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The Honourable Rob Merrifield

Standing Committee on International Trade

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• (1530)

[English]

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

I want to thank our witnesses for coming here today to join us in person and not by video conference. We're studying the benefits for Canada in regard to whether to join the Pacific Alliance as a full member.

We have with us two witnesses in the first hour: Mr. Pablo Heidrich from The North-South Institute, and Laura Macdonald from Carleton University.

Laura, I believe you're going to start. We'll yield the floor to you.

Dr. Laura Macdonald (Professor of Political Science, Director of the Institute of Political Economy, Carleton University): Thank you very much.

Honourable members, thank you so much for the opportunity to speak with you today about the Pacific Alliance. I am a Latin Americanist with a background in trade and regional integration in the Americas. Today I want to speak a little bit about the broader political and economic context in which the Pacific Alliance has emerged.

Slide 2, please.

My main argument is that Canada is confronting—

The Chair: That's a good team effort on the slide presentation.

Dr. Laura Macdonald: We're trying.

The Chair: Good stuff. We like that. Go ahead.

Dr. Laura Macdonald: My main argument is that Canada is confronting a very complicated and rapidly shifting situation in the Americas, and that it has to be very careful and strategic about its policy choices. We have limited resources for engagement in the region, and we face a situation in which I believe we could easily be marginalized.

In evaluating prospects for closer ties with the Pacific Alliance, I think it's extremely important for the committee to have an understanding of broader trends in the region.

The Americas strategy seeks to promote Canada's involvement in this dynamic region. I think there are a number of challenges that Canada faces, one of which is the decline of the role of the United States in the region, not just because of the end of the cold war but because various recent administrations in the United States have

taken less of an interest in the Latin American region. Also, the rise of China of course is always on our mind these days.

Canada itself increased its role dramatically in Latin America when it signed the NAFTA that included Mexico. Subsequently, however, and I'm going to expand on this point later, attempts to deepen integration in North America in the form of the security and prosperity partnership of North America have failed, partly because Canada felt that the inclusion of Mexico would sort of drag down progress toward harmonization of regulations and standards. Of course, since then Canada and the United States have been advancing toward a bilateral security perimeter.

Another major shift in the region has been the election, as you know, of new left governments in a majority of the countries, notably Brazil, Argentina, Uruguay, Venezuela, Bolivia, Ecuador, Nicaragua, and El Salvador. I would argue that this has important implications for understanding what's going on in terms of regionalism.

We have also seen, to some extent, some moves toward greater unity in the Latin American states, and at the same time the marginalization of Canada and the United States with the formation of a group being called UNASUR, the union of South American nations, and also CELAC, the community of Latin American and Caribbean states.

The increasing divide between Canada and the U.S. on the one hand and Latin American states on the other was perhaps first sparked by the failure of the FTAA, the Free Trade Area of the Americas. The FTAA project was designed to promote a free trade agreement between all states of the region, except Cuba, based on WTO-plus standards, and was promoted heavily by the United States and Canada.

The initiative failed, however, because of opposition from Brazil and other Mercosur countries that were rejecting the so-called Washington consensus policies that the FTAA was seen to embody. There was also strong civil society opposition. Since the failure of the FTAA, Brazil has used its regional alliances to promote what has been called a ring of encirclement around U.S. influence in the region.

I just want to mention a little bit more about what we call post-neo-liberalism, or the nature of these new left regimes. Some people, like Jorge Castaneda, for example, have sort of simplistically divided them between bad new left governments and good new left governments, the bad left being, of course, Chavez, Morales, and maybe Correa, and the good left being governments like Lula's in Brazil, and Bachelet's in Chile. I would argue that we need a much more nuanced analysis of what's really going on in those governments because they do in fact share a lot of characteristics, including respect for democracy, commitment to sound macro-economic policies, a stronger role for state intervention, and strong social programs. They also mostly reject old-style protectionist policies, and seek external trade linkages, but they are looking for a different type of regional integration.

On the next slide, I put up a categorization of these new left governments as made by two scholars, Levitsky and Roberts. It just gives you a sense that there's something more going on there than just bad left and good left. It's more complicated than that and it has to do with the history of each country.

• (1535)

Politically, the most recent OAS summit illustrated the growing divide within the region, as Latin American and Caribbean states seem to reject, to some extent, U.S. and Canadian roles and their positions on such issues as drug policy and the membership of Cuba. We do see some growing unity among Latin American states in organizations such as CELAC. I think this is a warning sign that Canada has to tread carefully when we go into the region, because we could become further marginalized. We also see Mexico seeming to return to the region, because it's a member of CELAC.

We also see two kinds of competing models of regionalism, one led by Brazil and to some extent Venezuela, and the other the Pacific Alliance, made up of governments that remain closer to the U.S. economically. On the slide, those are the countries in red on the map.

Economically, the scene is extremely complex, with the proliferation of bilateral and regional alliances both inside and outside the region. I'll show a couple of pictures of what's going on. The picture on the screen shows the situation in 1994, where there were five fairly self-contained regional groupings. The next slide shows the situation in 2008, where we see what Bhagwati calls the spaghetti bowl situation with innumerable regional and bilateral trade agreements involving actors both inside and outside the region. It's extremely complicated.

That brings me to the Pacific Alliance. How do we evaluate this recent regional formation?

First, it seems to me that Canada already has FTAs with all four member states and we do not stand to gain very much in purely economic terms. We also have investment agreements with them.

Second, the Pacific Alliance is not just a free trade area, the first stage of regional integration, but aspires to and already has moved to a deeper and more challenging form of integration, perhaps more similar to the EU, more like a common market. The goals of this group are free movement of goods, services, capital, and people. The member states are rapidly moving towards such goals as integration of stock markets, visa-free travel, harmonization of regulatory

standards, security cooperation, and so on. If we were unable to achieve deeper forms of integration with Mexico in the SPP, my question is whether it is very likely we could do this in the Pacific Alliance, which adds three even more distant Latin American states in a grouping which I would guess virtually no Canadian has heard of.

Third, although members have described it as a pragmatic and non-ideological grouping, the Pacific Alliance clearly represents a political response to the rise of Brazil as a regional leader, an attempt of these states to balance against the other groups of Mercosur and ALBA. My question is whether this is a fight we really want to get involved in.

Finally, the Pacific Alliance also represents an attempt to position the member states vis-à-vis the Asia-Pacific to facilitate ties with it and perhaps to strengthen their position to enter into ASEAN or the TPP.

I won't say very much about the TPP, except to say that this is a very complicated and ambitious trade agenda based on very high trade and investment standards. They've been called platinum trade and investment standards, even above the gold standard of the FTAA, and very different types of countries are involved. I think it's quite likely we're going to see very long and slow negotiations and considerable civil society opposition, and it could descend into another FTAA type of experience.

To conclude, I want to raise a few cautionary notes regarding the prospect of Canadian membership in the Pacific Alliance. What would membership entail, especially in areas such as mobility of people, harmonization of standards, and stock markets? It's too soon to tell, given the lack of an accession clause. What would the members expect from Canada? Is it really very likely we'd get a different deal than the members already have with each other? I don't think so. If we couldn't achieve deeper integration in North America with Mexico, how would this be possible if we were to add in three even more distant Latin American states?

• (1540)

Perhaps more importantly, and this is probably my main point, how would membership in the Pacific Alliance affect our relationships with Brazil, the economic powerhouse in the region? Could we be foreclosing on options for closer ties with Brazil and Mercosur if we were to align ourselves so closely with their regional competitor?

Finally, and I don't want to expand on this point too much, Canada's role in the region is already increasingly controversial, given our growing identification with extractive industries, particularly mining. Would the deepening of ties with these four states result in even greater marginalization for Canada?

Thank you very much.

The Chair: Thank you very much.

We'll now hear from Mr. Heidrich.

The floor is yours, sir. Go ahead.

Mr. Pablo Heidrich (Senior Researcher, Governance of Natural Resources program, North-South Institute): Honourable members, good afternoon. My warmest thanks for giving me the opportunity to speak with you today about the Pacific Alliance.

My field of work at the North-South Institute is on international trade and investment, particularly on aspects that relate to Canada and Latin America. Before coming to Canada I worked as a researcher at the Latin American Trade Network in Argentina, where I provided policy advice and research to various Latin American governments particularly on economic integration issues.

My presentation is highly complementary to that of Professor Macdonald, but I would rather focus it more from an economic policy point of view. My presentation will focus on what it would mean for Canada to join the Pacific Alliance, emphasizing the main aspects of this initiative in the context of Latin American regionalism. I will draw my arguments from knowledge of how those topics are being discussed there today and what that might mean for Canada.

We know already that economic integration schemes follow a pattern of increasing levels of intensity. You choose different patterns. You go for free trade agreements, custom unions, or economic unions. The Pacific Alliance claims to move to the highest one, but in fact it has a discourse of something much less ambitious, even less than a free trade agreement, namely of being a negotiation platform to bargain better with Asian countries and even the largest Asian firms seeking to invest in those Latin American countries.

That discourse is important for Canada to listen to in order to decide whether to join the Pacific Alliance. In terms of the reasons that countries choose these different paths for economic integration, again, from the literature and what we know from practitioners, from economic trade negotiators, there are three grounds for why countries choose economic regionalized initiatives. One is signalling. Another is investment seeking. We are seeking more for indirect investment, or we are seeking to enlarge our markets.

First, let me go over signalling, which I think matches most closely what we have seen so far from the Pacific Alliance. These four countries are signalling that they want to continue liberalizing their trade with each other, unlike others in the region of Latin America. They're also determined to increase their relationship with Asia. They also see complementarities among the four of them to do that. They will not wait for others if a slower pace is preferred, as in the TPP.

This is an entirely accepted practice in Latin America. Countries follow simultaneously, or concurrently, different paths of integration.

We actually have an expression for it, and it's sometimes used in other parts of the world. It's called "variable geometry". Variable geometry means that one chooses different partners to do different things at the same time. They are in the Pacific Alliance; they are in the Andean Pact; they are in the Group of 3; they are negotiating in UNASUR and in CELAC, but they pursue different things in different agreements. It also means that they join with like-minded countries, depending on the issue, but in a very pragmatic manner. What counts the most is the signalling.

The second reason, which is relevant perhaps, is investment seeking. They are seeking more investment from Asia, but they're also aware that the investment could come from other parts of the world, even if the market for those exports would later be in Asia. The stated goals of the Pacific Alliance, such as labour mobility, education equivalency, integrated financial markets, and freer movement of capital among those four countries, are very clear indicators of that approach: investment seeking.

Market enlargement for their own domestic firms, in my view, is only a cursory interest for them. Since most of their largest firms are export-driven anyway, they are grounded on commodities, and there is not much of a market for commodities in each one of those four countries. The markets for them are in Asia and other parts of the world.

Now, let me mention something else. I have been reading the presentations made so far in front of this committee. Some of them mentioned that up to 90% of the trade inside the Pacific Alliance would be free of duties immediately, or very soon. In my view, today this is something of relative importance; it's not of great importance. Most tariffs around the world are already very low. In most emerging countries they're around 5%. In most developed countries they're around 3%. So when we say we're going to have duty-free trade, it doesn't really mean a big difference in prices for businesses or for customers.

● (1545)

In fact, for most goods except services and electronics, transportation and customs costs are about 10% to 15% of the final price, or even the intermediate price of inputs.

Fluctuations in currencies for commodity-exporting countries such as these, or even Canada, have represented increases in domestic prices, in U.S. dollars, of up to 30% in the last 10 years, so a reduction in tariffs of 3% to 5% is highly inconsequential.

However, I do understand that for certain industries there are very significant tariffs, as is the case of traditionally protected pockets, such as cereals in Chile and Peru, certain manufactures in Colombia and Mexico, and poultry and dairy industries in Canada. In most cases, those tariffs are within the lines that are exempted from trade liberalization and therefore are left alone.

It seems that the Pacific Alliance would do just that, because the four members have agreed to eliminate 90% of their tariff lines and others will be negotiated later.

In trade economics, when we hear those kinds of announcements from governments, we know that what they have managed to do is to group the relevant stuff into the 10% of the lines that will not be negotiated right now. We do understand politics and we understand the difficulties of reaching 100% free trade between any two countries.

If you wanted to increase trade with the Pacific Alliance—and that is what Asia really wants most—the work to be done is in trade facilitation, harmonization of standards, and liberalization of trade and services, particularly of professional services. Liberalization in the movement of people, as they are doing it, is another key element.

Those are the things that economists and policy-makers have more recently found to be of the most consequence when you are trying to liberalize trade and investment across countries, and now that tariffs are very far down, you have other issues such as currency misalignments.

I would like you to think very carefully about what Canada actually wants to do.

The Pacific Alliance has clearly said what they will be doing, which is harmonizing their production and health standards, establishing quick and easy systems for academic and professional equivalencies, and liberalizing movement of labour, which means migration.

These countries have roughly the same levels of income per capita when you adjust them for purchase parity. They have similar educational attainment levels and other relevant indicators, so that approach is most sensible for them. In my opinion, it would be an effective manner to increase economic integration among themselves, and from there to negotiate with Asia, but will Canada be ready to do the same?

As a recent immigrant to Canada, I have to respectfully share with you my skepticism. As someone who frequently travels to other provinces and speaks with Canadians trying to provide professional services across provincial borders, I am even more skeptical.

I am not saying that this approach to increase attractiveness to foreign investment, in this case from Asia, or to be more successful in trade with other countries, will not succeed for current Pacific Alliance members; it might well do so. It might even be very successful for Canada too, but will Canada do it now with the Pacific Alliance and for the goal of negotiating together with those countries in Asia? I am in doubt, but that is the real issue for you to decide.

Finally, I would like to give you an alternative perspective on the value of trade negotiations themselves.

Just like those negotiations which are done in business or even in domestic politics, international trade negotiations are more often than not left unfinished. They are not necessarily seen by practitioners, by negotiators, as a failure but as a way of learning about others, socializing internationally, and fixing other countries' diplomatic assets in one's own country for a certain period of time. In fact, there are many other reasons to negotiate other than to actually sign anything.

Many in Latin America believe that the U.S. is very clearly doing this with the TPP negotiations. It's not negotiating to sign, but to

signal, to engage, and to lock their partners' diplomatic assets on itself and to learn from what others are doing.

• (1550)

You should know that three of these four countries in the Pacific Alliance are just as experienced as the United States in negotiating and signing FTAs, except maybe in the case of Colombia. So the diplomats from Peru, Mexico, and Chile know exactly what they are doing when they are supposedly duplicating efforts from the TPP negotiations in this other initiative. In fact, they are creating their own platform to engage Asia.

Thank you very much.

The Chair: Thank you very much.

We'll now go to questions and answers.

We'll start with Mr. Davies. The floor is yours for seven minutes.

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

Thank you to both witnesses for very cogent and well-informed perspectives.

I want to go over a summary of the high points. Canada already has free trade agreements with all four countries that are members of the Pacific Alliance. All four members of the Pacific Alliance already have free trade agreements with themselves. Four of the five countries are already participating in the Trans-Pacific Partnership.

Many editorialists in the Spanish-speaking world, including *El Tiempo*, have noted that this alliance covers countries that are ideologically very similar.

We know that in 2007, talks in the Pacific Alliance were aborted because of ideological reasons that pushed Nicaragua and Ecuador to leave the table.

The assistant deputy minister, speaking for the department, testified here a few weeks ago. In her document she noted that these four countries are strong proponents of economic openness, and they are among Canada's most like-minded partners in the region.

I think it's a fair comment to say that when we say "like Canada", what we mean is that all five countries occupy the right side of the political spectrum.

Professor Macdonald, you've said that we don't stand to gain much in economic terms. We've learned that 90% of the goods and services among the Pacific member countries were slated to be tariff free April 1. It excludes Brazil, which is the economic powerhouse of the region.

Is this about economics, or is this about politics?

• (1555)

Dr. Laura Macdonald: I think it's about politics primarily.

The four current member states may find some economic advantages among themselves if they can harmonize more, but I see the Pacific Alliance as primarily a political move to band together as a group of like-minded states to find reassurance in each other's company, and as I said, to balance against the more left-leaning regional trade groupings.

Goal number one is to group together against Brazil and Mercosur and ALBA. On the other hand they are interested in opening up to Asia Pacific as well.

On the Canadian side I find the idea puzzling, but I would venture a guess that the government wants to find ways of signalling, in Pablo's terms, that we have friends in the Americas, which is good. But as I said, I worry that politically that might isolate us vis-à-vis other countries in the region we might also want to be friends with.

Mr. Don Davies: Mr. Heidrich, do you have anything to add?

Mr. Pablo Heidrich: I agree. I will add something very briefly.

Yes, it has strong political content, but I think the leaders of these four governments know they have to perform, that they have to show results.

Some of the initiatives are very concrete, integrating their stock markets, for example. As well, to provide a comparison with Canada, once they integrate these four stock markets, they would be almost as big as the TSX. The TSX is the seventh largest stock market in the world.

Mr. Don Davies: Perhaps we could move to that.

We had some of the ambassadors from these countries come to testify, and this is quite clearly not about tariffs; it's about integration of our economies. I think that was a fair characterization of their testimony.

I'm trying to figure out whether it's in Canada's interest to integrate our society with that of Peru or Chile or Colombia. I find myself wondering if this is good for our country. In what areas do those countries have superior standards? Do we want the labour standards of Colombia? Do we want the human rights standards of Peru? Do we want the environmental standards of these countries?

Without having studied, I would venture to say that in most areas those standards are lower. I don't think we're going to see those four countries bringing up their standards to Canada's.

Where is integration of Canada's economy and society with these selected countries? Let's face it, they have been selected for their politics. How does that benefit Canadians and our country?

Dr. Laura Macdonald: As I said, I'm kind of puzzled by the idea that we would gain economic advantage. The advantage, I guess, would be to say to ourselves that we are closer to a few Latin American states politically, but I don't see the argument about the advantage economically.

I agree with your concerns about how we could possibly harmonize our regulations with these states, with their extremely different societies, cultures, economic conditions, much higher levels of inequality, much higher levels of poverty. As well, migration is a politically sensitive issue. We're seeing this now in the discussion about temporary foreign worker programs. We've had enough

trouble—I mean, we haven't even been able to raise that issue in the context of NAFTA—with opening up liberalization of migration from Mexico, so I find it puzzling to think that we could do that with Mexico and these other Latin American states.

• (1600)

Mr. Pablo Heidrich: I'd like to add that to some extent, the difference between the Pacific Alliance and other groupings, such as Mercosur or even UNASUR, is that the Pacific Alliance is very determined to provide an expert-led model. They want to trade as freely with the world as possible, particularly with Asia. Brazil, leading UNASUR and Mercosur, is turning more to import substitution, substituting very systematically many of the high technology and medium technology inputs that they have to maintain their industrial competitiveness when they have an overvalued currency.

On the question of standards, I think once you look into the standards in detail, you'll be surprised to find that the standards in most of these Latin American countries, in labour, environment, and other issues that concern us all, are not that different from Canada's. It's the quality of the enforcement, the political will put into the enforcement and the policy capacity to enforce, that is much less than in Canada, but their laws are beautiful.

I should add that—

Mr. Don Davies: It's like the Soviet constitution.

Voices: Oh, oh!

Mr. Pablo Heidrich: Yes.

The Chair: The time has gone. Maybe we'll pick up on this during some other questions.

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

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

To the witnesses, welcome to our committee.

I'm not sure what the North-South Institute is. Could you help me with that a little bit?

Mr. Pablo Heidrich: The North-South Institute is a research policy institute. We are registered as an NGO. Most of our funding comes from the Canadian government, from CIDA and IDRC. We provide advice to the Canadian government, to Canadian society in general, and to Canadian businesses on Canada's relations with developing countries.

Mr. Bev Shipley: Great. Thank you very much. I just wasn't familiar with it. When we see mining companies or agriculture or whatever, we kind of know, but that one I wasn't as sure about.

To Madam Macdonald, I think your comment was that you find it puzzling that Canada would enter into the Pacific trade alliance. When we've entered into trade agreements, nine of them now, have you seen them as being beneficial or puzzling at all, or is it just because of what I think you might have called, which maybe I'll get into, the “complexities” of this one?

Dr. Laura Macdonald: Yes, I'm really focusing on the complexities, or on the form of deep integration, as we've referred to it, that we're talking about.

I can certainly see why Canada would sign trade agreements with these countries. I think there are some clear economic advantages to that. Moving beyond that, to the type of deep integration that we're talking about here, is the source of my puzzlement.

Mr. Bev Shipley: Because we're trying to learn a little bit here, if it is about the complexities or what you called the deep integration of it, is it better to seek out and understand those complexities and have those discussions, or just say that because it's deep and complex we shouldn't?

Part of that, I would suspect, is that it is not just about the political component, but it has to be a lot more than that. If it is just political, then I think that would have to be assessed.

In all the agreements there is always a component that is political because it's about raising relationships and building a continuity across a globe that has become very small, but the big prize is always about our industries, whatever those may be, as they seek out markets. We sometimes take our product to other countries, or we invest in other countries and bring that raw product back and then we add value to it. It's always about bringing jobs, or helping to create jobs, or helping our industries here.

I'm getting the sense that you don't see any of that second part, that it is all political. Am I hearing that correctly?

• (1605)

Dr. Laura Macdonald: In terms of the membership of Canada I see it as highly political. Vis-à-vis the member states, it's not purely political. There are economic advantages for the current member states, I think.

Vis-à-vis your broader point, I am raising concerns about the limited availability of resources. I'm certainly in favour of extending ties with all of these nations, and all types of cultural, educational, social, and other types of relationships. We do have free trade agreements with them and I think it's important to get to know them better. I'm just saying that there are other countries in the hemisphere we don't yet have strong economic ties with, particularly Brazil, which is the biggest economy in South America.

I don't know, and I'm just raising this as a concern, but if it's possible that we're going to alienate Brazil and some of the other big economies of the region by being seen as being interested only in those four states, then that's a risk, in my view. We might better spend our time thinking about how we can deepen relations and perhaps enter into some of the other regional groupings.

Mr. Bev Shipley: If your comments are that we don't have a deep relationship, or a very strong one with Brazil, and you're afraid we're going to take away, I'm missing the point here. We already don't... But if we were to join the Pacific Alliance and then to reach out not only to Latin America but to the Asian countries, it would seem that sometimes you get credit by leading, not by following.

I'm interested in that comment because it's a little confusing.

Dr. Laura Macdonald: My point is that we haven't had a very good relationship with Brazil. In the past I think we've underestimated the importance of Brazil, and we haven't taken opportunities to get closer to them, and there have been some short-sighted trade conflicts with Brazil and with some of the other states. I don't see the advantage of entering more deeply into a

regional formation where it is going to be very difficult to reach an agreement and it would take a long time to get an agreement with them. We might be spinning our wheels for several years trying to do that, while maybe there are much more practical short-term things we could be doing to improve our trade and economic relationships with all of the countries of the region.

Mr. Bev Shipley: Regarding the countries you talked about, which you referred to as the left, basically the protectionist countries, which include Brazil, and which would include Argentina and Venezuela also because they are protectionist now, should we just hold back as some countries have done? Some countries, through leadership, have changed their direction in terms of protectionism. Do you see that happening with Brazil, and then opening it up more?

Dr. Laura Macdonald: When I was describing these countries, my point was that to just slap the label of "protectionist" or "populist" on them is too simplistic. They're not purely protectionist. They are in favour of trade, they're in favour of investment, they're outward looking—less so, perhaps, than the countries we're talking about here—but I don't think it's either/or and that one is protectionist and one is not protectionist. I think there are all kinds of shades and we need to understand that better, and not just assume that we can't talk to them because we see them as being more on the left.

Mr. Bev Shipley: Thank you.

The Chair: Thank you.

Mr. Easter, you have seven minutes.

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

Thank you to both witnesses for a fairly eye-opening presentation.

Did either of the witnesses hear of Canada's interests in the Pacific Alliance—what this hearing is based on—prior to the last month or so? It wasn't in the budget. It wasn't in the throne speech.

I'm a member of this committee, and I'm wondering what in heck we're holding this hearing for; I really am. I'm wondering if it's busywork to keep us busy instead of looking at some issues on trade that we should be looking at seriously. I say that quite openly because I do see this as busywork for this committee, when there are all kinds of serious trade issues that Canada is falling behind on that we're not dealing with.

To be quite honest with you, and Don asked some of these questions in the beginning, the Department of International Trade really didn't have any answers for us either, in terms of what's to be gained in a Pacific Alliance.

I'm asking both of you, who have considerable experience in South America and Latin America, what do you see as the benefits for Canadians on the ground and for Canadian business of this Pacific Alliance concept? I'm trying to figure out what they are.

• (1610)

Mr. Pablo Heidrich: I have a hard time answering that question.

What I can tell you is the way these four other Latin American countries see it is that if they integrate economically to the extent that they are planning to do, they will get, for example, more investments from oil and gas companies from Malaysia that would integrate all their operations with respect to Mexico, Colombia, Peru, and Chile. You would have a harmonization of education standards, for example; you would have engineers from Chile moving to Mexico, and so on. That would allow the companies perhaps to invest more than otherwise. If Canada were to join that group, that would also permit Canadian engineers to work without much paperwork in Colombia, Peru, or Mexico for the Malaysian oil and gas company. That is a little bit of what they are planning.

Would that be a significant percentage of gain for Canadians on the ground and for the aggregate Canadian economy? I am afraid not. Canada's economy is so much bigger than the economies of most of these other countries, except for Mexico, so when you are making an FTA or any kind of trade negotiation or liberalization, you have to come to an incredibly good agreement to actually gain something when you are an economy as big as Canada's.

When you are Chile, or Peru, you can actually get more substantial results with agreements that are less ambitious. What I was trying to say is that, now that tariffs are gone, and trade and investment have become integrated in ways they were not before, if we want to make changes to get more trade and investment with Asia, the changes that we need to make are much more internal. The choice to make is whether we are going to do it with the Pacific Alliance or with the TPP. Eventually those changes may have to be made.

Hon. Wayne Easter: A lot of those points that you raise.... One of the issues in terms of the CETA agreement with the European Union, for instance, which the government is talking about, although they are a little over a year behind in that negotiation too, is labour mobility, the recognition of professional standards and so on. That may be a good objective, but wouldn't it be better to try to renegotiate or enhance the trade agreements than this kind of nebulous concept?

I'm a member of this committee and for the life of me, I just don't understand this Pacific Alliance business. I don't think members opposite do either, to be honest with you.

You said, Ms. Macdonald, that we need to tread carefully because Canada could become more marginalized. You expanded on it somewhat on Bev's questions and Don's as well. That worries me because of our role in the world. We are an export nation; we trade with countries such as Brazil and others in the South American sphere. Can you expand on that further? What are the danger points that we have to be looking out for if we are going to go ahead with this concept?

Dr. Laura Macdonald: My point was that we're already seeing a trend in the hemisphere toward greater independence in the Latin American region. We saw this in the last OAS summit where there was a gaping divide between Canada and the U.S. on the one hand, and all of the other member states on the other.

I was very happy about the Americas strategy. It's a great initiative in general to try to increase our ties with the region. I'm just worried that this isn't going to be the best way to brand ourselves in the

region as a progressive, forward-looking state that is interested in multilateralism, promoting multilateral trade initiatives and trying to bring states closer together rather than feeding into this tendency toward increased divisions.

At the same time, as I mentioned briefly, we all know that mining initiatives have tended to raise the issue of Canada's association with mining companies that have perhaps engaged in some questionable human rights or environmental practices. However that may vary across mining projects; there are different types of mining companies and so forth. That's a risk for Canada as well, as we enter into the hemisphere, so we have to be really careful. We can't just assume that because we're Canada everybody is going to love us and think we're the best country out there and that everybody is going to want to be friends with us.

We're not part of the region, so we can't come down to the region and lecture to those countries about how they should conduct themselves either. It's time to evaluate what's going on in the region and get a good sense of the complexities of the situation and not barge in with ill-thought-through initiatives.

• (1615)

The Chair: Thank you very much.

We'll now move to Mr. Holder. You have seven minutes.

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

Thank you to our guests for being here. It is interesting. Ambassadors from the various countries affected by this have come here to support Canada's participation in varying degrees, some by their current status and others that have actually endorsed Canada in a much more significant role.

I'd like to answer some of what I've heard so far, because it needs to get on the record. I don't see it articulated by some members and even some of our guests.

On benefits to Canada, I would suggest to you that what we get out of this agreement is an increase in broader regional influence. We build a stable foundation for Canada's engagement in the Americas. As you may know, we have made a commitment to put greater emphasis on South and Central America.

The Pacific Alliance makes members more competitive exporters and more attractive to foreign investment. One of the primary goals of the Pacific Alliance, that I've heard certainly, is to become a platform for some political linkages. I think you made some reference to that as well. There's also economic and trade integration, which gives us some extension to the world, with some emphasis on Asia Pacific. It serves as a counterweight to U.S. regional influences.

Those are just some of my quick thoughts on that.

As I look at this—I was going to ask some questions in different orders—I have to start with the issue of Canada's extractive industries. I've had the privilege to be in Peru, Chile, and Brazil on behalf of our government. Canada's reputation in the extraction industry is first class. We have met with governments in these various countries and we have heard from a number of witnesses. I have been there and have spoken to Canadian companies down there, and they are leaders in corporate social responsibility. When you talk about this being a marginalization for Canada, Ms. Macdonald, respectfully, I would suggest to you it is quite the opposite. I think Canada really does understand its role internationally, and there is a greater emphasis....

It's interesting. I heard members opposite when we talked about why we might integrate our country with the others, I don't think we are talking about the kind of integration that was implied, but it almost seemed that we should only trade with countries that have standards equal to or better than Canada's to somehow raise our standards, when in fact we have an opportunity, as we have shown with corporate social responsibility, to improve the lot of others.

Can you help me understand how you strongly believe—or do you really believe—that Canada's extractive industry somehow marginalizes Canada's role internationally?

Dr. Laura Macdonald: I'm just making the point that they're having demonstrations in various Latin American countries against Canadian mining companies. There are legal cases being brought. It's just very controversial. I don't think you can deny that. There are different points of view.

I'm just saying we should tread carefully here and recognize that there are some issues that we need to think about, and perhaps strengthen our CSR standards.

• (1620)

Mr. Ed Holder: Well, how would you strengthen them? What would you do differently?

Dr. Laura Macdonald: I'm not an expert in CSR, and Pablo knows more about this than I do so I might pass it over to him, but basically I think we need to think about making them mandatory rather than voluntary.

Mr. Ed Holder: That's interesting, because having seen the standards by which.... Canadian industry in these various countries is the model for the world. I say that with great pride about Canadian extractive responsibilities, not just in South America and Central America, by the way, but around the world.

I've been to Brazil. The sense I have from the Brazilian government, from Lula's government to the current government, is that they have a deep respect for our relationship with them. Canada is regarded very highly by Brazil. Here is my question.

For some of the reasons I outlined before, I believe there are Canadian advantages to solidifying this Pacific Alliance. What's interesting is that every time we've talked about any trade agreement in the world, Doha usually comes up, so I'll bring it up this time for fun. As I have said before, Doha is as dead as Elvis Presley, but people look at that kind of romantically, as if that's somehow the goal we should attain.

Here we have another trade pact, four countries which we do individual deals with, and we are trying to put it together in a package, as we do in a variety of packages around the world, to make us basically closer to that multilateralism, which you sound like you support, and I hear that as a word but I'm not sure that I'm hearing it in fact. Isn't this just another multilateral attempt, as we have with CETA, as we will be doing, we hope, with the TPP and other things?

Why does this agreement necessarily have to be what I would consider a zero sum game? That is to say, why do you have to do Brazil instead of? We already trade with Brazil significantly. We already trade with every country in the world in various capacities. Could there not be an argument that this in fact could assist us in some of our negotiations and dialogue with countries like Brazil which, as I think you've rightly pointed out, is the dominant player in South America?

May I have your thoughts, please?

Dr. Laura Macdonald: Well, I'm simply raising some questions here. I can't say necessarily that this would doom our relationship with Brazil, not at all. I'm not saying that, but it might harm our relationship somewhat with Brazil.

I think they are not hostile relationships, but they're competitive agreements within the hemisphere and it may be that we can't have our cake and eat it too. It may be that if we deepen one arrangement, then we can't move forward with other areas in which we don't currently have trade agreements, and we do have trade with these countries. If there's not any great economic advantage with moving forward toward deepened integration, harmonizing regulations, migration agreements, all kinds of really sensitive trade issues that you'd be stepping into here.... If we can't really say that there's a clear economic advantage, I don't see what the point is of risking our relationship with another powerhouse of the region.

Mr. Ed Holder: It's rather interesting because in this kind of dialogue I remember when we did EFTA. You might be familiar with that, it's the European Free Trade Agreement. It involved four countries, not always the biggest ones. It involved Norway, Iceland, Switzerland, and Liechtenstein, not exactly an economic powerhouse respectively, but each of them had their various strengths. I heard from one person who asked if we were concerned that would have an impact on our dealings with the European Union, that is to say, the broader free trade. Frankly, it hasn't and it's my hope that we'll be able to put that together.

I'd like to suggest to you that you keep an open mind, please.

Thank you, Chair, and thank you to our guests. I appreciate that.

The Chair: Thank you very much.

We have very little time left, but we'll allow two last questioners and we'll split the time.

Go ahead, Madam Papillon.

[*Translation*]

Ms. Annick Papillon (Québec, NDP): Thank you, Mr. Chair.

Well, unlike our Conservative colleagues, we, in the NDP, want a trade strategy that is open and respectful of the environment and human rights. We can't ignore the fact that mining companies in Latin America meet with tremendous opposition, both locally and internationally. Unlike our Conservative colleagues, we read newspapers on this side of the House. In fact, one example I could point to is the situation involving the Pascua-Lama mine. Barrick Gold has been the subject of protests. A court has suspended the project because of environmental implications, as well as indigenous claims in Columbia and Peru.

I would like to know this. Social movements of that nature are commonplace in Pacific Alliance member countries, especially in mining and indigenous regions where human rights and environmental protection are serious concerns when it comes to trade. We were just talking about corporate social responsibility, for that matter. In terms of Canada joining the alliance, do you know if those are concerns right now? Do you have any suggestions for us in that regard? I'd like to hear your thoughts on that.

Perhaps we could start with Mr. Heidrich, followed by Ms. Macdonald, please.

• (1625)

[*English*]

Mr. Pablo Heidrich: Thank you, and I offer my apologies for not being able to answer you in French.

In regard to your question and also the previous comments from a member of the committee, I've been researching Canadian mining investment, and particularly the economic impact of Canadian mining investment, so I would like to add that when we talk about CSR, corporate social responsibility, for 45 Canadian companies that operate 68 mines in 12 Latin American countries, CSR represents between 0.3% and 0.2% on average of their revenues per year. The most enlightened companies invest up to 1% of their revenues per year.

In comparison, they make between 30% and 40% profit from their revenues and they pay between 10% and 20% of their revenues in taxes. The rest goes to operating costs. When there are issues, protests and complaints in Latin America, yes, they have to do with human rights; yes, they have to do with environmental impacts—as you say, with the Pascua-Lama case, and there are other cases as well—but it's also a matter that people know how to count there, and here as well.

There are several issues that make Canadian investment in extractive industries very much a subject of discussion in Latin America. I think that's why Professor Macdonald and I very much agree on the fact that it's important for Canada to keep negotiating and keep talking with all countries, if Canada wants to ensure that the companies behave well and also are treated fairly in those countries. Negotiating with countries we are very close to and can agree with can sometimes be a bit redundant; it's important to also negotiate with countries that have very different points of view.

Ultimately, what can happen with mining investments, or with other investments that Canada has very strongly made in Latin America, such as in banking, is that the investments can be nationalized. You have to see that the margins of profitability in Canadian mining investments and banking investments in Latin America are totally dependent on regulation. Regulation is political; therefore, you need to speak with the political bosses of those countries.

Thank you.

The Chair: Thank you very much.

Mr. Hiebert, you may take a couple of minutes.

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

Just to clarify, my colleague asked whether there was any economic benefit or advantage to Canada. I heard the witnesses—I'm not sure which ones—clearly state that there were economic advantages, despite the potential for deep integration.

My question, however, has to do with a comment made by Mr. Heidrich.

You suggested that for further integration in our economic trade with Asia, the changes Canada would need to make are more internal. Could you unpack that statement for the members of the committee?

Mr. Pablo Heidrich: What I meant by internal is changes that in the literature on trade are referred to as behind the border, changes that have to do with.... First of all, Canada is a confederation, and therefore it's a somewhat difficult country for others to negotiate with. For example, you negotiate with Canada and you sign with the federal government an international free trade agreement, and then you figure out that what you signed doesn't really mean much, because the provinces will not allow you to provide services across their border. If you are trying to provide architecture or engineering services, which are very important, for example, for Asian investment in Alberta in the oil sands, you cannot do it unless the provinces in which those investments are allow that foreign provider to come through.

Those are changes that Canada would need to make if it were to receive more investments from abroad, which is, for example, the target that those countries in the Pacific Alliance have. They have the advantage over Canada that they are either unitary countries or are federal in name, as in the case of Mexico, but much less federal than Canada.

• (1630)

Mr. Russ Hiebert: Are there changes other than internal labour mobility changes that would need to occur? Is that what you were referring to concerning the engineering professions and other professions that are similar?

Beyond that, are there other changes that would be required?

Mr. Pablo Heidrich: Yes, I think there would also have to be changes with registration of companies, with how many foreign directors there can be in different sectors, and which sectors are off limits from foreign investors, as is the case with banking in Canada and also with communications. There are also issues that have to do with the movement of foreign professionals to provide services across the border here.

The Chair: Thank you very much. We want to thank you for coming forward and sharing this time with our committee. We value your input.

With that, we will suspend the meeting as we bring forward our next group of panellists.

• (1630) _____ (Pause) _____

• (1630)

The Chair: We'd like to call the meeting back to order. We are entering into our second hour.

Just to inform the committee, we won't have any committee business at the end of this, so we can spend our time with the witnesses.

We have with us, from the Canadian Association of Mining Equipment and Services for Export, the real Jon Baird, I understand. That's good; this will be interesting. There will be lots of questions on that, I'm sure.

From the University of Ottawa, we have with us Carlo Dade, senior fellow from the School of International Development and Global Studies.

Thank you both for being here.

We will yield the floor to the real Jon Baird first.

Go ahead, please.

• (1635)

Mr. Jon Baird (Managing Director, Canadian Association of Mining Equipment and Services for Export): I'm honoured to be here to contribute the view of the Canadian mining supply sector to your deliberations on the benefits of Canada joining the Pacific Alliance as a full member.

[*Translation*]

Good afternoon everyone. I am pleased to be here today representing Canada's mining supply sector. My presentation will be in English, but I would be delighted to answer questions in French.

[*English*]

My message for you today is really quite simple.

[*Translation*]

I will speak fairly slowly so the interpreters are able to translate clearly.

[*English*]

Given the relative lack of domestic capacity of emerging nations to supply a modern mining industry, Canadian mining supply firms

would benefit from freer circulation of goods, services, capital, and persons within the countries of the Pacific Alliance.

The Canadian mining industry is an important investor in all of Chile, Peru, Colombia, and Mexico, and Canadian mining suppliers have followed our investors into these markets. I would venture to say that in 100 countries or more, our mining industry is the number one commercial manifestation of our nation.

In terms of trade, mining supply is, or can be, the leading edge of the wedge for Canadian exporters in many countries. Putting it another way, I doubt there is another Canadian industrial sector that dominates international trade and investment more than our mining sector, including its suppliers. Before I tell you more about our views on the benefits of freer trade with the countries of the Pacific Alliance, I would like to take about one minute to tell you something about the association that I manage and the sector that it represents.

Founded in 1981, CAMESE, which is the Canadian Association of Mining Equipment and Services for Export, is a not-for-profit trade association existing to assist Canadian companies in exporting to the worldwide mining industry. We are a collective global marketing effort to enhance the mining world's understanding of the excellence of Canadian mining technologies and services. CAMESE has more than 330 member companies located across Canada.

Now I'll talk about the sector. The Conference Board of Canada has characterized the mining supply and services sector as "a multi-billion dollar, widely varied industry in Canada and around the world, yet it is a 'hidden' sector that is not directly measured or tracked".

There's some indication that there are as many as two jobs in mining supply for every job in mining.

The mining supply and service sector comprises a wide range of consultants, manufacturers, and engineering and service companies, including mining-specialized divisions of all the major banks, brokerages, and accounting and legal firms. There are as many as 3,000 firms across Canada offering mining-specific products and services.

Looking at export markets, in descending order of priority of market areas for the mining supply and service sector, Latin America is currently number one, followed by Asia-Pacific, U.S.A., Africa, Eastern Europe, and the CIS, the Commonwealth of Independent States, in that order. Indeed, Latin America is a key market area, and that brings us to Chile, Peru, Colombia, and Mexico. I have prepared one-minute capsules on the booming markets in each of these four countries. I would have liked to insert this information now, but in deference to my 10-minute time limit, I would be pleased to tell you more about these opportunities if there were a pertinent question.

•(1640)

No doubt this committee has access to the statistics of what has happened under the free trade arrangements with these countries. The statistics that I have seen point to solid increases in business, such as in Chile, where over the 15 years of the treaty the number of Canadian enterprises exporting to that country doubled to over 1,300. The number of different products exported from Canada also doubled over the same period and our major export to Chile shifted from cereals to machinery.

In all of these countries, I feel it is fair to say that the advances in Canadian import penetration have been led by equipment and services used in the mining industry.

Canadian suppliers are not new to the markets of the Pacific Alliance. Since 1995, for example, CAMESE has organized Canada pavilions at mining exhibitions for our exporters to exhibit their products and services in these countries. Over the past 18 years we have done this 18 times in Peru, 17 times in Chile, eight times in Mexico, and once in Colombia. Every time our exhibitors attend these shows, they find new business.

In conclusion, the Canadian mining industry and its suppliers are indeed the major Canadian commercial presence in all four countries of concern to us today, just as they are in many countries around the world.

Currently, Canada has agreements regarding preferential trade arrangements and investment protection with each of the four members of the Pacific Alliance. CAMESE is not in a position to determine whether we are best off with these individual accords or within a bloc of countries. We'll leave that to this committee and to our trade negotiators to decide.

However, we note that the Pacific Alliance aims to give preferential treatment over a wide range of goods and services with a minimum of 90% of goods being tariff-free. Perhaps this would be a better situation for us than we now have under four different relationships. A freer movement of people and broader recognition of professional credentials that might come within a trading bloc, as well as the harmonization of standards and rules, would certainly be an advantage to our exporters.

We imagine that immigration may be an issue. On this we refer to the labour market studies of the Mining Industry Human Resources Council. They predict that the Canadian mining industry will need 100,000 skilled new workers by 2020. Where are these people going to come from?

The Pacific Alliance countries would be an excellent source of such labour. Their educational and training standards are improving all the time. Also, local people are already employed by Canadian companies learning our way of doing mining, and these people might want to transfer to work in Canada.

In closing, without having told you of the major opportunities that exist in all four of these markets, the Canadian mining supply and services sector has a good deal to gain and little to lose through freer trade and investment with the countries of the Pacific Alliance, and with other emerging nations as well.

I thank you for your interest in our position on this issue.

The Chair: Thank you very much.

For the benefit of the committee, we have your written remarks in English on those four countries individually. We'll have those translated and given out to each individual member, so your information will get to where you had originally intended it.

With that, we thank you for your remarks.

We'll now move on to Mr. Carlo Dade, senior fellow of the School of International Development and Global Studies.

The floor is yours, sir.

•(1645)

Mr. Carlo Dade (Senior Fellow, School of International Development and Global Studies, University of Ottawa): Thank you, Mr. Chairman.

I think I should really reconsider my stock portfolio and add some Canadian mining export companies.

[*Translation*]

Mr. Chair, it's a pleasure to be on the Hill again. I will be making my statement in English, but I would be happy to answer members' questions in either English or French.

[*Witness speaks in Spanish*]

[*English*]

It's indeed a pleasure to be back here with the committee talking with you about trans-Pacific trade and the Pacific Alliance, for I believe the second or third time. It is indeed, then, the third or fourth time that I've spoken about this issue in Parliament. I'm delighted the committee is considering this issue and that you've had me here again.

This is an issue that is of importance to Canada. It is probably the most important issue in terms of real potential to impact our prosperity agenda, economic growth, trade, and anything else that we're considering right now, including the EU free trade agreement.

Let me get that point out first. I say this because I've actually been studying and working on the Pacific Alliance and trans-Pacific trade ever since Canada first became involved with the alliance and its precursor back in 2007. For the past six years as the Government of Canada has worked with the varying situations of the alliance and followed it, I've been reading everything written on it in Spanish and English.

[*Translation*]

Unfortunately, there isn't anything in French right now.

[*English*]

I've also had extensive conversations with foreign governments, foreign ministry officials, and think tanks working on trans-Pacific trade and working particularly on the alliance, both in Latin America and in Asia.

In fact, one of the issues that the committee faces and that those looking at the issue of the Pacific Alliance face is the lack of information available in English on the subject. Indeed the only paper in English over three pages is something I've been working on for the past few years. It's not ready to be tabled and still is not ready to be released, but I will be able to use the research and analysis in this to touch on two things: a bit of the history of the alliance so you can understand exactly what it is and why it's important; and then look at four reasons as to why this is important for Canada. I'd like to leave a major issue on the table.

To begin with the history, six years ago, in 2007, Australia was hosting the Asia-Pacific Economic Cooperation meeting in Australia. There were worries raised in Australia quietly and not so quietly among the Asian countries as to whether or not the next year's host for the 2008 meeting, Peru, was capable and ready to host a meeting of the cooperation forum. Indeed there were also worries in Latin America about this.

In response, Peruvian President Alan García announced a bold new initiative. He wanted to link all the Latin American countries facing the Pacific into a new integrated group to better prepare the region to trade with Asia. This came from two realizations. One was that Latin America, despite its tremendous political and economic progress, had not been able to close the gap with Asia. The second reason, stemming from the first, was that the current set of integration agreements that Pablo and Laura described were not capable of bridging the gap. They had failed in moving Latin America, in helping Latin America.

There was also the realization that while countries compete bilaterally, they tend to succeed as blocs or as groups of countries. Indeed, if you look around, in the European Union, Britain benefits not so much individually, but by access to the full range of markets, resources, and everything the European Union has. In North America we benefit from that relation with NAFTA, and Mercosur in Brazil. There was a realization that current integration agreements weren't cutting it and something new was needed.

Originally García hadn't thought to invite Canada and Chile hadn't thought to invite Canada, but fortuitously, the Prime Minister was invited to take part in the first meeting where this was discussed, and the government has followed it ever since and positioned us extremely well to take advantage of what's emerging.

There are two points about the history. One, you have to understand this as a break from everything else that's occurred in Latin America. The alliance, or the Arc of the Pacific, which was the first iteration of the group, started with an incredible work plan, an incredible agenda put together largely by the Inter-American Development Bank.

●(1650)

A lot of serious work, a lot of heavy lifting, has gone into the agenda, looking at rules and regulations, best practices. The amount of work and heavy lifting that the Inter-American Development Bank has done is extremely impressive, and you can see it today in the work plan for the alliance that has been carried over. That was the good news.

The bad news was that not all 11 countries could agree on the agenda. There were different levels of political advancement, different theories about economic development, and not all the countries were on the same page. Not all had FTAs with each other, so after a year and a half, the four leaders of the Arc of the Pacific—Peru, Chile, Colombia, and Mexico—decided to break off and to form a new group, the Pacific Alliance, taking with them the other two serious members of the Arc, Panama and Costa Rica.

You have to understand that every integration attempt in Latin America before had been based on everything and anything except actually advancing integration. The Pacific Alliance represents a clear break with that past. It's an attempt to formulate a serious agenda, and what they've done to implement it is unheard of. It's unprecedented. We have never seen this serious an agenda. We have not seen such expenditure of political will and capital anywhere in this hemisphere, not in South America, not in Central America, and currently not in North America.

The other bit about the alliance is Canada's privileged position. We were an observer at the Arc, and we continue as an observer at the alliance, something no other country is doing.

Now, very quickly, I'll tell you why this is important.

With respect to integration agreements, we compete globally bilaterally, but we succeed as members of blocs. Think about our relations within North America. In North America we no longer talk about a Canadian automobile sector or a Mexican automobile sector. We talk about a North American automobile industry. We are able to compete globally because of our access to Mexico, to the United States. The U.S. no longer talks about U.S. energy dependence. The U.S. speaks of North American energy independence.

This is a major shift and it is important for us. We have benefited from our relationship with the U.S. not because of the free trade agreement but because of things we've done beyond that. NEXUS was not part of the free trade agreement. Beyond the Border was not part of the free trade agreement. The free trade agreement was a gateway to working on more important integration issues.

Trade does not capture the importance of the relationship. Think about this fact. Every dollar the U.S. imports from Canada contains 25¢ of U.S. input, content services. For every dollar the U.S. imports from Mexico, it's 40¢ of U.S. goods and services. For the next country on the list, you have to go all the way down to Malaysia at eight cents. China, Brazil, and the EU come in at two to three cents.

The importance of integration for competing globally for real economic growth has to be understood. That's the importance of the alliance. It gives us a second kick at the integration can. No one is really happy with the pace of integration in North America. We're stuck with a United States that keeps saying, "No, maybe tomorrow", but in the Pacific Alliance we have a group of countries saying, "Yes, let's do something." It changes the dynamic and this is important for Canada.

The second reason is the liberalization agenda. The question for Canada, as committee members have asked, is not about what we're going to liberalize. All the easy free trade agreements are done. The question nowadays is when we're going to liberalize what's left and under what conditions. The Pacific Alliance is the best scenario for doing this.

I have an analogy useful in thinking about the Trans-Pacific Partnership, the EU agreement, and the Pacific Alliance. Imagine working with the Pacific Alliance as a bar, with four countries with whom we're very close friends yelling and screaming about things but never going much beyond yelling and screaming. Now imagine the negotiations on the Trans-Pacific Partnership as going out the back door of the bar into an alley, and waiting for us in the alley are New Zealand, Australia, and the United States, each with a baseball bat or a pair of brass knuckles that say "Canadian dairy" and "Canadian agriculture". Everything we do beyond the alliance gets more difficult. If we cannot work on liberalization with the alliance, I wonder where we can work. This is the easiest path that we're going to face of our liberalization agenda.

The third reason is Asia. We're more attractive to Asia as part of the alliance. Indonesia is not asking the Association of Southeast Asian Nations to begin negotiations with Canada. They're asking them to begin negotiations with the alliance. We look better as part of the alliance. The alliance looks better with Canada.

• (1655)

It's also a forum where we don't have to worry about the U.S. sucking the air out of the negotiating room when we walk in.

The fourth reason is the Canadian private sector. The committee has asked questions about why the private sector doesn't trade more. You can't ask the government; you have to ask the Canadian private sector. They're the ones who trade. The reason they're not trading more is they still have access to easy money in the U.S., but globally we can see how this is changing. The EU is falling apart, and there's slow and sluggish growth in the United States. Markets like South America, like the four countries of the alliance in particular, which are, in essence, another BRIC, as large as Brazil, are important. At some point in the future the Canadian private sector is going to come to the government of the day and ask why aren't we in the Pacific Alliance; why didn't we take the opportunity; why was this another TPP where we had an opportunity to get in early, but instead we're now faced with begging our way in? Again, we have a huge advantage, and we need to think about that.

Finally, I would hate to say that I have words of advice, but this is an idea. The alliance is the most serious integration scheme we see going on. There are clear benefits to Canada that benefit us as we have benefited through NAFTA. Indeed, the questions about whether we can work with these countries are eerily reminiscent of questions we asked about Mexico and NAFTA. Yet, if you talk to John Manley, Michael Carrigan, and other critics of working with Mexico, you hear what they're saying now: "My God, I was wrong. We need to do more with Mexico. We've wasted opportunities with Mexico. We need to do more." It's kind of odd that we're having these same discussions about countries like Chile, which has, I think, more free trade agreements than everyone in the Americas put together, but they're similar arguments to those we had with Mexico.

Here's the issue: the seriousness of the agenda by the government has been good to this point. We were there at the beginning. We stuck with it. It's a demonstration of seriousness that stood us well. I would argue that going forward, the Prime Minister really has to be in Cali next month for the summit of the alliance. The Spanish president and prime minister will be there. We've got to be there.

For the alliance, if we're serious about an agenda for Canadian growth, for economic prosperity for Canadians, this has got to be something that's supported by the whole of government. The issue with the alliance is that it's been a national project, not the project of one party, so I would suggest that Mr. Mulcair would have to go with Mr. Harper to Cali, not physically, but in spirit.

The Chair: Okay, I'm going to quote you down there.

Voices: Oh, oh!

Mr. Carlo Dade: I apologize for not having produced something, but I'm happy to provide individual briefings to members or to the caucuses outside of the setting that we're in now.

The Chair: Very good.

We'll start with the questioning.

Monsieur Morin, the floor is yours.

[*Translation*]

Mr. Marc-André Morin (Laurentides—Labelle, NDP): Mr. Dade, when you look at Latin America, you see that it's far from a monolithic block with a single philosophy. Rather strong tensions exist between groups of countries who don't share the same policy directions.

If we side with one group of countries, do you think we risk alienating another country? Might we alienate a country like Brazil, a huge industrial power whose economy is much more developed than the other countries, who have mainly extractive resources?

Should we spread out our efforts to try to unite Latin America, instead of rushing to side with one particular group?

Mr. Carlo Dade: Thank you for the question.

I think the first thing to do is to focus on Canada's interests. That means identifying what matters most to Canada, not the regions.

[*English*]

In this regard, the alliance is important as an opportunity for our near-term prosperity. If there are four countries—or, to be correct, six countries—that would be concerned about Brazil, and alienating Brazil, it would be Chile, Peru, Colombia, and to some degree, Mexico. They've thought about this. They've discussed this. This is not an issue. They've made it absolutely clear that the alliance

[*Translation*]

is not against the client.

[English]

The alliance is not against any country. The alliance is simply a pragmatic response to an opportunity vis-à-vis Asia. For Canada, Brazil will be a decades-long project. The work that we've begun with Brazil will require constant effort.

The Canada-Brazil CEO Forum that the government has announced hasn't gone anywhere despite our best efforts. Despite our announcing our members of the council on time, Brazil just hasn't shown the interest to respond. We'll need a long-term effort with Brazil. The alliance does nothing to harm our relationship with Brazil. If it did, Chile, Peru, and Colombia would not have formed the alliance.

With respect to other countries, I'm not too worried what Nicaragua thinks about Canada or what Venezuela thinks about Canada. I'm worried about countries that are actually important to our prosperity and to our future in the hemisphere.

• (1700)

[Translation]

Mr. Marc-André Morin: Do you think resources could be an issue? My government colleagues make it sound as though we have unlimited negotiating resources. Perhaps if we invested more resources, we would meet with success elsewhere with partners who are more on our level.

For instance, if we disregard Brazil, maybe five or ten years down the line, we'll see that the country has partnered with China when it comes to aerospace or some other similar sector. We could really miss the boat on that.

[English]

Mr. Carlo Dade: That is a real worry and I'm sorry that the folks from Foreign Affairs couldn't address the issue. They do need more resources in my opinion because the trade agenda is that important. The department to a large degree is underappreciated and I would argue to some degree underfunded, but not underpaid, that they do quite well in that regard.

The issue, though, with resources, integration.... We already have a free trade agreement with these countries, so we don't have to go through 15 rounds of negotiations on every point about moving ahead with integration agreements. Most of the work is already done. It's a simple matter of negotiations with them to go over the agenda that they've already produced and how we work with them on that.

The application of resources versus the benefit outweighs anything else we're doing. Cost benefit...I shouldn't use cost benefit with this committee after what we went through with the government, but the cost benefit is clearly there for this agreement.

Mr. Marc-André Morin: I apologize for saying it so rudely, trade agenda is important as in we need to have one.

Mr. Carlo Dade: I won't comment on that.

The Chair: Okay, your time is up.

[Translation]

Mr. Carlo Dade: It's good like that.

Mr. Marc-André Morin: A bit of humour always helps to ease the tension.

[English]

The Chair: Thank you very much.

Mr. Keddy.

Mr. Gerald Keddy (South Shore—St. Margaret's, CPC): Thank you, Mr. Chairman, and welcome to our witnesses.

It's been a pretty wide-ranging discussion on this topic both from our witnesses here, Mr. Chairman, and our former witnesses. There are a couple of issues I'm trying to drill down into.

Mr. Dade, you made a couple of comments that I want to pick up on. One of them, certainly, is the fact that perhaps there hasn't been a lot of trade critics and analysts writing about this agreement in English, and I think that's unfortunate.

I go back to the basics on this potential agreement. Every time at every meeting we listen to the same criticisms from the opposition, but we still end up the seventh, eighth or ninth, according to which statistics you use, trading bloc in the world, which is significant. The fact that you mentioned that the Prime Minister was at the first meeting in 2007 is significant. That opens doors and provides opportunities for Canadian businesses.

Frankly, I reject the statement and quite honestly find it a bit xenophobic that somehow these countries have lower standards than Canada has. We quite legitimately heard from the witnesses that the standards actually are as high or higher. Application and enforcement of those standards is the problem. I see us as helping partners to obtain a higher level or aspire to their own laws perhaps rather than our sinking to a lower level, so I really don't understand that philosophy or mindset.

There are a couple of issues here. I think it's been rightly analyzed that this is really about seeking greater trade with Asia, an area in which we have a potential to partner. There are a couple of criticisms. One of them was that we already have bilateral agreements, so what's the advantage of the multilateral agreement? The other criticism was on standards, that somehow on the environment, on labour, and on human rights, we're going to lose our standards. Another one was on immigration and visas. Without question, where are we setting ourselves up here? Are we simply going to isolate ourselves and become isolationists?

I guess the other criticism was that somehow this hurts our position with Brazil. If you look at our record with Brazil, we've moved forward. We finally settled, quite frankly, the Bombardier dispute that went on forever and ever and hurt our position with Brazil. We've opened up. I think we are accepting 10,000 Brazilian students presently. We're moving forward on one front with Brazil.

What prevents us from doing the same thing and answering those criticisms on another front with the Pacific Alliance?

It's a bit of a rant, I'm sorry.

• (1705)

Mr. Carlo Dade: Well, let me see if I can answer a little bit of that.

On issues of different regulatory regimes, we had the same issue about Mexico. It's important to look at not where countries have been but where they are and where they're going. The work these countries are doing in terms of international best practice in regulation is truly outstanding. The work that the Inter-American Development Bank is doing, the best experts in the world, the capacity in these countries... The college graduates, the educated elite of these countries, the people who run government have qualifications that would have them succeed in New York or London, not to mention Canada. You have to look at where the countries are going, and the example of Mexico is instructive in that regard.

Just on Thursday and Friday, the high-level group of the alliance was meeting in Mexico City. The *superintendencias*, the superintendents of banks, finance and securities of the countries were meeting to set new standards. This will be better than platinum in terms of the ability to create new financial regulations and rules. Why the heck wasn't Scotiabank there? I'm sure that's a question Scotiabank is going to be asking when they start calling Ottawa. It's important to keep that in mind too.

In terms of trade, movement of people, they're doing the same thing. But this issue about FTAs versus integration groups is huge. It's not just about Asia. It's about creating a market, another kick at the NAFTA can, just as we benefited from NAFTA, not because of the free trade agreement, but because of everything that went beyond that. We've benefited immensely in this country, not from the rules in NAFTA but from regulatory convergence: NEXUS, all the agenda that we've had.... This is another kick at that can.

You've heard statistics from Foreign Affairs and from the ambassadors about how these economies are growing. They're now majority middle class, and that trend will continue. They're going to become richer and they're going to become more dynamic economies. It behooves us to get in now rather than try to fight our way in against Australia, Spain, Japan, other countries that are also looking at these markets.

We have a tremendous advantage. We can leave some of the dysfunction of NAFTA behind in that we're never going to leave North America. We'll never diminish our trading with North America, but North America has reached its limits, because the Americans are no longer interested in doing what's necessary to be successful and to be competitive globally. These guys are. It's the work that they've done. It's not just 90% of tariffs that they've eliminated in a year and half; it's the agenda beyond this. There has been tremendous political heat in these countries from agricultural groups and from others for what they've done, yet they've committed the political will. On the plans that the IDB, the Inter-American Development Bank, and this group have laid out, we just haven't seen this globally in terms of an agenda. This is the type of agenda we want to be part of. We've been frustrated in North America, as have the Mexicans, by the lack of movement and progress. This gives us a chance. Yes, Asia is down the pike, but even without Asia there are things in the near term by working with these groups.

• (1710)

The Chair: Okay, that's it.

Mr. Baird, if you have a quick comment, I'll allow that, but his time has about gone.

Mr. Jon Baird: No. As I think I said in my presentation, I'll leave these matters up to people who know more about them than I do. I'm just interested in free trade with emerging countries.

The Chair: Very good.

Mr. Easter, the floor is yours.

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

To the witnesses, thank you to both of you for your presentations.

Turning to you, Mr. Baird, I would say up front that I think Canada's mining industry certainly needs to be congratulated for the amount of capital and investment that it does make around the world and for the benefits that it does draw back to Canada.

I know there is always a debate on corporate social responsibility. I've been at some of your mine sites, and we'll not get into that one. I would say that Canada's mining industry will stack up very well against any other in the world in terms of their total corporate social responsibility. I just want to say that at the beginning because I think you are to be congratulated.

You heard the discussion earlier on the Pacific Alliance. You did say in your discussion that it's up to our trade negotiators to decide. What I'm trying to decide is, just what are we negotiating?

This is not a free trade agreement. It's not an FTAA. We're not negotiating with a bloc. We're already an observer. There's been no cost benefit analysis done. Mr. Dade mentioned cost benefit analysis. I have yet to determine just what we're focusing on here and what we're trying to do. It's nice to have a nice social club among countries; it's a wonderful thing. To sit down and have a beer together, to get people together and have some wine at night, a little party, it's a wonderful thing; however, there are serious trade issues that we ought to be dealing with. That's my concern.

What does the mining industry see has to come out of an agreement? We want to call it a Pacific Alliance agreement or whatever it may be. I think the FTAA would have dealt with a lot more of the areas that your needs are seen in, but that wasn't possible. What do you see has to be done—and I know you have a paper wherein you talk about major opportunities, and we will go through that in those markets, and I know they're there—to glean a benefit for Canada and for the mining industry in terms of this particular discussion?

I'll ask as well in terms of Argentina, Brazil, and Venezuela, where I think there are serious concerns about whether being in this club versus that club might have an impact on us. Do you see any impact for you and your mining industry in those other countries?

Mr. Jon Baird: Ill take the last one first.

I'll go back to Monsieur Morin, who is concerned with how other countries might look at Canada's getting into this, that, or the other thing.

I agree with Carlo that it's not a major thing in this case, but as a person who has spent most of his life in marketing and selling that kind thing, I like to pursue opportunities. When you have an opportunity, when people are inviting you to come and talk to them, I think that's a positive thing.

Canada has to ensure that it maintains as high a profile as possible in terms of various aspects of our performance here in this country, including the mining industry. I believe that working with people is the best way to explain what's happening in Canada, what Canadian values are, and so on.

When I see a group of four countries trying to standardize things, that standardization alone would be an advantage to our exporters, even if they do it and we're outside of it. If they did it with us inside the group, with some opportunity to advance our ways of doing things, I think it would be advantageous.

To me it's not this or that; it's that we have an opportunity here, and we should go forward.

I will agree with you that there are a lot of issues on the trade side. Of course I'm not party, as you are, to this committee's deliberations as they go on. I just advance the idea that we're not doing very much on what I might call sectoral approaches to export trade and export marketing.

It's great to sign agreements with countries and then walk away and say, "Okay, let business do it", but I think we need a little bit more consolidation of Canadian efforts when we go into these countries, particularly sector by sector, to try to actually sell things.

It's great to have agreements on paper, but you're not going to get a dollar coming back to this country until you have actually had a competent salesperson meet a competent buyer, and something actually gets sold. That's where we're slow.

• (1715)

Hon. Wayne Easter: We agree 100% on that point. In fact, I think that's what we should be looking at as a committee.

The parliamentary secretary talked about this bloc and the seventh or eighth largest trading bloc. My question would be for you, Mr. Dade. That's okay, and I can see that discussions and then coming together and setting some compatible regulatory regimes, etc., will be a help, but my concern on this negotiation, Mr. Dade, is that it really isn't a negotiation in trade. You seem to be very enthused about it, but I can't determine what the pros and cons are in terms of this discussion, from what I've seen. Can you help me?

Mr. Carlo Dade: Certainly. Let me go over the testimony again.

This is the second kick at the NAFTA can. Just as we benefited from being in the North American integration group that goes beyond simply having free trade agreements, we will benefit from a similar agreement with alliance countries. It's not just regulatory convergence harmonization. It's agreements on the movement of people, a more advanced agenda than we've seen in North America, that will make us more competitive with Asia. It's working to have a single stock market, the ability to produce financial instruments in trade. It's a common position or a common move to engage exporters and to engage China. The Pacific Alliance countries are working together in terms of outreach to China, to Korea, to Indonesia, to

present the bloc as an investment alternative. They've opened a joint office in Turkey, combining resources to do this.

Again, you have to think of this as another kick at the NAFTA can. Just as we've benefited from being in NAFTA by things that go beyond the free trade agreement we do the same thing with this group.

In terms of exactly what we'll be agreeing to, there's a list of priority items and what they've done. This is what we'll be negotiating when we go in with the group: movement of people, export investment promotion, financial integration, government procurement, harmonization of technical standards, agrifood, pharmaceuticals, cosmetics, sanitary certificates through the Pan American Health Organization, cooperation in education, being able to finish a degree in any one of the four countries, a single window for trade, value chains. There's a very clear list with very specific details as to what Canada will have to negotiate.

It's our agenda with the United States. We don't always have a clear agenda with the Americans and Mexicans. We deal with issues in a pragmatic way as they come up to allow us to take advantage of the free trade agreement to prosper and to compete, and that's what we'll be doing here.

The Chair: That's very good.

Thank you very much.

Mr. Cannan.

Hon. Ron Cannan (Kelowna—Lake Country, CPC): Thank you to our witnesses, and thanks for the great history lesson.

Following up on Mr. Easter's comment, I know the concern was whether this was just filling in time. You talked about that in other committees. You also commented about the Canadian alliance, so it's been quite successful, I think. Maybe the Pacific Alliance will be as successful as that. I'm cautiously optimistic. It's a great opportunity to hear from you two individuals on your perspective, representing a variety of experience.

Mr. Dade, if you could clarify, you mentioned how important this is compared to the European Union. Should our committee recommend to the government to seek to join the alliance as soon as possible for Canadian industry to take advantage of the alliance?

Mr. Carlo Dade: Yes, I think we have everything to gain and nothing to lose. There will be a process of negotiation, more information will be provided, and further hearings can be held. We have an opportunity to not repeat the mistake with the Trans-Pacific Partnership where we had an opportunity to get in when it was only Chile, New Zealand, Brunei Darussalam, and I think Singapore. Instead, when the U.S. came in, the U.S. beat us up before they let us in. We have an opportunity to avoid that mistake again. That is fundamentally important in terms of the group.

• (1720)

Hon. Ron Cannan: You mentioned visa-free travel. Do you think that's going to be a deal breaker, an issue the groups can't work through, or in the supplemental should the government be proactive in developing a strategy to help free the movement of people? It's one of the challenges it seems the membership in the Pacific Alliance is identifying.

Mr. Carlo Dade: It will not be an issue. Mexico has negotiated with the alliance about the movement of people, so there is room to negotiate and trade on things that have been accomplished.

On the movement of people, let me quickly go to a couple of issues. There are two issues with the movement of people that always come up in Canada. One is that if we do anything in terms of letting people into North America, we run into issues with the Americans. The other is security concerns.

On issues with the United States, the history is instructive. Early on the government tried to lift visas on central Europeans. The bureaucrats and policy community in Ottawa said it couldn't be done. The Prime Minister went to Washington, and I'm told by friends in D.C. that he raised the issue in a conversation with George Bush. The response by the U.S. President was, "Well, Stephen, I think that's a great idea. You should go ahead and do it. It would make things easier for us in the States." This was a completely different message from the one he got in Washington. We lifted the visas. The U.S. didn't complain. Obviously, there were issues later with refugees, but we've since dealt with them.

With regard to Mexico, the government was told the only way to stem abuses of the refugee system was to impose visas. A bunch of us said, "No, there are alternatives." People in Mexico said, "No, there are alternatives." You can take the 30 million Mexicans who already have 10-year U.S. visas and let them come to Canada. Mexico does it. Other countries do it. It would obviate it or avoid the problems on the political side in Mexico, and it would also avoid the economic problems in Quebec from the damage to the tourism industry and people moving over. So we can do a lot more visas than we're told.

On security, the chart shows homicide rates per 100,000 from the UN Office on Drugs and Crime. You can see that in terms of the crime issue, we're really not looking at much on the alliance. Or you can look at the capitals of the alliance and Canada and homicide rates, and you can see that if Washington, D.C., were tossed in, how the countries in the alliance would fall. This data also comes from the UN Office on Drugs and Crime.

The interesting issue on the crime and security front is that we already have visa-free travel with countries that have worse crime and security issues than those in the alliance. If you take a look at this data, this comes from *The Atlantic*; they run some numbers. Looking at homicide by firearm—this is different from overall homicide rates—of Pacific Alliance countries versus cities in the U.S., if you're worried about visa-free travel with the alliance, don't go to Miami., stay out of Portland, and whatever you do, don't cross the border into Buffalo.

The real issue for Canada is that we have visa-free travel with Detroit. In terms of a danger to Canada from visa-free travel, I can't

think of anything worse than a second bridge between Windsor and Detroit. You have a city with a homicide rate.... That's the firearm homicide rate, but the actual homicide rate is 55 per 100,000. You have a city where on any corner you can buy an AK-47 with a high-capacity magazine clip, and our response to this clear and present security threat to Canadians is to build a second bridge.

The security issues are overplayed. If you're coming from the alliance, you're going to have to.... You've been to Bogotá. You pass through three levels of security going through the airport, two more levels than you need to get into Canada. The thought that this is going to lead to security problems in Canada, compared to what we already face, is.... When you actually look at the facts, when you look at reality instead of perception, it's not an issue. It's moving qualified business people.

In this country we haven't managed to implement the APEC visa. Twenty-one countries, the economies in the Asia-Pacific economic group, have implemented the visa. We haven't. This is an issue we have to move on.

• (1725)

Hon. Ron Cannan: Thank you for putting it into perspective. I'm down to my last minute, so I have a question for Mr. Baird.

Madam Papillon mentioned that she reads the newspaper. Well, we read the newspaper as well. It reminded me of the quote by Mark Twain that if you don't read the newspaper, you're uninformed, and if you read the newspaper, you're misinformed. I worked for the Thomson newspapers group for four and a half years, so I know it can be true at times.

But specifically for the mining industry, perhaps you could summarize this. You mentioned briefly the multi-billion-dollar industry. In my riding there's Jeff Stibbard from JDS mining. There's the founder of Dia Met, Chuck Fipke, and some of the biggest mining companies working out of British Columbia. Maybe you could expand a little bit and inform the committee of the opportunities for the mining sector from the Pacific Alliance.

Mr. Jon Baird: Well, specifically for trade they're great, because mining is growing faster and faster in emerging countries. Just look at Africa, for example. You just have to look at how Canadian mining companies alone are betting with their money. The balance sheet assets of Canadian mining companies outside of Canada are worth \$215 billion. We have \$20 billion of that in Mexico, \$19 billion of that in Chile, and it goes on around the world.

There are huge opportunities. Why? There is hardly a year when there is negative growth in the need for mined commodities in the world. The prices go up and down because there is always a relationship between supply and demand, obviously. With commodities, if that balance changes by 1%, the price can change by 10% or even more. Don't look at the prices; look at the demand that is going up and up. Canada is in such a wonderful position domestically seeing as we have all of these resources that the world needs, and our mining industry around the world is the most dominant industry in the world and has great potential.

The Chair: Thank you.

You must be talking about the prices from early this morning compared to the prices this afternoon for some of those commodities.

Go ahead, Mr. Davies. I will give you two minutes, and then we'll finish off the meeting.

Mr. Don Davies: Thank you, Mr. Chairman.

I promised you, Mr. Dade, that I would give you a chance to expand on this.

I'm quoting from an article you wrote in which you said, speaking about Latin America:

Mr. Harper will find little interest in the usual lectures from Canada. In fact, he may get pointed rebukes about our irresponsibility in refusing to adopt what these countries view as common-sense policies on charging royalties for mining and oil projects. There'll also be questions about our capability to be a serious partner in the region.

Can you explain in more detail this critique of Latin American countries concerning our policies on royalties? What did you mean by that?

Mr. Carlo Dade: The Latin American countries, as we've mentioned, have more progressive social agendas, and a different history and a different neighbourhood context in terms of royalties.

Responding to this as well as to the needs for investment in basic development, basic education, and basic health care has made them take a more aggressive approach in terms of royalties.

I actually got this, believe it or not, by talking to Jeff Rubin, the CIBC World Markets economist. He's famous for saying that the best friend the Canadian oil patch has is Hugo Chavez. Why? Every time Hugo Chavez raises royalty rates in Venezuela, the Government of Alberta should sidle up to the industry and say, "Boy, that *pendejo* down in Venezuela has really gotten you again. He raised rates by 15%. We're your friends and we're only going to raise them by 5%."

There is great room for arbitrage with this, and we simply haven't engaged in it. There is criticism that more could be done in this regard.

I'm sure my friend—

Mr. Don Davies: I think we should be prepared to give Mr. Baird a chance to talk.

Mr. Carlo Dade: —will offer a different view, but coming from academia, I have to have something that's progressive.

The Chair: Make it very short because his time has gone, and I'm going to give two minutes to the last questioner.

Mr. Jon Baird: I just wanted to point out that with what was announced in Quebec last week, things are moving in that direction.

The Chair: Okay, go ahead, Mr. Shory, for two minutes.

Mr. Devinder Shory (Calgary Northeast, CPC): Thank you, Mr. Chair, for being kind.

I have a quick question for Mr. Dade.

In your presentation you said that the Pacific Alliance is on track in negotiations with the ASEAN bloc of 600 million people. Can you tell me about the risks of not joining the Pacific Alliance? Is it beneficial to Canada to sit on the sidelines?

Mr. Carlo Dade: I was afraid someone was going to bring that up. If I have to retract one thing I've written, it's that.

Indonesia has moved the Association of Southeast Asian Nations to begin negotiations with the Pacific Alliance. That process is going to take some time. ASEAN is almost as slow as the OAS, but it's an indication of where the bloc is heading.

● (1730)

Mr. Devinder Shory: Another thing is it seems from here that their priority is to open markets in Asia and that Canada also has the same priority. Again, would it be a door-opener or at least helpful to open the doors for Canada in Asian markets?

Mr. Carlo Dade: Yes, it certainly makes us more attractive. Together we would be not the world's ninth largest economy but something like the seventh or the fifth, so that is much more attractive.

Also, let me note that with the European free trade agreement... This is something I meant to mention. The free trade agreements the government has signed have been extremely important, but they get defensive. They have prevented us from losing market share in countries.

The first thing that happened after we signed the agreement with Colombia was what? The U.S. wheat growers association issued a press release yelling and screaming that they were about to lose \$100 million a year in sales because Canada had an agreement that made Canadian wheat cheaper.

It was the same thing in Central America with potatoes, Mr. Easter. Every year the U.S. potato association says they're doing great in Central America, and they have higher than normal market share, and that will remain in place until Canada signs a free trade agreement and things go back to normal.

The FTA with the EU will do the same thing. If the U.S. signs an agreement, we're in a world of trouble. Signing the agreement with Europe is important to keep us from losing market share, but it won't help us to grow. It won't give us new opportunities. It's a defensive move.

The Chair: Thank you very much.

Now that you're talking potatoes, I think it's becoming clearer to Mr. Easter.

We want to thank you for your presentation and your time here.

With that, we will adjourn.

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