barriers to trade, that is to say, for example, interprovincial trade barriers, or provincial government regulation, have become over the years the much more prominent obstacle.

For my part, I welcome—as do we and the trans-Atlantic organization we represent—the removal of those barriers, which will necessarily flow from the agreement now contemplated.

I think that's all I want to say, Mr. Chairman. I thank you for inviting me today. I brought the brains of the outfit with me, so he can answer all your questions after Jean-Michel goes forward.

• (1110)

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

Now we'll hear from the Canadian Manufacturers and Exporters.

Mr. Laurin, you have 10 minutes.

[*Translation*]

**Mr. Jean-Michel Laurin (Vice-President, Global Business Policy, Canadian Manufacturers and Exporters):** Thank you very much, Mr. Chair.

Good morning, ladies and gentlemen.

[*English*]

Thank you for inviting me to appear before the committee today on behalf of Canadian manufacturers and exporters. We're glad to take part in your consultations on the trade negotiations with the European Union.

Before I begin my remarks, I'd like to say a few words about the association I'm representing. CME is Canada's leading trade and industry association and the voice of manufacturing and global business in Canada. The association, through various initiatives such as the Canadian Manufacturing Coalition, represents more than 10,000 leading companies nationwide engaged in manufacturing, in global business, and in service-related industries.

Manufacturing remains the single largest business sector in Canada. In fact, manufacturing sales totalled \$534 billion last year. Companies that make things in Canada currently account for 13% of Canada's gross domestic product. Manufacturers employ more than 1.7 million Canadians in highly productive and high-paying jobs. Their contribution is critical to the wealth generation that sustains the standard of living each and every one of us enjoys here in Canada.

Manufacturing is also a very export-intensive business. More than half of what we make in Canada is exported directly to other markets. As a result, issues around manufacturing competitiveness in Canada are closely intertwined with the ability of Canadian businesses to compete and to succeed in international markets. It's increasingly critical for our members to succeed in global markets.

As manufacturers increasingly invest in innovation and become more agile, more specialized, and better able to serve niche markets, the more critical it becomes for them to find customers, to find suppliers, and to find business partners globally. We also know that a growing share of our members is looking to take advantage of new opportunities beyond North America, in Europe and in other parts of the world: the European Union currently accounts for over 8% of our exports and close to 12% of our imports. We expect these proportions to grow as the result of a trade agreement.

That being said, CME has been supportive of the launch of trade negotiations with the EU, along with CERT and several others, and

we've been quite supportive of the conclusion of this agreement. The conclusion of the CETA has the potential to help Canadian manufacturers and exporters diversify their sales into new export markets, to increase their presence in Europe at a time when they are looking for new business opportunities, and to position Canada as a more attractive destination for manufacturing investment by giving Canadian companies privileged, duty-free access to the two largest markets in the world, that is, the European Union and the United States.

For this potential to be fulfilled, it's critical that the agreement take into account both the offensive and defensive interests of Canada's most important trade and industrial sectors. I'd like to go into some of these concerns very briefly.

Obviously, our overarching concern in the negotiations is to ensure the agreement provides a net benefit to Canadian manufacturing. Manufacturers have the most to win and potentially also the most to lose in our negotiations with Europe.

Any agreement must reflect the importance of this critical business sector, reflecting the fact that manufacturing is a key driver of the Canadian economy and especially of Canada's international trade and innovation performance. In fact, manufacturing accounts for two-thirds of Canada's goods and services exports—we're very export-driven in the sector—but also for 88% of business spending on research and development and 90% of all new products commercialized in Canada. We're talking about a very innovative business sector.

As a result, we expect the outcome of our negotiations with Europe to deliver a demonstrable net economic benefit for manufacturers in Canada. Specifically, the agreement should result in a net increase in manufactured exports from Canada as well as higher levels of production and investment within Canada.

For this agreement to have a net benefit to Canadian industry, the conditions that need to be met through the negotiations include ensuring that the agreement results in real improvements in access to the EU market. Meaningful commitments to address tariff and non-tariff barriers to trade, investment, and labour mobility, including the use of regulatory requirements to protect the European market, are vital to us for a balanced agreement. Commitments to improve market access must therefore be genuine, verifiable, and also substantial.

•(1115)

We expect the CETA to also include an ambitious schedule of tariff elimination, but it must also deal with the technical barriers to trade that for a lot of companies constitute a real obstacle to doing business in the European market, so we look for the agreement to have a balanced approach to dealing with regulatory barriers to trade. While some sectors—and I'm sure you'll hear from some of them—look for greater harmonization or mutual recognition with the European Union, other sectors look for more of a status quo approach because we've aligned our standards and regulatory practices with the United States, as some sectors are highly integrated on a North American basis.

We also expect the agreement to be ambitious with respect to tariff elimination, and we expect that tariffs in more sensitive areas will be phased out over timelines that provide Canada-based manufacturers the time they need to build capacity to take advantage of more open access to the European market, but also to adapt to changes in the domestic market that would result from an agreement. In that regard, we would look for the agreement to set tariff phase-outs that would provide for an adequate time for industrial adjustment and be contingent on real improvements in market access in Europe.

Procurement is another very important area in the negotiations. Our members look for reciprocal benefits in expanding access to procurement markets. I'm sure you've heard that Europeans have a very offensive stance on access to our provincial procurement markets, but we have several members in several industry sectors that also have offensive interests in European Union procurement markets.

Another important condition that must be met for the agreement to be of net benefit to Canadian industry is that the rules of origin requirements within the CETA reflect North American—not just Canadian—value added. In other words, when you make the rules of origin requirements under the agreement, it's important to recognize that Canada's manufacturing industry is very closely integrated with that of the United States, and that levels of North American content might be quite high, but in some cases the levels of Canadian content would be a little bit lower. In the European Union they don't necessarily have that problem, given that it's a single European market. The importance of this issue is that unless we get the rules of origin right, the percentage of Canadian-made goods that qualify under the agreement would be limited and would diminish over time.

Third, we also look for the agreement to have a robust dispute resolution mechanism so that we can ensure the agreement is effectively enforced once it's in place. It's critical that the agreement not diminish the efficacy of Canada's trade remedy system and our ability to enforce market-based international trade rules. CME members frequently face unfair competition from imports that benefit from government subsidies, product dumping, and other forms of support that contravene international trade rules. Canada's trade remedies system and WTO rules provide us with a transparent, rules-based means to address trade practices that unfairly and illegally threaten the competitiveness of Canada's manufacturing base.

Fourth, we expect the conclusion of the CETA to facilitate business travel between Canada and the EU by providing an

expedited process for delivering visas for cases when they're required for business travel—and this should cover not only general business travel, but also after-sales service and other related business activities—as well as for temporary foreign workers travelling between Canada and the European Union. Manufacturers and exporters succeed today by adding value in global supply chains. A growing share of that value comes from services associated with the products that our members make. We're talking about things like conducting joint research and development with clients and suppliers, designing and doing engineering work with international partners, and providing after-sales service and the like, so it's important to also look at facilitating the movement of business people and workers.

•(1120)

Another important element of the negotiation has to do with ensuring that we modernize the Copyright Act. That's a very important issue not just for European companies, but for Canada's industry. Another element is implementing the Anti-Counterfeiting Trade Agreement. We're also looking for Canada to resist European demands to protect generic and semi-generic geographical indications commonly used by food manufacturers.

Finally, CME has recognized and applauded the government's leadership in helping Canadian manufacturers and exporters grow their business in global markets. We support the conclusion of an ambitious agreement with the European Union that effectively expands business opportunities and leads to greater production, greater export sales, and greater investment levels for Canadian industry. We also expect the government to complement this agreement and other trade agreements simultaneously by taking the steps required to improve our manufacturing competitiveness in Canada.

I'll stop there. I'll be pleased to answer your questions.

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

We'll now open the floor up to questions for any one of the three witnesses. We'll start with Mr. Chisholm.

You have seven minutes.

**Mr. Robert Chisholm (Dartmouth—Cole Harbour, NDP):** Thank you, Mr. Chairman.

My thanks to our guests for coming in today to talk about such an important issue. We're going to share our questions amongst the four of us because we're all interested from our respective jurisdictions.

Having access to the European market is pretty exciting for all of us, right? It's a big deal, those 500 million people. I had a group of representatives from the agricultural sector in my office yesterday talking about the implications of those markets. I wonder if you could tell us what sectors within your membership you expect will benefit most. Are there concerns about any of your members or sectors being negatively affected?

**Mr. Jean-Michel Laurin:** We represent all the companies in every sector of manufacturing and export-related or trade-related activities, and I think everybody has a lot at stake in these negotiations. You're right to say that some have more of an offensive interest, while some have more of a defensive interest.

Some sectors don't do a lot of business in the European Union right now, so they're looking for better market access, because they'll make things that they will export to Europe. Some of our members have been doing business in Europe and have had manufacturing facilities there, sometimes for hundreds of years, and they're looking for better investment protection, labour mobility, and things like that, because they already are in Europe and are considered to be almost a European company.

Some of our members are operating plants in Canada and saying that if they had this agreement they might be able to attract more investment into Canada, because they'd have better access to both the EU and the U.S. market. If you're looking at setting up a manufacturing facility to service the entire world market, Canada is a more attractive place, but there are other factors that come into play when you're trying to attract manufacturing investment.

I think all of the sectors have a lot at stake. Are you asking which ones have more offensive concerns or which ones tend to benefit most? It's really hard to answer that question today, because a lot depends on how the agreement is structured in the end. For example, I've mentioned the rules of origin requirements. This is critical, because how you set the rules of origin determines whether you can use the agreement to sell a product into the European market and vice versa.

• (1125)

**Mr. Robert Chisholm:** And it's going to be a sticking point.

**Mr. Jean-Michel Laurin:** Exactly.

It's really hard for me to say who's going to win. Many industries have a lot at stake in these negotiations, and I think we'll be hearing from some of them. The automotive sector, the steel industry and all of their customers, a lot of companies making fabricated metal products across the country...they are going to be impacted by these provisions. You mentioned the agrifood sector. They have a lot riding on this.

There is a lot of potential in this agreement, but also a lot of risk. It's hard to say right now which sector has the most to gain. It depends on how the final agreement is structured. The EU is a huge market. We already do a lot of business there, but we could do a lot more. If you talk to Canadian companies doing a lot of business over there, they'll mention that there are a lot of barriers, such as tariffs and more technical barriers to trade. If we can remove some of these barriers, I think it would help Canadian businesses tremendously to grow their presence in that market.

**Mr. Robert Chisholm:** I'm going to ask another quick question. Maybe Mr. MacLaren or Mr. Langrish could deal with it at the same time, because we're on a pretty tight timeline here.

**The Chair:** You have two minutes and 30 seconds.

**Mr. Robert Chisholm:** I also want to ask about the dispute resolution mechanism for the investor-state provisions under

NAFTA's chapter 11. There have been issues raised that this has not been to Canada's advantage and that the EU hasn't had it and doesn't feel any need for it. Also, the Australians have taken it out of their trade template. Why is it so important when you have rules-based traders—the EU and Canada—engaged in a partnership that we would need to have this written into the agreement?

**Mr. Jason Langrish (Executive Director, Canada Europe Roundtable for Business):** I'll take this one.

It's not entirely accurate to say that the EU doesn't use investor-state provisions. What the EU does is that they've negotiated bilateral investment treaties, or BITs, as they're referred to.

In many cases, they are negotiations that occur between, say, Germany and an African nation, in which case there would be the sense that there are other ways. If your rights are compromised as an investor, perhaps you could use something like your aid that you're giving to the country as a way of bringing them back around to seeing things in the way that the Germans would want them to see it.

The reason that this has been controversial has not been because it's an investor-state versus state to state. It has been controversial because it's a tug of war between the member states vis-à-vis the European Union, which is one authority to negotiate investor treaties under the Lisbon Treaty. That's why. There has been a bit of a push-back, but if they had serious concerns about it, they wouldn't be discussing investor-state, as they will be in this coming round.

The reason why it's important for Canada is that Canada, even though it's a country that's incredibly reliant on trade and incredibly reliant on sales to foreign affiliates and things of that nature, is not a country with huge resources, especially when you compare it to a country like the United States, China, or India, or Germany, for that matter. Therefore, too, the expectation that every time you may have a problem you have to basically petition your government to act on your behalf is not only unwieldy, it's unrealistic.

Frankly, I think the investor-state provision has benefited us under NAFTA. If you look at the number of actual cases that have been brought forward under it, it's minuscule, considering the volume of trade and the flows of investment that occur. The stock of investment is half a trillion dollars. The number of cases where they've exercised the investor dispute resolution mechanism within NAFTA is fairly minimal. Also, in a global rules-based trading system, even if we're talking about a bilateral negotiation, again, for a country of 35 million people, it's in our benefit to have binding, clear, concise, and actionable rules that govern our relations with other trading partners. We simply are not at the same level and scale as the United States.

Just to give you an anecdote, if you go to the WTO and sit in on any negotiation, you'll see that the size of the delegation tells it all. That acts as a proxy for the types of resources they can dedicate to these types of things.

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

Mr. Keddy.

•(1130)

**Mr. Gerald Keddy (South Shore—St. Margaret's, CPC):** Thank you, Mr. Chairman.

I welcome our witnesses.

I'm going to split my time with Mr. Holder, so I'll try to be succinct. I have two questions, the first for Mr. MacLaren.

Mr. MacLaren, you've spent a lot of time in government in Canada and you've had an illustrious career. You've seen the trade balance from both sides, from the political side and from the business side. We appreciate that.

You mentioned in your opening comments the stalemate at the Doha Round and the difficulty of pursuing binding multilateral trade agreements anywhere on the planet. Is there potential here for this agreement—because I believe there is—to lead the way for future agreements? If we can come to grips with a number of issues such as government procurement and all those issues that have never been on the table before, is there a potential to really break that stalemate here?

**Hon. Roy MacLaren:** As they say in the funny papers, I'm glad you asked.

You're absolutely right. Absolutely, this is building-block stuff. It's a template for eventual return to multilateral.... What we're seeing in the meantime, however, with the demise of Doha Round is the rapid expansion, the blossoming, of bilateral agreements, many of them at the instigation of or the promotion by China, or India, or Brazil. The terms of trade are increasingly being set in our absence—I mean the west's absence—from international trade negotiations with the demise of the Doha Round. These terms are increasingly set by China, India, and Brazil.

Here in Canada, we have an opportunity not only to display to the world that we're not a protectionist country, that we're not indulging in protectionism, but more important, that we're attempting, with our European partners, to set new standards of international trade negotiation that will set the terms and the tone for future trade negotiations internationally, bilaterally, and regionally, which otherwise the Doha Round might have done.

But I, for one, do not want to see trade standards and trade practices set by China or India, and here is an opportunity to get aboard the bandwagon before it leaves.

**The Chair:** At this point, it's Mr. Holder.

**Mr. Gerald Keddy:** Is that pretty well half?

**The Chair:** Yes.

**Mr. Gerald Keddy:** All right. I'll come back in the next round.

**Mr. Ed Holder (London West, CPC):** Thank you. I love democracy.

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

I'd like to join our side, Mr. MacLaren, in saying that you've had a very distinguished career, and we'd like to thank you for your service to our country in so many facets of what you've been involved with.

Mr. Langrish, I'd like to understand a little more about the Canada Europe Roundtable. I know that it's been around for a dozen years. As I understand it, you've been advocating free trade with Europe for quite some time. I'm trying to understand from your perspective, in terms of the activities you do, why free trade with the EU is so essential. What do you think your members hope to gain as a result of this?

**Mr. Jason Langrish:** We've been around since 1999, as you say. It's a response to a commercial necessity. Trade has increased and investment has increased, and we don't have a framework that governs it properly or that recognizes the realities of it. That's what our members want, ultimately. They want clear rules that govern the exchange of people, of investment, and of goods between Canada and the European Union. There's no secret to what they want.

I think that if you were to talk to the Canada-India Business Council, you would hear that they probably want the same thing for their members with regard to their relationship with India, and the Canada China Business Council would want the same thing with regard to China. We prosper when we have meaningful, rules-based structures that govern our commercial relations.

Then there's also the corollary to that: the cultural and the political exchanges that inevitably come on the back of these things. You can have academic exchanges or cultural exchanges, but they're facilitated by modern technologies and air transportation and things of that nature.

These things need to be free and they need to be reciprocal and that's what our members want.

•(1135)

**Mr. Ed Holder:** It's interesting to hear Mr. MacLaren say that what we're really creating here is basically the template. What it really means, then, is that we have the opportunity as businesses in Canada to then take advantage of the building blocks we've put in place.

It's interesting, Mr. Langrish, to hear you talk about the need for a clear, rules-based system. The irony is that we trade with all these countries anyway, we truly do, but you have the issue of tariffs and you have the issue of not having a clear, rules-based system in place so that when there are disputes, when there are opportunities for us to take advantage of business scenarios in Europe, we just don't have that clear, rules-based system.

It's very clear to me that if we're going to engage in trade with countries around the world—and that has been a very aggressive agenda for Canada—we must have a clear, rules-based system that sets out the expectations so that business knows this, and in an era of uncertainty, that's when business has the most and the greatest challenges. Quite frankly, as a business person, as long as I know the rules I can work within them to my advantage, but if I don't have a clear, rules-based system, which we're putting in place here, I think that creates greater challenges.

Quickly to you, Mr. Laurin, if I may, you've talked about why you support this agreement, CETA. Can you tell us about some of the tariffs and the non-tariff barriers that are facing the manufacturing sector and how that affects our businesses here in Canada?

**The Chair:** A short answer, please.

**Mr. Jean-Michel Laurin:** Tariff barriers, as Roy said, tend to be low because we reduce them through multilateral efforts, but what we're hearing from a lot of our members is that when we're trying to do business in Europe we have some of the highest gross margins. In other words, it's a market that will pay a premium for quality and for good Canadian-made goods. However, tariffs that are sometimes at around 4%, 5%, 6%, 7%, 8%, or 9% can really eat into your profit margins and turn a profitable situation into a loss.

With the non-tariff barriers, we're often dealing with regulatory barriers to trade. A lot of these barriers are in procurement markets; we have some information we have received from our members. By nature, these barriers tend to be complicated, but what we're looking for in some cases is more alignment or a mutual recognition of standards. There are certain industry sectors looking for that. For example, the chemical sector has been pushing for that, while in some other areas I think we respectfully understand that we have different standards and there's not necessarily a need to harmonize them or have them be mutually recognized.

I don't have a lot of time, and it's not easy to summarize technical barriers to trade, but I think that by and large we're talking about regulatory barriers to trade. We want to make sure that there's more of a science-based approach to some of these things, because in many instances what we've seen is Canadian companies being shut out of markets because they've changed a rule and a couple of European companies can qualify. So having an effective dispute resolution mechanism is one thing, but having a mechanism for dealing with some of those regulatory barriers is important as well.

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

Mr. Easter, you have seven minutes.

**Hon. Wayne Easter (Malpeque, Lib.):** Thank you, Mr. Chair.

Thank you, gentlemen, for coming in.

Mr. Laurin, in the beginning, you mentioned and emphasized how important it is that at the end of the day the negotiations provide a net benefit to Canadians. The numbers that the government continues to give us are an analysis that was done prior to round one, so they're dreams. They're wishes.

Have you seen a net benefit analysis of either the sixth, seventh, or eighth round of negotiations and, based on the results of those negotiations, what the net benefits to Canadians would be?

**Mr. Jean-Michel Laurin:** That's a very, very good question. The short answer is no. The joint scoping exercise that was done prior to the launch of negotiations was looking at the potential benefits for an agreement and the economic impact of liberalizing I think most if not all trade and investment between Canada and the European Union.

It's hard to do an economic impact assessment while you're negotiating, because a lot rides on what we're giving up and what we're getting in return, but this is a point that we've made to negotiators. At some point in time, I think it would be good, especially as we're looking... There are going to be some trade-offs made and I think several industry sectors will be asking questions as we get deeper into the negotiations. I think it's important to have a better sense of it, not just in the aggregate but also for specific

industry sectors, to assess what the impact could be. It's also important to do that because it gives you a sense of how markets might react as a result of an agreement.

We expect the result of an agreement to deliver net economic benefits, not just to Canadian manufacturers. I think Europeans expect the same thing. That's the great thing about international trade. If you do things the right way, it's mostly a win-win proposition, but it's important that we structure the agreement in such a way that this result indeed does happen.

So the short answer is no, but this is something that we think is going to be important.

• (1140)

**Hon. Wayne Easter:** When the minister and chief negotiator were here, we were having extreme difficulty. He did mention that they had a list but didn't provide the list, and I do think it's important that we be open and honest with Canadians. Yes, it would be nice if it would be all win-win, but there will likely be some losers.

In fact, Peter Clark, a former Canadian trade negotiator, is quoted as saying that "we'll pay for it dearly", albeit he's saying that we still need to go ahead with the negotiation and open up that market. We certainly support trade, but we really need the government to be more straightforward, transparent, and honest with us in where they're going.

Mr. MacLaren, you said in the beginning that tariffs are reduced to the point that they have very little meaning, and with few exceptions. Again, when the minister and chief negotiator were here, we asked them some fairly direct questions on supply management, and of course the government said they support supply management. But what makes a supply management system work is the three pillars under which it operates. One pillar is tariff protection, another is price control, and the third is control over certain imports.

**An hon. member:** Do you have a question?

**Hon. Wayne Easter:** Yes, I have a question.

Where do you see this being at on the supply management industries and the tariffs that are so important to them?

**Hon. Roy MacLaren:** Supply management...we'll see where that goes in the course of the negotiation. The European Union has its own forms of protectionism in agriculture, as we do here in Canada, in the form of supply management in the poultry and dairy industries.



If, however, as I personally would hope to see, this is the occasion when Canada can finally phase out supply management in agriculture, the examples of Australia and New Zealand are already there as an effective way in which to do it. Australians and New Zealanders found that not only were they able to assure their farmers of compensation where it was needed, but they also discovered, somewhat to their own surprise, I think, that the export markets for Australian and New Zealand dairy products expanded enormously. I think that will be the case under the European agreement.

For Canadian cheese producers, which is, after all, what we're talking about, as no one's planning to ship raw milk across the Atlantic, the opportunity will open up to a degree we do not yet foresee. It will provide all sorts of opportunities to Canadians.

Therefore, I would hope that the committee and the government will take a positive attitude towards a sensitive phasing out of supply management under this agreement.

**Hon. Wayne Easter:** How am I for time?

• (1145)

**The Chair:** You have another minute.

**Hon. Wayne Easter:** Okay. That will do. I'll take the minute.

**Voices:** Oh, oh!

**Hon. Wayne Easter:** Roy and I have had this discussion before.

I disagree with your analysis on Australia and New Zealand and supply management, but that's beside the point. There's no need to get into that here.

On the enforcement side, in our agreement with the United States, we're finding that the United States today has put in more marine regulations, which is going to affect our traffic in the St. Lawrence Seaway. The Canadian government seems to cave in to the Americans when they do these kinds of things rather than challenge them. On CETA, what do you see as the requirements to basically police the agreement and to do it quickly, so that if there are problems you're not put out of business before enforcement kicks in, and so you get the issue dealt with?

**The Chair:** I'll cut you off there. A very quick answer, please.

**Hon. Roy MacLaren:** I'm not sure that it wasn't a statement rather than a question.

**The Chair:** Yes, I think it was. Let's go on.

Mr. Shipley.

**Hon. Wayne Easter:** Mr. Chair, the question was on enforcement. Enforcement is important.

**The Chair:** You have seven minutes.

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

Thanks to the witnesses.

My first question is for Mr. Langrish. I'm from agriculture. Supply management, as we know, has always been protected by this government. In fact, it's the only government that has acted when an issue has come up. I do want to talk about something you said. You said that this agreement is more far-reaching than any agreement

before it. Can you help us understand that a little bit? Sometimes those statements raise a flag. I see it, though, as a benefit in terms of being able to reach out further with this agreement than others. I wonder if you can explain why that is good.

My second part will be for Mr. Laurin. You've talked about your Canadian manufacturers and exporters, the 10,000-plus companies, which tells me that there are a lot of small and medium-sized businesses. We rely on 8% exports and 12% imports. You've raised some concerns. Obviously you support the discussions and the development of CETA, you've said, as long as it works for us. Those are all very legitimate questions, but is there a listening ear? When you're talking about negotiations in terms of those who are dealing with this agreement, do you have a listening ear with those folks?

I'll start with Mr. Langrish.

**Mr. Jason Langrish:** I'm not sure I said that, but that's fine. It might have been one of my colleagues.

**Mr. Bev Shipley:** It must have been Mr. MacLaren, then.

**Mr. Jason Langrish:** In any event—

**Mr. Bev Shipley:** I wrote it down.

**Voices:** Oh, oh!

**Hon. Roy MacLaren:** He wishes he'd said it.

**Mr. Jason Langrish:** Exactly.

When I say far-reaching, it's not necessarily "encroaching", if I were to use that term; you just have to look at the change in the nature of trade.

One of the reasons we have problems under NAFTA is that our agreement is out of date, and politically we can't reopen it and fix the problems. That's why we run into all these troubles.

When we negotiated NAFTA, as an example, with the EU we would have been primarily in export mode. We are at the point now where our stock of foreign investment has expanded. We're getting close to half a trillion now in bilateral stock of foreign investment between Canada and Europe. The sales of our companies in Europe, the sales of our foreign affiliates, are four times what we export over there. The nature of the game has changed. This agreement needs to be broader to reflect that and to address the issues that come with it.

So that's really what we're saying: negotiate an agreement that reflects the current business realities. A NAFTA-type agreement in this day and age wouldn't do that.

**Mr. Bev Shipley:** Okay.

Mr. Laurin.

**Mr. Jean-Michel Laurin:** The short answer is yes. Steve Verheul, Canada's chief trade negotiator, has actually been quite open to and quite welcoming of input by industry. To our association, to CERT, and to several others I think he's gone out of his way to make himself available. Obviously he wants to get as good a deal as possible for Canada.

There are some challenges in getting companies to provide input in negotiations. You're right to say that most of our members are small and medium-sized manufacturers. I think Canada is pretty active on the trade negotiation front right now, and in hindsight we're starting to think about maybe resurrecting some of the older structures that were in place in order to get broader industry input on a regular basis.

As you know, we're negotiating with India. We've concluded negotiations with a number of countries. We need to develop—because of what Roy was explaining—our bilateral trade agenda. Government is doing that very actively, but I think it puts a stress on businesses to provide meaningful input. In many cases, what industry and companies need to do is assess how these agreements and how these negotiations could potentially impact their sectors.

So the short answer is that the negotiators and the entire negotiating team have been quite good in welcoming and inviting industry input, but that shouldn't stop us from thinking about how we can ensure we get better business engagement, better business input, into trade negotiations—not just this one, but the entire government trade agenda.

I mean, your government has been putting a lot at stake on opening up markets for Canadian exporters. We welcome that, but we need to make sure that we get really good input from our members and from all companies across Canada if we want these agreements to be of maximum benefit to the Canadian economy.

• (1150)

**Mr. Bev Shipley:** Mr. Chair, I'm going to leave a little bit for my colleague.

**The Chair:** All right.

**Mr. Devinder Shory (Calgary Northeast, CPC):** Why, thank you, Mr. Chair.

Thanks to the witnesses.

We, Mr. Chair, all know that the NDP has to oppose trade because they have to protect, they like to protect, special interest groups. Here on this side of the table, we understand this clearly, that 60%—

**The Chair:** Do you have a question for them?

**Mr. Devinder Shory:** Well, of course, Mr. Chair. I'm addressing them through you, and I'll be putting my question through you.

Anyway, we do understand that 60% of Canada's annual GDP and one in five jobs are directly or indirectly related to trade. That's why, whereas in 13 years of Liberal government they signed only three agreements, in less than six years our Conservative government has signed nine agreements with nine countries, and is ambitiously negotiating agreements with numerous other countries.

Now I'm coming to the question. I would like Mr. Laurin to comment on two things, because I know the chair will not give me extra time.

One, how have past free trade agreements helped businesses create new jobs? And two, as we are talking about CETA, I'd like to hear a comment on this agreement. Do you think it will help the businesses grow and will help the businesses create new jobs?

**Mr. Jean-Michel Laurin:** On whether past agreements have helped create jobs, I think it's quite clear that they have. For example, the Canada-U.S. Free Trade Agreement and NAFTA, the North American Free Trade Agreement, have really helped Canadian companies not only grow their market share in the U.S. market but also restructure the Canadian economy so that now we're really part of one integrated supply chain that spans across Canada, the United States, and Mexico. That has allowed Canadian manufacturers to become much more competitive both domestically and in global markets.

Second, do we expect CETA to help businesses grow? Yes—the agreement needs to be structured in a way that delivers net economic benefits to Canadian manufacturing.

**Mr. Devinder Shory:** Mr. Chair, do I have time for one more question?

**The Chair:** No, I think your time is gone.

Mr. Ravnat, before I yield you the floor, I believe there's a technical glitch. If the light doesn't go on, press the button. We have technical support coming. We will handle this. It's not a problem.

Go ahead.

[Translation]

**Mr. Mathieu Ravnat (Pontiac, NDP):** Thank you, Mr. Chair.

I would also like to thank the witnesses for coming here today.

My question is about my concern regarding the state of readiness of domestic markets, the sub-national markets. I would like to begin my intervention by quoting the coalition of business groups your organizations are a part of. In 2009, a press release said the following: "The coalition feels that the provinces must first of all put their own affairs in order, to avoid having their efforts to obtain the best possible access to European markets stymied."

That was a little over two years ago. In two years, what has really changed to give you greater confidence? In 2011, do you think that everything is in place to secure the greatest possible access to European markets?

[English]

**The Chair:** Go ahead, Mr. Laurin.

**Mr. Jean-Michel Laurin:** I can go first.

I'm sure you'll want to add something.

[Translation]

I can state that access to sub-national markets, otherwise known as access to provincial procurement, is an important issue for the Europeans. Furthermore, many Canadian companies are not necessarily averse to cleaning up the public procurement markets. I think that the provinces can play a significant role in this matter.

Several of our members are taking an offensive stance. For example, there is the aerospace industry in Quebec, which has a very strong interest in opening up European Union procurement markets. We are hoping that we will have a reciprocal relationship. In other words, we want greater access for the Europeans to our procurement markets to open up the door for us to similar gains in the European Union.

As for the comments you quoted, I would say that the international trade commitments made by the provinces often result in a clean-up of the management of procurement markets, or they make them stronger.

Since 2009, this change has taken place as a result of the broadened procurement agreement negotiated by Canada and the United States, an agreement that included the provinces. The provinces had never signed on to NAFTA. What's changed since 2009 are the international trade commitments made by the provinces with respect to their own procurement markets. So we would be broadening part of these commitments to include the European Union, and we are even trying to see if we can be a little bit more ambitious, to the extent that this would enable us to achieve important gains in European market access.

• (1155)

**Mr. Mathieu Ravnagat:** If I still have some time left, I would like to share it with Mr. Côté.

**Mr. Raymond Côté (Beauport—Limoilou, NDP):** I would like to thank you, Mr. Chair, on behalf of the extremely intelligent third of Canadians who supported the NDP.

Gentlemen, I have some concerns. In a recent Industry Canada report on small- and medium-sized exporters, it was clearly explained that a very high percentage of these businesses were compelled to move their activities outside the country. Obviously, I am very concerned about the expected impact on both sides of the ocean, and particularly concerned about inequities that could occur in Canada as a result of this delocalization, which would force us to move good jobs to Europe. There would, however, be some European delocalization in order to develop our natural resources, which could accelerate a phenomenon which currently is very significant and puts Canada at the mercy of the world situation.

Do you feel that this agreement is unbalanced? This is my concern.

**Mr. Jean-Michel Laurin:** That is a very good question. I believe that I will have to provide you with a very quick answer.

Yes, there are some fears about that. I do think that we should fear the emigration of businesses. Essentially, we should be giving Canada's manufacturing SMEs every reason to invest here.

However, we also have to understand the reality that we explained earlier. We are now talking about a global procurement chain.

Businesses are now part of global manufacturing networks. A large number of businesses, particularly SMEs, are saying that they had to invest abroad for a whole variety of reasons. They often talk about access to low-cost labour. However, I would say that the primary objective of businesses that benefited the most from this labour was access to certain foreign markets where the trade barriers are still significant.

As for the agreement with the European Union, I believe that the European Union and we have very complementary markets. I can foresee a great deal of potential in attracting European investment, not only in the natural resource sector, but also in the manufacturing sector. Once again, everything depends on what will be included in the final agreement. Numerous SMEs view enhanced access to European procurement markets as something that will help them increase their production here, in Canada. So setting up operations in Europe is not necessarily on the priority list of many Canadian companies at this time.

[English]

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

We have about three minutes left in this segment.

We'll ask Mr. Keddy to finish it off.

**Mr. Gerald Keddy:** Thank you, Mr. Chairman.

I have a quick question for Mr. Laurin. If anyone else wants to chime in, they can.

There was some discussion about tariffs being fairly low in the manufacturing sector. However, in the agricultural sector, tariffs are high, particularly in seafood. Tariffs are up to 24% and 25% on some line items.

My question relates to your statement about rules of origin. Certainly in the agriculture sector, I've talked to a number of producers, and they feel that they can separate the supply lines and the rules of origin and get around that and produce a Canadian product.

In these negotiations, why wouldn't we, and why wouldn't your association, be lobbying for a slight difference? Use the WTO substantial transformation rule and look at rules of origin in manufacturing being treated slightly differently than rules of origin in agriculture. I think there's potential to do that. Have you been pursuing that?

**Mr. Jean-Michel Laurin:** The answer is yes. I didn't mention that in my comments, but we've been advocating for a flexible approach to how rules of origin requirements are determined. Some industries are more comfortable with a tariff shift approach, which is, by and large, the approach used in NAFTA. Some other industries, and you mentioned the agricultural sector, would be more agreeable to a substantial transformation definition. We've certainly told negotiators that it would be in Canada's best interest to have flexibility in how rules of origin requirements are determined for different classes of products.

**Mr. Gerald Keddy:** Perfect.

A quick question...?

**The Chair:** A 30-second question, Mr. Hiebert.

• (1200)

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

You mentioned earlier the supply chain that emerged within North America because of NAFTA. Do you imagine a similar supply chain emerging with Europe or is the geographic distance too great to make that realistic?

**Mr. Jean-Michel Laurin:** It already exists in certain industry sectors. We have members, for example, in the aerospace industry or in the pharmaceutical industry that really have almost integrated supply chains that span the ocean.

There are specific industries. It depends on the value of the product and the nature of the goods you're manufacturing. Obviously there's an ocean that separates us; it's a bit different from a river, where you just cross a bridge and go over to the other country.

But I do see this agreement as having the potential to lead to a lot more integration of manufacturing supply chains across North America in industry sectors that have been facing barriers and hurdles in making that a reality. As Canadian and European manufacturers move into niche markets and become more agile and specialized, the more they can work together to serve global markets.

The short answer is yes. It has that potential, but there is already some of this happening, and it would be facilitated by the conclusion of a trade agreement.

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

I want to thank the witnesses for coming in and lending their expertise to the panel and to our discussion on this important free trade agreement.

Thank you very much for coming in and doing this.

Mr. MacLaren, you wanted a brief comment.

**Hon. Roy MacLaren:** May I just say one last word? We're talking about an agreement today that's almost done, fortunately, and I welcome the committee's study.

But I would urge you, if I might now put on my hat as chairman of the Canada-India Business Council, and put off my hat of Europe—

**The Chair:** Oh, here comes the point—

**Hon. Roy MacLaren:** I would urge you to hold hearings to do a study of Canada-India trade. We're embarked, as some members will know, on the first stage of a negotiation, and—

**The Chair:** We're a step ahead of you.

**Hon. Roy MacLaren:** Oh, good. That's fine.

**The Chair:** Actually, we have that on our agenda, and we will be facilitating that in due course.

**Hon. Roy MacLaren:** You might also want to look at China, but that's a whole different story.

**The Chair:** Okay, okay.

**Voices:** Oh, oh!

**The Chair:** You've just swallowed up the whole year.

**Hon. Roy MacLaren:** Yes, but you never get—

**The Chair:** At any rate, we want to thank you for coming in.

We're going to suspend for five minutes now.

We can grab a sandwich and a coffee as we get the video conference with Nova Scotia set up.

• \_\_\_\_\_ (Pause) \_\_\_\_\_

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• (1205)

**The Chair:** We'd like to call the meeting back to order. We'll ask members to take their seats as soon as possible, but we'll get started.

First of all, we want to thank Mr. Don Downe, from Nova Scotia —

**An hon. member:** He's actually the Mayor of Bridgewater.

**The Chair:** The Mayor of Bridgewater? Very good.

We want to thank you, Mr. Downe, for being on video conference.

**An hon. member:** It's the Municipality of Lunenburg.

**The Chair:** The Municipality of Lunenburg?

We have a lot of opinions on what you do.

**Voices:** Oh, oh!

**The Chair:** Mr. Boutziouvis is going to join us in a second or two at the table, but we look forward to your intervention. We'll yield the floor to you first, Mr. Downe.

**Mr. Don Downe (Chair, Standing Committee on Finance and Intergovernmental Relations, Mayor of the Municipality of the District of Lunenburg, Federation of Canadian Municipalities):** Thank you very much, Mr. Chair.

It's a pleasure to be here from High Liner Foods, just outside of Lunenburg in Lunenburg County. I appreciate being able to deal with this through this medium.

I have a small presentation on behalf of FCM that I'd like to go through first to bring all of you up to speed on the position that FCM has taken with regard to the negotiations.

Mr. Chair and members of the committee, I want to thank you very much for inviting us to speak to you today on this important issue.

We're pleased to be here to present the municipal perspective on this issue. Our president, Councillor Berry Vrbanovic from Kitchener, Ontario, asked me to share his greetings with you. I believe he's on the Hill today lobbying on another issue.

As you know, the FCM has been a national voice of municipal governments since 1901. We represent nearly 2,000 municipal governments, from the largest to the smallest, including over 90% of the Canadian population within our membership. Municipalities will be right in the middle of transforming our economy in the 21st century, building new transit systems, redesigning our water and waste water plants, and retrofitting everything from libraries to hockey arenas and more to be more efficient.

Canadian municipalities procure over \$100 billion a year, investing in infrastructure and services that deliver and support our national economy. As Canada negotiates CETA, these investments need to be seen as part of the broader economic strategy within Canada so that we can cultivate and export our expertise, while at the same time protecting the rights of citizens and communities to make decisions based on their own interests. As such, a strong partnership among all levels of government during trade negotiations is required to maximize the benefit of these types of trade agreements, while at the same time minimizing the negative impacts and risks to all of us.

For more than two years, the FCM has had a very strong and clear relationship and position with regard to the new trade agreement that we're talking about. Municipalities support free and fair trade between Canada and the world; however, the Government of Canada must ensure that any new trade agreements reasonably respect and protect municipal autonomy and decision-making. We have established seven principles for fair trade that we have communicated to the federal government to guide their negotiations. Our objective is simple: to protect the municipal right, within reasonable limits, to do their work as the respective councils see fit.

Over the past year, the Minister of International Trade, Ed Fast, has joined us by conference call, and in person at our latest meeting in September in Nelson, B.C. The minister's latest correspondence with us, which is available on our website, shows that the Government of Canada understands our position. The minister's letter includes the government's specific responses and commitments to each of the seven principles that we've talked about.

For the benefit of your committee, I will quickly run through the seven principles of FCM's position on international trade.

The first one is reasonable procurement thresholds. Inappropriately low or broad procurement thresholds may force municipalities to tender projects when tendering is neither practical nor financially justified.

The second item is streamlined administration. Ensuring that municipal procurement policies are free-trade compliant will likely create new costs and may require specialized expenditures. The administrative design of these rules must be as streamlined as possible and developed in close cooperation with our municipal procurement practitioners.

The third issue is progressive enforcement. Enforcing provisions of any deal should be progressive and should not penalize inadvertent non-compliance, particularly in cases where municipalities do not have the expertise to appropriately apply the rules—in other words, this means making sure that these will be able to be dealt with and understood throughout the nation, whether you're from Toronto or from Lunenburg itself.

Fourth is Canadian content for strategic industries and sensitive projects. A trade deal must recognize strategic and public interest considerations before barring all preferential treatment based on country of origin. There may be industries of strategic significance to particular regions—such as transit—or projects where consideration of quality, public benefit, environmental protection, or business ethics means that a local government may wish to use criteria beyond the simple cost base of competitive pricing. This should be

allowed within reason and that is where the provinces obviously will be playing a big role.

• (1210)

Fifth, a dispute resolution process like the one in NAFTA must ensure that the municipalities can appropriately defend their policies and bylaws as an order of government. Consultation and communication during negotiations are required to ensure any resulting agreement responds to provincial and municipal concerns. We have been working with a group at DFAIT, the Department of Foreign Affairs and International Trade, on a regular basis, and they realize that's important to us all.

Sixth is reciprocity. Canada's negotiation position must support reciprocity in Canada and foreign municipal procurement practices. In other words, we must be asking for similar access as that which is being asked of us as Canadians. In particular, the deal's construction-related procurement thresholds seem reasonable; currently, they're at \$8.5 million. These are in line with the current World Trade Organization thresholds and are consistent with previous agreements, namely, the Buy American agreement last year.

We understand that the provinces and the territories will be in the lead in negotiating specific exemptions for strategic industries or special projects. It is critical that the interests of all governments work together to craft an agreement that protects the rights of municipalities to build, maintain, and operate the infrastructure that supports Canada's economic competitiveness and quality of life. We should not be put at a competitive disadvantage because of this agreement.

Indeed, the minister has committed to not signing any agreement that is not in the best interests of Canadians. This must include the communities in which they live as well.

There are still unanswered questions regarding the administrative enforcement provisions in dispute resolution processes within CETA. Municipalities will be monitoring the status of the negotiations as they continue to develop. All governments must continue to work together as part of a broad economic strategy, which includes international trade agreements. Developing municipal procurement policies that protect Canadians and our communities will require specialized expertise and must be developed in close cooperation with the municipal procurement practitioners.

I'll open it up now to questions with regard to your committee. I thank you very much for the opportunity to say a few words.

• (1215)

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

Our telecommunications are working fine. You came through loud and clear, so thank you very much for your intervention.

Before we go into questions and answers, we have with us Sam Boutziouvis, from the Canadian Council of Chief Executives.

The floor is yours, Sam.

**Mr. Sam Boutziouvis (Vice President, Policy, International and Fiscal Issues, Canadian Council of Chief Executives):** Thank you.

Mr. Chairman and committee members, thank you for the invitation to appear before this committee on international trade.

The Canadian Council of Chief Executives has a long history of support for measures to strengthen our economic relationship with the European Union. The CCCE supports an ambitious and comprehensive economic partnership agreement between Canada and the 27 member states of the EU.

Founded in 1976, the CCCE is a non-partisan organization that engages in public policy research, consultation, and advocacy. Its member CEOs, about 150 in total, lead companies that collectively administer \$4.5 trillion in assets, employ more than 1.4 million men and women, and are responsible for a lot of Canada's private sector exports, investment, and training.

Our chief negotiators are meeting this week for the ninth round of negotiations toward CETA. It's a wonder that these negotiations have progressed as far as they have and as quickly as they have, given the economic and political challenges in Europe as well as globally.

The important discussions currently under way to restore health to the European financial system will be important to Canada. Several EU member states are in the throes of a debt crisis that will require great political skill, clarity, and vision to achieve a resolution. Meanwhile, the United States, our number one trading partner, and our number one priority internationally, faces a number of challenges that are familiar to all of us.

All of this is to say that there could not be a more compelling reason to stay the course with the CETA talks. In addition to slower growth in the U.S., in several EU member states, and even in China, we have faced and will continue to face the protectionist impulse in all of its various forms as public sector austerity measures are put into effect. At a time of tremendous global economic uncertainty, successful conclusion of these negotiations toward a comprehensive economic trade agreement will send a powerful pro-growth signal to investors and businesses, both within our borders and beyond. Deeper bilateral economic integration with the EU will bolster confidence and create important new opportunities for workers, businesses, and investors on both sides of the Atlantic.

As you know, collectively the EU represents the world's largest market in terms of gross domestic product, as well as the world's largest importer and exporter and largest investor. Next to the U.S., the EU is Canada's second-largest trading partner and its second most important source of foreign direct investment. Reciprocally, the EU ranks second as a destination for Canadian FDI.

Canada is learning that the first mover advantage can yield benefits. For example, negotiating and implementing the Canada-Colombia FTA gave our world-class western agriculture producers the first mover advantage over their competitors. It has worked very well thus far. The same first mover advantage will be strategically important, in our view, in the Canada-EU context. With the exception of Korea, Canada will be the only developed economy with a CETA or a trade agreement with Europe. As a result, it is our

view that Canadians will benefit from the CETA in terms of jobs and growth, precisely because of this first mover advantage.

Canada and the EU should not delay or equivocate or diminish the ambition in the negotiations because of tough issues. Certainly, business leaders on both sides of the Atlantic will continue to pursue opportunities with or without new rules in place, but they will take greater interest in a negotiation that is deep, comprehensive, and meaningful.

Some of the priorities that CCCE has suggested should be part of a final CETA package—and we're not sure they will be part of a final CETA package—include: the elimination of all remaining tariff barriers and resolution of non-tariff trade barriers; the opening of services markets; broad reciprocal access to public procurement; measures to ensure the mobility of skilled personnel and service providers, as well as speedy progress towards mutual recognition of professional qualifications; stronger intellectual property protection, including in copyright, enforcement, and patents; measures to boost technological development and encourage closer cooperation on energy and environment; an ambitious regulatory cooperation agreement with a commitment to action in priority sectors; accelerated convergence in competition policy and tax administration, and we'll see if we can do that; a comprehensive dispute resolution mechanism that would be binding on state-to-state, and to the extent that an investor-state mechanism can be negotiated, we would obviously support it; and, of course, the involvement of our provincial governments in areas of either complete or partial provincial jurisdiction. Enthusiastic engagement on the part of Canada's provincial governments is important to the successful negotiation and implementation of a comprehensive agreement.

● (1220)

The CCCE has emphasized that a Canada-EU economic partnership would possibly be a catalyst for further multilateral liberalization in critical areas. To Canada, the WTO remains the pre-eminent forum for global trade liberalization. Sadly—and just as a bit of a response to the exchange between Mr. MacLaren and the member from the Conservative Party—the Canada-Europe talks are not going to be the catalyst we envisioned a couple of years ago to push the Doha development agenda, which still remains stalled at the WTO.

There's going to be a WTO ministerial meeting this December where some hard questions will have to be asked, and they're going to need answers. Such questions include the following. What now for the WTO and the DDA? How does the WTO frame a forward agenda, given the inability to come to a final deal, which has taken over a decade to negotiate? Should the WTO consider plurilateral negotiations as opposed to continuing with the omnibus multilateral deal? That's an issue that I think some of our negotiators have raised in Geneva.

In 2006-07, CCCE embarked on a strategy to pursue market access opportunities in a number of priority markets in both developed and developing economies. For example, CCCE provided input and supported the perimeter security and regulatory cooperation vision enunciated by President Barack Obama and Prime Minister Harper last February. We hope these action plans will be released soon, because we think we can move the dial a little bit on our trade.

As Bank of Canada Governor Mark Carney has indicated, there is a \$30-billion gap in our trade with the U.S. and that needs to be filled. We need to fill this gap and grow our trade even further, but more needs to be done on the Canada-U.S. front. The CETA will help, especially given estimates that our trade could rise by as much as 20% vis-à-vis the CETA being negotiated and agreed upon, but our gaze must also turn to Asia and Latin America.

Just recently, the CEO of Manulife, and my CEO, the Honourable John Manley, visited Japan with a small group of CEOs. The purpose was to discuss an economic partnership agreement and possible trade negotiation with Japan. Tomorrow, the CCCE will release, with the Canada-China Business Council, a paper written by Professor Wendy Dobson on an Asia and China strategy for Canada. The paper calls for the development of a road map of engagement with priority Asian countries, including China, as well as regional groupings like the Trans-Pacific Partnership.

Asia's rise is the single most important force transforming the world economy. The CCCE is planning a major initiative regarding Canada's future prosperity in a world in which economic power is shifting towards Asia.

In August, Prime Minister Harper and Brazil's President Rousseff announced a CEO forum, as well as several other initiatives. We have work under way to try to stand up the CEO forum as quickly as possible to support both the Prime Minister and President Dilma Rousseff with a number of initiatives to enhance our commercial relationship.

Just to wholeheartedly support Mr. MacLaren, we're going to launch the Canada-India CEO forum. The forum should enhance our commercial relationship and provide advice toward the Canada-India economic partnership agreement, which just got under way.

We also have a little bit of research under way on Australia and on whether or not we can enhance our relationship with Australia in a meaningful way.

Canada is deeply integrated into North America, but needs to do more. Canada is a Pacific nation, but must look more intently and with greater purpose towards Asia, China, and Japan. But Canada is also an Atlantic nation, and here I'll repeat what I think everyone at the table knows, but I think it bears putting on the record. We have close linkages with the EU. We share a history. We're home to millions of people of European descent and we share important values and a deep respect for the rule of law and good governance. We're trusted partners. We're members of NATO. We're trying to advance global security mutually. We share a massively important relationship with our common ally, the U.S.

These are powerful imperatives. Coupled with the imperative to achieve greater growth, jobs, and prosperity, this is an irresistible

case for Canada and the EU to finish these negotiations as soon as possible in 2012.

• (1225)

Broadly, there is very strong support for closer linkages with Europe. This can't be dismissed by the likes of Maude Barlow and the Council of Canadians. In fact, the report of this committee in 2011, Mr. Chair, suggested strong support for a closer relationship with Canada from the European perspective, so the sentiment is reciprocated that there's strong support for doing something with each other.

Access to markets in Europe for goods, services, and skills are three important benefits of the CETA. In addition, the CETA will allow governments to find cost savings while maintaining service levels through more direct competition for government procurement contracts.

As well, the CETA, through the direct involvement of provincial governments in areas of exclusive or partial jurisdiction, will help build a stronger economic union within Canada.

Finally, in areas where the CETA will open up our markets, partially or wholly, to greater competition, I, for one, am confident that Canadian business leaders, small, medium, and large, will rise to the occasion.

Thanks.

**The Chair:** Thank you very much for your interventions, both of you.

We'll turn it over to questions and answers. I'll just remind the committee that we do look forward to reciprocal working relationships with the European Parliament. They are going to be here November 1. We'll look at an opportunity to reciprocate in due course.

Mr. Chisholm, you have seven minutes.

**Mr. Robert Chisholm:** Thank you.

Let me say to the representative from the Canadian Council of Chief Executives that I appreciated your presentation, but I was disappointed, frankly, that you took a personal run at somebody who simply has the courage to stand up and voice an opinion that is different from yours. I didn't think that was called for, but it's your time and you can do with it what you will.

Your Worship, I'd like to direct a couple of questions towards you. Let me just say that you and I have spent some time in this business together and I would never have had the courage to move to the level of politics that you have. I've always said that municipal politics has to be the toughest level. You're the closest to the electors, to the taxpayers, and you have less control over the revenues that you are able to generate. Let me say that I admire the work that you and other members of the FCM are doing.

I wanted to ask you to speak to some degree on item number four in those seven principles, with respect to the public interest, and I know that some of your members have mentioned being able to protect the public interest. I know that it's an issue of some sensitivity around the whole procurement issue. I wonder if you feel that you're being listened to and what your sense is about how this matter will move forward in these negotiations.

**Mr. Don Downe:** Thank you very much, Robert. I appreciate the comments and the kind words. I guess I must have got enlightened to get to this level of politics. Maybe if you had any influence on the province to enshrine municipalities with more empowerment, that would be good; we wouldn't have to be a charter of the province via the Constitution.

With regard to question number four, the public interest is an issue that I think is important to all Canadians. This government has brought in the provincial government at this level, and I understand that they are actually at the table. The provinces are playing a vital role in transit and other issues of significant importance, such as water. Clearly the provinces have a voice at that table, unlike the FCM. We have a discussion point through DFAIT, and we have had conversations with previous ministers and trade negotiators, but when it comes to sitting at the table, we're not there. We're not entitled to be at that table. We have pressed our concerns with regard to that.

The other issue is that there are some concerns out there that we would lose our right to control our own utilities. That's not part of the agreement as we understand it. We've brought that issue forward to the minister and it was clarified that this is not going to be part of the negotiations. We are bringing our concerns forward, and at the end of the negotiations we will know what the outcome will be, but we have been able to voice our concerns very clearly to that level.

• (1230)

**Mr. Robert Chisholm:** That sounds good. The provinces are involved to some degree, not directly at the table, but sitting in a back row, I believe, and not always at the table. I'm not sure. Maybe they're not always in the room. Anyway, regardless, I know that they're involved at a level at which they have never been before, which is certainly a good thing.

Your Worship, are you getting the support that you feel your members require from the provinces that are participating in these issues you've raised?

**Mr. Don Downe:** What we have done is communicate with our provincial counterparts throughout the country and encourage them to have dialogue with the provinces in any specific area. As well, at the national level, we were bringing those concerns forward. So clearly we are doing all on our end in communicating both at the provincial and at the federal level to make sure that some of these concerns are addressed. It is up to the provinces to really step up to the plate.

I encourage all of us to work cooperatively, together with the province and the feds, to make sure that these items are enshrined in the agreement. That will be beneficial to all Canadians.

**The Chair:** Okay.

Mr. Cannan.

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

Thanks to our witnesses.

The first question is for Your Worship. I, too, want to echo the sentiments of the rubber meets the road perspective of local government. I had the pleasure of serving nine years as a member of the City of Kelowna council. I know that it's a great honour.

**An hon. member:** It was a great council.

**Mr. Ron Cannan:** And you have a great member of Parliament. He has told me that. So there you go.

**Voices:** Oh, oh!

**Mr. Ron Cannan:** You represent a beautiful community and part of Canada. I know that Minister Fast also was a city councillor for nine years in British Columbia. I served a couple years on the UBCM executive and attended FCM, so I thank you for your leadership there.

I want to follow up a little more on what you talked about, Your Worship, in regard to the FCM meeting with Minister Fast. Can you expand on how those meetings went, on whether the minister was transparent, and on exactly what municipal consultation took place and with how many communities, as well as on FCM's recent letters back and forth? Do you feel that you are being listened to by Minister Fast and our government?

**Mr. Don Downe:** As I mentioned before, through DFAIT we have had meetings that are conference calls, by and large, with previous ministers and the trade negotiators.

As well, we had discussions with Mr. Fast, who, by the way, was a councillor in Abbotsford, B.C. I spent a few years of my life living...  
[*Technical Difficulty—Editor*]

He indicated that he would be interested in coming to talk to FCM. He came to Nelson, B.C., which we really appreciated. It was a very positive meeting. Basically, we opened it up for members of our committee to ask any questions they had of the minister. The trade negotiator was there as well. The members who had the discussion had some legitimate concerns about the agreement. He was forthright in his discussion with them.

He in turn has sent a letter to us with regard to the seven principles, which we are very firm on. We are being vigilant to make sure the negotiations follow these seven principles. He announced the position at that point of the federal government relative to those seven positions.

It was a very open and very positive meeting.

**Mr. Ron Cannan:** Thank you.

I appreciate that it was frank, two-way discussion, and open and transparent. We not only say that, but I agree that it is important that we have that two-way dialogue, because at the end of the day, I said, it's the communities across Canada that can benefit from this agreement as well.



I would like to ask a question of vice-president Sam from the Canadian Council of Chief Executive Officers. From your perspective, the members have been supportive, as you indicated from your opening comments. Where do you see this agreement in the perspective of today's economy?

We see the uncertainty not only in North America but in the global markets. To provide this agreement would provide some stability and certainty in the Canadian markets. What kind of message would it send globally if we were able to ratify this?

•(1235)

**Mr. Sam Boutziouvis:** Thank you, Mr. Cannan.

We're firmly of the view that if Europe and Canada can agree on this deal early next year or in mid-year, it would send a pretty powerful signal from two developed economies that they're standing against the bulwark, against all of this uncertainty, and that they're leading politically and economically to continue to remove barriers to trade and promote job creation and economic growth.

As I've said in my comments, there have been some protectionist impulses from various countries in the past two or three years, especially since the onset of the global economic and financial crisis. Canada and other countries are doing their best to deal with them. Thus far, with respect to this great contraction that we've had, we haven't had the same sort of protectionist impulses that we had in the Great Depression. The WTO has recorded that as such. However, we still need to maintain a vigil, a strong vigil.

This would be a very important and powerful signal, just like I think the United States gave last week, finally, after two or three years, when it came to the table and announced that it would pass their Colombia, Korea and Panama FTAs—by the way, after we've done our Panama and Colombia FTAs. We've had the advantage, the tariffs have been reduced, and our western agricultural producers have been able to benefit from that, so once we negotiate this deal, it's our view that we'll have a particular advantage, especially if the tariffs run to zero. Even though they're relatively modest, in some areas they are quite high, as has been pointed out in the previous discussion.

We do think there will be a very good positive impact and we should make every effort to finish the negotiation as soon as we can.

**Mr. Ron Cannan:** Just as a supplemental, some of the facts that we've learned from this pre-negotiation discussion are: an increase of \$12 billion annual in trade with Canada; an estimated 80,000 new jobs; and increased trade bilaterally by 20%. We've talked about and have heard from previous witnesses about Doha and WTO, so we have to go this bilateral and multilateral route. We know that in Canada basically two-thirds of our economy is as a trading nation... The U.S. economy is down, so we need to diversify. Like your RRSP portfolio, you don't want to put all your money in one basket, just you don't want to put all your trade in one basket.

What do you say to those organizations, the special interest groups, that are lobbying and protesting on the Hill against this agreement? What message we can send to them? The fact that in the big picture this is actually the best direction for Canada to take, being a trading nation...?

**Mr. Sam Boutziouvis:** It's best put when we consider that Canada has less than half a per cent of the world's population and yet has more than 2.5% of the global trade market. Because of that, we have a higher standard of living.

By the way, Germany has 1% of the global population, but it has a 9% share of global trade. Look how Germany is benefiting very much and how, in so many ways, it was able to avoid the initial impact of the crisis—precisely because it was so competitive globally.

All that is to say that we have an extraordinary opportunity. We should try to take advantage of it. As I said in my remarks, this is but one of a series of bilateral arrangements that your committee will probably be very busy with going forward.

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

Mr. Easter, you have seven minutes.

**Hon. Wayne Easter:** Thank you, Mr. Chair.

It's good to see you, Don. I couldn't help but think that in a previous life for the two of us, you and I led one of the largest demonstrations on the Hill in support of supply management at one time, which leads me to my question to the Canadian Council of Chief Executives.

On May 6, I understand, Mr. Manley wrote a letter to the Prime Minister that contained the following, and I'll quote: "...we believe the time is right to phase out the national supply management systems...which penalize consumers...". Is that still your position?

•(1240)

**Mr. Sam Boutziouvis:** It is.

**Hon. Wayne Easter:** Can you explain to us how it penalizes consumers? It certainly doesn't penalize them any worse than the amount of the salaries of chief executives. That's why we have these "Occupy" demonstrations in North America. The benefits that the—

**An hon. member:** A point of order.

**Hon. Wayne Easter:** No, there's need to make it a point of order. It's a fact of life, guys. One per cent—

**The Chair:** I'll say if it's a point of order, not you, Mr. Easter.

Go ahead.

**Mr. Sam Boutziouvis:** I'm happy to respond, Mr. Chair.

**The Chair:** Go ahead. That's fine.

**Mr. Sam Boutziouvis:** There are two very big issues in your question, Mr. Easter, which are very legitimate. In our view, it makes no sense whatsoever for Canada to impose tariffs ranging from 150% to 300% on things like chicken, milk, yogourt, and ice cream. It does penalize consumers. The CTV had a clip on Ottawans going across the river to Ogdensburg just to be able to buy milk more cheaply in Ogdensburg versus buying it in Ottawa. Canadians understand that they're paying more for these products than they would in the United States.

**Hon. Wayne Easter:** Just to interrupt for a second, I think if you look at the study by the supply management groups, you will find that, yes, sometimes that's true in the border towns where it's used as a loss leader, but not when you look across the United States as a whole. Let's try to deal with facts.

**The Chair:** We'll have his answer, Mr. Easter.

**Mr. Sam Boutziouvis:** We understand, with all due respect to all the parties, that this is an issue that all the parties support, that is, to defend supply management. It was in the Speech from the Throne.

However, we believe that in order to have an ambitious agreement under the CETA, and in particular in order for globally competitive western farm producers of beef and pork and other products to be able to get greater access to European markets, there are going to have to be some negotiations back and forth between the European Union and Canada with respect to these particular three sectors.

I'll just end on this. Our view is that the producers of these products can be globally competitive. They can export with the best of them. They make some of the best cheeses in the world, and they're great artisans. They should have the ability and capacity to trade, to have open markets and to trade on the quality of their product and their ability to export.

With respect to the CETA and future agreements, Mr. Chairman and committee members, our view is that they will come to your committee—like the Trans-Pacific Partnership and other agreements—and agricultural products and free trade on those products, especially in these three protected sectors, will come under even greater scrutiny. If we really want jobs and growth in the Canadian economy, we're going to have to discuss it.

**Hon. Wayne Easter:** I think, Sam, that we have to look at the other side of the coin, where we see supply management as a policy of rural development, but we'll leave that aside for the moment.

I have a question for Mr. Downe.

At the Federation of Canadian Municipalities, Don, I understand there are some concerns about procurement. I don't know whether they are legitimate concerns or not, but people I've talked to from the various municipalities are concerned about the procurement side as it relates to the CETA agreement. Can you elaborate on that?

**Mr. Don Downe:** Well, Wayne, thank you very much for the question. We have some 3,700 mayors in Canada, so you're going to have a slight variance of opinions on some issues.

But what we've been able to do is secure a position on procurement that we've articulated to the federal government and the negotiator: that procurement thresholds should be reflecting what we had under the Buy American policy and that these thresholds will be there so that we in turn will be able to do business without being encumbered by low levels of thresholds.

There might be some concerns out there, but our position has been supported by our membership, which is some 2,000 municipalities strong, and we are articulating that to the federal government. We've indicated to them that it's our position. We are very interested in seeing what the outcome of the negotiation will be, because clearly it's premature for me to say one way or the other whether I like or dislike the agreement until I see the end result. We've been very clear

on our position. We'll be happy to share our actual position with all your committee members.

• (1245)

**Hon. Wayne Easter:** That's fine.

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

Mr. Keddy.

**Mr. Gerald Keddy:** Thank you, Mr. Chairman.

Welcome to our guests.

Your Worship, it's good to see you on the video screen. Thank you for participating today. I'll put my first question to you.

Obviously with your career in provincial politics in Nova Scotia, you're familiar with the Port of Halifax being the closest port by overday sail to the ports in the European Union, and the potential for increased trade to India via the Suez Canal, as well, for the Atlantic gateway. On the Port of Halifax, we expect trade to increase by at least 20% through this agreement with the European Union. Some 80,000 jobs...really, that kind of generates down to about \$1,000 per household for Canadian families, understanding that some families would benefit more than others.

With your position in the Municipality of Lunenburg and companies like Composites Atlantic that export to the EU, there should be some substantial benefits to your municipality in particular, as well as to the rest of Nova Scotia.

**Mr. Don Downe:** Thank you very much, Gerald.

I'm here officially as FCM's representative as chair of the finance and intergovernmental arrangements committee, and I can certainly talk on the Canadian perspective. Relative to my personal view, I think you and I have had that conversation at home as to where the benefits would lie, but officially, on behalf of FCM, I have to hold that position as a personal view.

We at FCM have made it very clear that we believe in free and fair trade. We are a nation built on trade and we are a nation that will be sustainable based on trade. We want to make sure that there's fairness in this agreement. What we are doing as FCM is positioning our municipalities in such a way with the federal government, any federal government, to make sure we're protecting the rights of individuals and that we are going to get a deal that will be fair and just for us and all Canadians.

**Mr. Gerald Keddy:** That's excellent.

Mr. Cannan asked a question and you answered. I will allow you to keep your FCM hat on. I noticed that you stayed away from the supply management trap. Considering your former life as a poultry producer—and continuing—that was admirable of you, but I would make a comment on supply management, because we've been very clear as a government that we will protect supply management in these negotiations. A number of issues on the table in these negotiations are much more important to the European Union than supply management.

In terms of your interaction with DFAIT, with Verheul, our chief trade negotiator, and with Minister Fast, I would hope that when the minister and our chief trade negotiator were at FCM you had an opportunity to clarify a number of issues that were of major concern to the municipalities. You mentioned procurement. Other issues that would have been explained, I would expect, would have been water and a number of other issues.

Could you review that interaction with the chief trade negotiator and Minister Fast?

**Mr. Don Downe:** Thank you, Gerald.

The meeting in Nelson was a very positive one. Our members were very happy to see the minister come and present and discuss this issue. We had some very legitimate concerns, and I believe the minister and the trade negotiator were forthright in their position in going into round number nine. Clearly, the sense around the table was that people were very positive and were reassured that the government was listening to the concerns of FCM. We are appreciative of Minister Fast for taking that initiative.

Clearly, when the deal is done, that's when we'll see. The proof will be in the pudding, as it were, at that point in time. But we were very encouraged by the minister coming and we thanked him for that. Our FCM council thanked him for taking time in his schedule to come out. He did answer our questions and he was forthright and open to all our members, those who were concerned about specific items and those who were in favour of going ahead with trade. I think it was a positive day. We appreciated their candidness.

• (1250)

**The Chair:** Okay.

You know what? You do have a little bit more time, but there's one individual who hasn't had a chance to ask a question.

Madame Péclet, if you have a question, go ahead.

**Ms. Ève Péclet (La Pointe-de-l'Île, NDP):** Is there translation for Mr. Downe right now?

There's no translation? Okay. I'll try to be as clear as possible in English.

**The Chair:** He'll get English translation.

**Ms. Ève Péclet:** That's perfect.

[*Translation*]

My question, in fact, pertains to opening procurement markets.

You are in quite a good position to understand the impact that greater access to these non-tariff barrier-free markets will have on companies and materials in Canada, for instance. We know that this will probably have an impact on employability. This will, for instance, lead to job loss.

We can also see, in appendix 1 of the Conservative government's 2009 budget, that an investment in infrastructure results in economic spin-offs that are five times greater. So every additional dollar invested represents \$1.50 for the GDP.

In difficult economic times, we know how important it is to invest in municipal public infrastructure.

I would like to hear your comments on the impacts that this will have on municipalities, particularly in terms of job protection and the regulation of Canadian materials.

[*English*]

**Mr. Don Downe:** Thank you very much for your question.

With regard to procurement, when they develop a procurement threshold, we've asked that its levels be sufficient so that we will not be burdened with additional costs on items we would get through normal procurement, and without having to go through some sort of international screening to make it happen. We're asking that the threshold be substantial enough to allow us to do business as normal. I don't think anybody's going to come and try to take over a particular project that's worth a few hundred thousand dollars. The overall threshold on capital was around eight and a half million dollars, which is part of what we'd discussed and negotiated under the Buy American policy, and we've been talking about that being a critical component in the negotiation.

With regard to jobs and regulation, we have asked very clearly that we not be forced to lose the ability to govern at the municipal level. It's incumbent upon the province and the federal government to make sure those rights are enshrined within the agreement so that we will not be in a position of losing our authority as an entity of government within Canada.

As far as jobs and impact on what's going on are concerned, until the final agreement is actually dealt with, it would be premature of me to guess whether this would be a positive or a negative. On that, we know that trade is important to Canada, and our position has always been in favour of free and fair trade.

With regard to the regulatory side—

**The Chair:** Can we make it really tight?

I'll give you 30 seconds to wrap it up if you want, Don. Thank you.

• (1255)

**Mr. Don Downe:** The bottom line for us is that we will continue to be vigilant on positions we've taken. The government has been at the table with us and we continue to work with it. We encourage your committee to work with the provinces and others to make sure this arrangement on trade will be beneficial to all Canadians, just as we are trying to make sure that it would be beneficial to municipalities.

Thank you very much for the opportunity to say a few words on this important issue and also for the questions.

**The Chair:** Thank you for contributing through video conference. It worked out very well. It's always important to hear from the municipalities across our country and from you as a representative.

Thanks to you as well, Sam, for being here from the Canadian Council of Chief Executives.

With that, we will adjourn this part of the meeting. We have to go in camera for a little piece of business, so we'll do that.

Mr. Easter.

**Hon. Wayne Easter:** Mr. Chair, on a point of order, seeing as we're dealing with motions I have put forward, which are both really related to Buy American, I do not believe there's any need for the committee to go in camera. I would far prefer that these motions be discussed in the public arena, because the public needs to hear what the positions of the various parties are.

**The Chair:** I hear what you're saying.

Is there agreement to not go in camera? Or would you like to go in camera?

**An hon. member:** We don't need—

**An hon. member:** No, let's go in camera. Let's get it done.

**The Chair:** Okay. We're going to put it to a quick vote.

Those in favour of going in camera?

**Hon. Wayne Easter:** Mr. Chairman, I'm asking for a recorded vote, then, if we're going to vote on whether we're going in camera. I have that right.

**The Chair:** We need a motion to go in camera, then, if we're going to do it that way.

**Hon. Wayne Easter:** I make a motion that we stay in public—

**An hon. member:** So moved.

**The Chair:** Okay. Mr. Keddy moves that we go in camera. All in favour of that motion? We'll have a recorded vote—

**Hon. Wayne Easter:** Mr. Chair, I want a recorded vote on the motion. That's my right.

**The Chair:** On the motion—

**Hon. Wayne Easter:** On the motion to go in camera. That's my right.

**The Chair:** Mr. Easter, pay attention. That's exactly what we're doing.

**Hon. Wayne Easter:** Okay.

**The Chair:** We're having a recorded vote on that.

**The Clerk of the Committee (Mr. Paul Cardegna):** The question is for the committee to go in camera.

(Motion agreed to: yeas 6; nays 5)

**The Chair:** The motion is carried, so we will suspend and go in camera.

*[Proceedings continue in camera]*

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