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**EVIDENCE**

**Thursday, December 5, 2013**



**Chair**

**The Honourable Rob Merrifield**



## Standing Committee on International Trade

Thursday, December 5, 2013

• (0845)

[English]

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

We thank our witnesses for being here. Although one witness has been delayed a bit, we do have a witness with us.

We're continuing our study of the Canada-European Union free trade agreement.

We have with us, first of all, from the Canadian Canola Growers Association, Jan Dyer, director of government relations.

Jan, it's great to have you here.

We will have with us Mr. John Curtis, senior fellow at the C.D. Howe Institute in Toronto and the International Centre for Trade and Sustainable Development, appearing as an individual. He has been delayed a bit.

We will start with your testimony, Jan, and hope that he gets here before we get into questions and answers. We look forward to your testimony.

**Ms. Jan Dyer (Director, Government Relations, Canadian Canola Growers Association):** Thank you, Mr. Chairman and committee members. I'm very happy to be here this morning. Thank you for inviting me here today to speak about the comprehensive economic and trade agreement with the EU.

The Canadian Canola Growers Association represents 43,000 canola growers across the country. It's governed by a board of farmer directors representing all provinces, from Ontario west to B.C. I'm really pleased to be able to speak to you on their behalf this morning.

Canola is a very important economic and agronomic contributor to the farms that span the country. Canola is a very large success story, increasing from marginal production back in the early eighties to the number one cash crop in the country last year and contributing about \$19.3 billion to the Canadian economy. If you have our speaking notes, you'll see stated "over 16 million tonnes". In fact, in StatsCan's latest production estimates that came out yesterday, we are close to 18 million tonnes of production this year. That surpasses by quite some tonnes our industry goal of 15 million tonnes by 2015. It is the highest-value agricultural commodity, contributing about \$8.2 billion to farm cash receipts last year.

Canola farmers rely very heavily on international markets. We export more than 85% of our seed and canola products on an annual

basis. Much of canola's current and future success is directly related to our ability to export and to our competitiveness in global markets.

CETA is a very significant opportunity for canola and canola growers. Improved access to this market is very impressive. The EU economy is worth about \$17 trillion. It's about a sixth of global trade. It has a population of 500 million consumers with the financial means to buy our products. For Canadian canola, this agreement provides future market opportunities and a commitment to work through some of the market access barriers that canola is now facing. This is probably one of the most hopeful things that we have in this agreement.

Once this agreement is ratified, it will result in an immediate elimination of tariffs on canola oil, which could increase our exports of our oil to Europe by about \$90 million a year, year after year. That's double what it is now. This access will create new demand for farmers' canola seed and support Canada's expanding crush industry.

In the longer term, CETA will provide a more formal avenue to discuss long-standing issues that farmers face with the EU non-tariff trade barriers, particularly their regulations regarding genetically modified canola. The importance of establishing transparent, science-based regulatory policy can't be overstated, and CETA represents an important opportunity to advance access for biotech products in a meaningful way.

In order to feed the world's growing population and at the same time ensure that Canadian canola growers remain profitable in contributing to the Canadian economy, farmers must continue to adopt new and innovative technologies. This includes new biotech traits that allow for increased production and various agronomic benefits. In 2012, Canada had the fourth-largest area planted to biotech crops worldwide, with 97.5% of Canadian-grown canola planted with biotech varieties. Canola farmers quickly adopted the new technology, as it provides real economic benefits to their farms. Biotech canola has allowed for higher yields, more efficient weed control, and less reliance on crop inputs, such as pesticide use and fuel consumption. It has provided more opportunities for farmers to adopt no-till or minimum-tillage practices that have environmental benefits.

With respect to the approval of new canola traits, we are especially encouraged by the fact that Canada was able to use the CETA negotiations to get an agreement with the EU on a parallel letter committing the EU to ensuring efficient processing of canola applications and their expeditious movement through the EU approval process, which can be very long. Speeding up this process will allow growers to take advantage of innovation, which ultimately makes us more competitive.

● (0850)

To fully capitalize on this particular agreement and export it competitively, we also need to have some improvements in the Canadian regulatory process for exports of canola. We're pleased with recent changes to the Grain Commission, but we need to do more on the export side if we're to remain competitive and fully capture the benefits of this free trade agreement.

Thank you for the opportunity to speak to the committee today. I look forward to taking your questions a bit later.

**The Chair:** Thank you very much. It is indeed an exciting product on the Prairies, there's no question of that.

Now I want to thank Mr. John Curtis for being here, a senior fellow from the C.D. Howe Institute in Toronto. I'm glad you could make it. We'll yield you the floor before we get into questions and answers.

**Dr. John Curtis (Senior Fellow, C.D. Howe Institute (Toronto) and the International Centre for Trade and Sustainable Development (Geneva), As an Individual):** Thank you, Mr. Chairman, *mesdames et messieurs*.

I'm delighted to be here. Mr. Chairman. You've made me sound as if I'm from Toronto, in fact, I'm from Vancouver in permanent exile in Ottawa. I can always get a crowd from Winnipeg west when I'm quite clear. I shouldn't say that in front of Mr. O'Connor, of course, as a local boy, but I still get mileage from about Winnipeg west. The other thing I might mention is that I'm a graduate of the federal public service, having served for 35 years in various departments of government. So I continue to follow trade and financial matters internationally, and teach it as well as an ongoing retirement project, if I could put it in those terms.

I'm delighted to have the opportunity to share some of my views with you on what at the moment is a political agreement announced on October 18 between the Prime Minister and the President of the European Commission, Monsieur Barroso. The multilateral negotiations will take months. I know this from my own experience with the Canada-United States Free Trade Agreement and the NAFTA and the Uruguay Round. I was part of all those teams.

It'll take many months to complete the technical agreement, legal texts, and indeed, to solve some final, outstanding issues between ourselves and the European Union. So it's not a fully done deal except for the political aspect of it, which is very important. But it does mean that one has to be a little careful in assessing the agreement in detail, because we don't have the detail. What we do have—and I'm sure all members here will have seen the statement from the Prime Minister's Office, of course, the document released shortly thereafter, and also the knowledge that we've gained through the media.

One thing I would stress to members here that might reflect the fact that I'm from one of the provinces of Canada—I always have to remind my federal colleagues and did throughout my career, that Canada consists of both the federal government as well as 10 provinces and three territories. In fact, I think an important outcome of this agreement is the fact that within 24 hours, October 18-19, every provincial premier and all three of the territorial leaders supported the agreement in principle.

Some of them said, with good reason, that depending on the particular sectors or the particular interests of their jurisdiction, the province or the territory, they had some issues they were concerned about and would want to deal with either with the federal government or internally. But it does reflect a federal-provincial-territorial agreement, which I think is almost unprecedented in Canada in the trade file. I think it's really important and is to the current government's credit that they involved provincial and territorial officials throughout the process.

That meant an awful lot of revenue to Air Canada and the various other airlines serving both western and eastern Canada as the officials went back and forth to Brussels. The negotiators tell me it was almost unwieldy at times, but they were all there and that's an interesting, if I can call it that, Canadian experiment. We'll have to see if it's duplicated.

I might add that has not happened so far with the Trans-Pacific Partnership negotiations that are under way. Lower-level officials have been involved to some extent, but my observation in dealing with several provincial governments is that they don't know a great deal about this other major, almost what I'd call a mega-regional, agreement, as is CETA, under way now. That's something I think the government will want to consider as it proceeds.

I say that only as a bit of a detour, although I think it's important, partly because in the Trans-Pacific negotiations under way, Mr. Chair, we're dealing in a comprehensive way with the United States for the first time in 20 years. People tend to forget that. The United States is leading the Trans-Pacific, for better or for worse, but we're dealing with them across the board and this makes it very important. It has implications even for the European agreement.

● (0855)

As a general matter, a policy matter, and a practical matter, I would point out that whenever domestic regulations or international relations change—and trade agreements and investment agreements ultimately are changes in regulation—there are always gainers and losers. This is true of any change in regulation—telecoms, agriculture, international trade. This is important for governments, and for all of us involved in public policy from whatever aspect. We need to ensure that the gainers over time can compensate the losers. Broadly speaking, one can make the case that gainers, who are generally consumers, tend to gain overall over particular producer interests, which are at times negatively affected, sometimes seriously.

I think it's incumbent on all governments, and indeed all of us dealing in public policy, to accommodate the losers and recognize that people get hurt, as they do when there is technological change. Not many people drive a horse and buggy anymore. When the automobile came along, there were losers. As technology goes on, there are always losers in our society. But the thing is, those who gain should be in a position to compensate those who don't.

I'll make the further point that this is natural to trade. It's natural within your own family, within a community, within a region, a province, a country, and across borders. It is natural to trade. That doesn't mean it's unambiguously good, but it does mean that it's the natural state of things. That's always the premise that I start with. We have to balance interests. We have to encourage goods and services, people, and investment in technology to cross borders. This is a natural thing, and it leads to the benefit of everybody over time.

In that context, I could say that I think CETA on balance is good. No question: it is good for Canada. It's a new-generation trade agreement and will move both Canada and the European Union into closer cooperation in many areas of domestic and international regulation. The regulation will not necessarily be the same, but it will be more closely aligned. There will be fewer differences between us. From what I have read, it is breaking new ground in areas such as recognition of professional services. That's architecture, law, engineering, and many more. It will also mean more cooperation in temporary-entry provisions, movement of skilled labour, including CEOs. It's beginning to chip away at things that are going on in trade. It will affect, for example, how we regulate electronic commerce, which is such a major part of our economy in today's world. The younger generation would think it's unbelievable that trade agreements don't cover the Internet, that they don't cover trade in electronic commerce. But that's a fact. This agreement is beginning to eat away at that and to open up areas for regulation and harmonizing—or at least aligning regulations in those areas.

I'll summarize by saying the agreement is getting at some of the European Union tariffs that we've been trying for 50 years to get rid of—in fisheries, forestry, automotive products, and aluminum. I can remember negotiating aluminum through the Uruguay Round, the multilateral round, and the Europeans wouldn't budge on aluminum. These tariffs will be eliminated as CETA takes effect.

● (0900)

I've read, and perhaps you've heard in the committee, that most Canadian producers say there will be at least \$1 billion of increase in pork and beef products over time, and it will open up government procurement on both sides, leading to some worries from municipalities and for locals. But again, it means that as taxpayers, as consumers, we'll benefit and so will European Union customers.

We are opening up some of our market for European specialty cheeses and we appear to have acceded, or be in the process of acceding, to European Union demand with respect to pharma patents—I gather this committee has already addressed that to some extent—and geographic indications, where the Europeans had quite a long list of basically trademark-like things.

Lastly, I'd say the investor-state provisions trouble me, not only in this agreement but in general. I'm not sure that previous Canadian governments were right in NAFTA proceeding in that way, but we've

now brought this into the European agreement as well. Others will know more about it than I, but it makes me a little uneasy. I know why we got into it originally: we didn't trust the Mexicans when we got into NAFTA. But in fact there's been a huge bite back and it's not clear to me that it's in Canadian national interests to have these provisions, but we can discuss that, or perhaps you'll discuss it with others.

Finally, I would say that this agreement is really the first agreement that the EU has with a G-7 country, and that makes it unprecedented. It's going to help the Europeans—and I hope us as well—in their opening and continuing negotiations between Europe and the United States. And we've got a stake in both sides of the Atlantic. I think on balance I'd suggest to the committee that this is good for Canada.

Thank you, Chair.

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

We'll now move to questions and answers. We'll start with Mr. Davies.

The floor is yours, sir.

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

Thank you to both witnesses. Welcome to the trade committee.

Mr. Curtis, I want to start with you. I'm interested in the relationship between job creation and trade deals. There are claims in the case of CETA that it would create some 80,000 Canadian jobs. So far we haven't been able to find witnesses who could actually tell us how many jobs they're going to create or where and when those jobs will materialize. That could be because it's early days. We're in the world of big numbers, where numbers are thrown around.

So I'm curious; in your experience, do trade deals create jobs?

● (0905)

**Dr. John Curtis:** The brief answer is no, not necessarily.

If trade deals—and I say this as a professional economist—increase productivity and competitiveness, that can lead to loss of jobs, if anything, at least in the short term. As an economy's productivity increases, it needs less labour, by which we mean jobs, for the short term. If indeed there is ultimately more trade, both imports and exports—because there are jobs related to imports as well, through distribution and other services—it could lead to more jobs. Over time, probably that is the case as an economy grows and as your trading partner's grows. But I could not make the case—and I wouldn't want you to think—that it's an automatic correlation between trade deals and jobs. It just defies the economics.

Then you look at numbers, and I say this having done a lot of these numbers. They're awfully tentative and they're the most indicative of the possibility of longer-term increases in employment over time.

**Mr. Don Davies:** In terms of quality of jobs, assuming that CETA or other trade agreements do create jobs, do we have any assurance that we'll be creating good, value-added, high-paying jobs in this country as opposed to lower-paying jobs? Is there any necessary correlation between trade deals and quality of jobs created, if in fact they're created?

**Dr. John Curtis:** If I may, Chair, that's where I think, as the economy changes and grows, particularly increasingly towards services and knowledge, those jobs tend to be higher paid and require higher skills over time.

This agreement, to some extent, is largely a services agreement. Probably, the case is that over time, probably on balance, on the services side, if all domestic regulations are attractive—because it's not only a trade deal; it's tax arrangements, it's infrastructure, it's labour laws, so you have the whole package—it might. On the manufacturing side it's less so, unless it's very high-end manufacturing, and Canada to some extent has been quite successful on the higher end of manufacturing, slowly, but it is occurring. For some of what I would call the traditional manufacturing—and even the resources, as people move out of agriculture—those jobs disappear over time.

I've given you a long-winded way to say, “No, not necessarily”. Probably, if electronic commerce and if the services are strong and if research and development is strong enough in areas of high technology, those jobs will increase over time.

**Mr. Don Davies:** Canada has run a sizeable trade deficit with Europe really for the last 13 years. It averages \$19 billion a year. It's our second largest trade deficit in the world next to China. In addition to that, there's a qualitative aspect to the deficit.

I've looked at the top exports that we send to Europe, and vice versa. When I compare the top 10 exports to the EU, what Canada is sending to them is quite an overwhelming amount of barely processed or raw goods. Out of our top ten, we send them gold, diamonds, iron ore, uranium, petroleum products, wheat, coal, and solid fuels. The eight of the top ten that the EU sends to us are medications, motor vehicles, turbo jets and turbines, aerospace parts, wines, biological preparations, machinery parts, and medical instruments. It seems to me that we have not only a trade deficit, but there's a qualitative problem in terms of sending value-added products back and forth.

Is there anything in CETA that you view will address both the deficit and maybe the types of goods we're producing?

**Dr. John Curtis:** If I may, I would make a couple of comments. You've described basically what the situation is if you look at Stats Canada data or Eurostat data. There's no question.

I'd make a couple of observations.

First, in many resources—agriculture and some of the things you've quoted—services are part of that package. They're what we call embedded services and goods. In fact, in today's world...that's why I mentioned electronic commerce. Increasingly, you can't separate the two. You use transportation to move oil, for example, sometimes with nasty consequences, as we all know. But it does take services—legal services, architectural services, engineering services.

That's one point: it's not just black and white; you send a rock or a log, and that's it. There are all sorts of services related to it.

Secondly, in many cases the Canadian consumer...which is why I emphasize that, and I include myself as a Canadian consumer. I'm delighted that my ophthalmologist can use high-end German technology when looking for glaucoma or whatever else. To some extent we benefit. We're making inroads. In some of the aerospace we're doing rather well. If you travel in Brussels you sit on a Bombardier train.

On the global numbers, you're right. But over time as the economy changes and it moves towards a higher end, as you put it, a higher value-added, and as we begin to count the value-added involved, I think what you set out describes only a static situation and it is probably not useful as we look ahead, because services, technology, and goods are all wound up together. It's not quite as dire as you've mentioned.

If I may make a third point in response, Chair, in our current account, which you mentioned, our balance of payments in services is much better globally as well as with Europe than our overall trade numbers—commercial services, not all services. Tourism is bad and transportation is bad, and some services are very bad. But in terms of business services—insurance, finance, engineering, architecture—we're running a surplus in Canada. People don't recognize that.

● (0910)

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

Mr. O'Toole, the floor is yours for seven minutes.

**Mr. Erin O'Toole (Durham, CPC):** Thank you, Mr. Chair.

I'd like to thank both the witnesses. We're getting into a few weeks of these hearings now. It's important to hear perspectives.

I have a couple of questions for Ms. Dyer to start off. What's exciting about CETA for the agricultural sector is the average agriculture tariffs to the EU are in the 13% to 14% range, on average. If you look at oils, including canola, tariffs rates are 3% to 10%.

Our exports of canola and canola products have been so profound in the last few years. There are new markets opening up all over, including in Asia. What is the industry doing to prepare over the next couple of years to take advantage of CETA? The 43,000 growers you talked about, obviously, have developed a very sophisticated export market and supply chain within Canada. Is there anything specific you're working on to prepare for the opportunities CETA provides?

**Ms. Jan Dyer:** The opportunities in CETA are a little bit different from some of our other markets. The canola industry has a very detailed market access plan that we've been working on for some time. So we have goals in terms of access to some of the high-value food markets like China, Korea, Japan, and markets where we are currently working to expand trade. The market in the EU is a little bit different from that. We don't actually sell canola products for food in Europe. Europe has a very—

**Mr. Erin O'Toole:** Biofuels.

**Ms. Jan Dyer:** Yes, it has a very large food growing area and they grow lots of rapeseed. Our markets there are for meal and for biodiesel. Canola is a much better feed stock for biodiesel than any of its other competitive products. You get about 90% greenhouse gas reductions from conventional diesel using canola oil. We think that's a very promising market in the EU and there's very high demand for that in the European Union. That's good for us.

Also, canola meal is very highly valued in dairy rations. It's highly productive. You get a litre per cow per day extra production if you feed canola meal to dairy cows. Those are the markets that we're concentrating on right now and we think there's lots of promise.

Those are the kinds of things that have been in the market access plan for some time. It's a little bit of a different strategy in Europe but there is a very large plan and the canola industry is very proactive, very aggressive, in terms of how we move products into those markets.

I will say that we really are going to be watching carefully on the Canada-EU dialogue on biotechnology, because the need for us to have trade approval in a timely manner in the markets that we're selling into is very important for us. We have technology ready to go here that's improved, that can improve our competitiveness. If we aren't able to get those products registered in other markets, we can't export them because they're just not accepted, not being approved.

•(0915)

**Mr. Erin O'Toole:** That's my next question so you're scooping me.

In fact, because you're looking for the EU just for meal and product for biodiesel markets, the non-tariff barriers that are going to be addressed and the regulatory councils that are being set as part of this agreement... You alluded to the fact that to feed the world, productivity is needed, and biotechnology will be a critical piece of that. How do you see your industry using these councils to try to engage? You mentioned the science-based approach. I know this has been something that your industry and the North American industry, really agribusiness, has been working on with Europe. How do you see these sorts of discussions about non-tariff barriers helping your industry in the long term?

**Ms. Jan Dyer:** The discussions themselves government to government have gotten us this far anyway, at least with the EU. It's very promising that they were willing to sign a parallel letter and agree to cooperation and to better dialogue and commit to speeding up their regulatory process. So we're really encouraged by that.

That's one of the key things that we actually need to push forward. I will say the Canadian government has been very supportive to the industry in terms of the way they partner with us. We have lots of joint agreements that we're working on. We have lots of issues in terms of market access on the technical barrier side that we just couldn't do without the Canadian negotiators. They have been excellent in terms of the cooperation that we've had consulting with the industry, taking the industry's position forward, pushing hard for changes where we need to in the EU and with other countries as well.

**Mr. Erin O'Toole:** Thank you.

I want to try to quickly get a question for Mr. Curtis.

I found your response on the jobs issue a curious one. Certainly I would say any analysis of a large deal like NAFTA would say that it was a huge net job gain. But in terms of diversifying our trade relationships, Canada in the last two generations really did not diversify because we could pretty much sell our goods and services, or 70% or more at times, to the United States.

If the United States stays in its slow-to-sluggish growth as it could, some economists are predicting 2% or less over the next several years, in terms of maintaining the jobs that are here now as a result of that north-south trade, can you speak about the importance of diversifying, particularly with a massive market like the EU but also with bilateral agreements with other countries to mitigate against a declining main trade partner?

**Dr. John Curtis:** If I may briefly address that, what I was saying was not that there would be no jobs. Over the long term there are jobs, but there is a short-term impact especially if it's very pro-productivity, pro-competitiveness and we won't see as much job growth in the very short term as often as we would hope. In the longer term, generally, if the economy becomes more productive and competitive then there is that job increase. We've found that with NAFTA, but it wasn't entirely because of the trade agreement. It's the investment that comes with the trade that led to the increase of jobs over time. So I was being rather careful with Mr. Davies to say that it isn't just a trade agreement in the short term, it really is that you have to look at the whole picture longer term. As the economy grows, as your trading partners grow, then of course, there is more economic activity including jobs. It's important to diversify.

I'm not of the group of economists, though, that thinks the U.S. economic story has ended. The amount of cash the private sector is sitting on, the innovativeness of that economy, the entrepreneurship of that economy all lead me to think that in fact it's going to be the growth of the United States over the next three or four years that's going to be the story in the world, not the growth of Europe nor the growth of Asia. Asia continues to grow—

•(0920)

**The Chair:** I'll have to cut you off there because the time is gone.

Mr. Eyking, five minutes....

**Hon. Mark Eyking (Sydney—Victoria, Lib.):** Thank you, Chair. Five minutes?

**The Chair:** Four minutes and counting....

**Hon. Mark Eyking:** Well, I was going to say that it's great to be back on committee. I was here on my first committee in 2000 and we dealt with all the trade deals we have now with South America and Central America. So Europe is on our list here. I'm on the agriculture committee so we're dealing with the European agreement.

I just came back from an agriculture tour out west visiting many farmers. They are quite pleased with their crop of course—it's a bumper crop—but pretty ticked off with the rail system. Many of them say the reason is rail has potash and oil as their priority. Many also say it's because they're missing the single desk selling where they used to be able to coordinate many of the grains on the move. I don't want to get the Conservatives all wound up with that one, but that's what I heard from many farmers.

My first question to you is, what can this government do to make sure the railroad is doing its job to make sure your grains are getting in at the right time to Europe? Right now we hear that many ships are waiting off Vancouver to be loaded. They're not getting loaded on time. These grains are going to go to Europe so what can we do to make sure the rail is being used more efficiently and that agriculture products at least get the same priority as the other commodities?

**Ms. Jan Dyer:** Well, I guess there are a few things. There have been some changes already with the Fair Rail Freight Service Act that was passed in July. That gives us reliance on service agreements. I mean, we've been watching it really closely. Our sense is that this year it's an issue of capacity. We are testing the capacity of the system to its maximum this year. What we've seen is that there's increased rail car demand but there's also increased rail service. But there is a backlog and the transportation system seems to be working its way through it. In the short term, it's a question of getting this huge crop to market and, when we've been paying attention over the last few months, we have seen much more car allocation to grains than we have last year. But we have a huge crop, with elevators at capacity and...spilling out of the storage facilities. It is really going to test the service agreement model this year, for sure. This is kind of your 100-year flood, I guess. What we need to do in the future, though... There are a couple of commitments that the government—

**Hon. Mark Eyking:** —I don't want to interfere with you too much, because they are only going to give me one round here and I want Mr. Curtis to have a question, so...

**Ms. Jan Dyer:** Well, there are some things outstanding. The commodity supply chain review needs to be done still, as does the review of the grain industry that was committed to at the same time.

**Hon. Mark Eyking:** Mr. Curtis, we just returned our committee from Washington and this whole coal thing has got our beef industry all in a tizzy. It's not just us, it's the Mexicans because these agreements are great but they make a very integrated industry. When all of a sudden one partner decides to pull the pin then everything goes kind of squirrely. With the WTO—because they are the only people who can help with these things—do you think the WTO needs to be revamped or changed, or have a bigger stick or a quicker mechanism?

• (0925)

**Dr. John Curtis:** The short answer is yes, but it does need political consensus worldwide. That hasn't been the case, as everyone knows, in the last decade, including the ministers when meeting the president at the WTO ministerial meeting in Bali, Indonesia, not coming up with very much. There really isn't the political will to advance the WTO, to give you a very short answer.

A lot of international trade is behaviour rather than law. I say this as an economist, not as a lawyer. With the Americans at times, both in defence procurement and in the example you mentioned in

agriculture, the clerk on down in the hierarchy can do some very strange things at times, including what you've just reported on. To some extent, that's behaviour. As the other side, you have to keep at them and say, "You've got to play the game the way we understood it to be played and the way you like others to play it." That's why I don't worry if the Chinese take on the Americans from time to time. It doesn't hurt for them to get their own medicine.

Getting back to the diversification question, that's why we need to have allies over and above the United States. The United States is number one in terms of us, but we have to work with others to keep pressure on them at every level of their government and their private sector to make it in their interest to behave properly, frankly.

**Hon. Mark Eyking:** Okay. Thank you.

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

Mr. Holder, seven minutes.

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

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

I'm learning to love canola more every day.

**Voices:** Oh, oh!

**Mr. Ed Holder:** We're certainly getting our fill of it in terms of information from various sources, Ms. Dyer, so I appreciate your testimony.

To Mr. Curtis, that was very interesting testimony today. Some of it was very general. You sound like a small-c conservative in some of your projections, and maybe where there's life, there's hope.

But my practical question to you—

**Dr. John Curtis:** I have to interrupt to say that I'm of the radical centre.

**Mr. Ed Holder:** Perfect. Then you'll fit right into this group.

You said in your testimony, Mr. Curtis, that you thought ultimately this agreement was a good thing. Why do you say that? And please answer as concisely as that broad a question can be answered.

**Dr. John Curtis:** I would suggest it's a good thing for various levels. It's a good thing because it means that we Canadians can be part of a major trade agreement. We've had a number of smaller ones, both under the previous governments and currently, but we really haven't been part of a major trade agreement since 1995, the WTO and NAFTA.

This gives us credibility internationally as well as within Europe itself. I've spent a lot of time in Europe. Most Europeans were pretty surprised that there was any trade negotiation under way, but all of a sudden they're saying, "Holy cow, look what's happened."



So it's important at that very general level. It's also important that it helps Europe and the United States deal with each other. We have to watch our preferences in the United States, but it's awfully important that we get economic growth restarted across the Atlantic as well as across the Pacific. The only way that can happen over time is if you build predictability and stability into your trade regimes so these things that Mr. Eyking was mentioning don't become the norm, that you don't have the rule of the jungle but you have a certain amount of stability.

**Mr. Ed Holder:** With a rules-based system, of course.

**Mr. John Curtis:** Yes.

**Mr. Ed Holder:** You made reference to Canada-U.S., and of course it was the great Prime Minister Brian Mulroney who negotiated Canada-U.S. It's rather interesting; going back to 1988, Canadian exports to the U.S.—to be fair, I have the statistics in front of me—totalled just in excess of \$81 billion. That was our trade to the United States. In 2012 our exports are now \$324 billion—not shabby.

As my Cape Breton mom used to always say, it's really hard to connect the dots going forward, but it's really easy to connect them going backwards. When I look at that kind of growth over 25 years, and I look at what that has meant for Canada, I need to ask you this question...which is not off track, because it's consistent with CETA. Do you believe our agreement with the United States and also with Mexico, with the NAFTA deal, was ultimately good for Canada?

• (0930)

**Dr. John Curtis:** Yes, on balance, it was good for Canada.

Where it's difficult, and it's difficult being small, as we are, in general, is that it's not about trade—and the numbers you report on are absolutely true—the real issue is where investment will go, over time. To some extent, we, and the government of the day—and that includes Mr. Mulroney and his government, and subsequent administrations, governments—we underestimated the importance of being big when it comes to investment.

The practice of investment is who you know, is there confidence where you're going to invest, who has the knowledge, who has the innovation, and who has the entrepreneurship. In the NAFTA context, we, and the Mexicans as well, have found that, on balance, most of the investment has gone to the United States in the last 15 to 20 years. That's the issue.

**Mr. Ed Holder:** It's interesting, because obviously, with the deal we've now struck with the EU, that's a market—and Ms. Dyer made that comment as well—of 500 million people, 800 million between the two most affluent trading blocs in the world, again in the EU, of some \$17 trillion of economic activity.

To be tied in to those two major markets, for Canada's sake...I would imagine, when we now have preferential access to the two most mature economies in the world, how that bodes for Canada in the future.

Do you have a sense of that? Are you an optimist or a pessimist in that?

**Dr. John Curtis:** I'm an optimist.

**Mr. Ed Holder:** Could you answer a question that I'm dying to get an answer for?

Chair, this is really important to me. Everyone talks about, and as you said, this is the new-generation trade agreement. What does that mean to you?

**Dr. John Curtis:** Electronic commerce, primarily, and services, and working towards regulatory alignment with respect to services, in every single field. Most of our economies are now service-related. Agriculture and manufacturing are important of course, but it's services where most of the long-term growth will be. That's with this agreement. That's the new generation, that and Internet commerce, and knowledge, and research, and developing new products. Because we have to keep up, not only with the Europeans and the Americans, we've got to keep up with the Chinese and the Japanese. The Chinese are moving up the technology ladder very quickly.

**Mr. Ed Holder:** How important was it that Canada engaged the provinces and the territories? You said it was unprecedented. How critical was that for Canada's sake, going forward?

**Dr. John Curtis:** Mr. Chair, given the matters that are subject to negotiations but are clearly in the new areas, services and others—these are largely provincial jurisdiction. The way we're organized in this country, they've got to be there.

**Mr. Ed Holder:** Ms. Dyer, we heard from Mr. Everson in our last meeting, with respect to canola. As I look at it, in terms of agriculture, I see every aspect of agriculture, beef, pork, all the grains, pulses, and canola obviously, being strong winners. I would argue dairy as well because of that opportunity to go to the U.S. market.

How do you take it from here? How do you take advantage of it? It really feeds off Mr. O'Toole's question, how do you feed off where you are right now, from the standpoint of growing capacity, to be able to satisfy the European market?

**Ms. Jan Dyer:** A couple of things, which actually goes to some of the issues Mr. Curtis was just talking about. Modern agriculture, and certainly canola, has been a growing presence in what I would call research development and innovation. I mean, the whole GMO move to technology present in the canola industry is what we're talking about.

We have the capacity to increase our yields. We've increased yields by 30% to 40% over last year, the year before, largely because of the technology. It's much better environmental technology. It's much more cost-effective. It's very high-tech if I can put it that way. That is what really matters to us.

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

We'll now move to Ms. Hughes. The floor is yours.

**Mrs. Carol Hughes (Algoma—Manitoulin—Kapusking, NDP):** Thank you very much.

There's not a lot of time to answer those questions, so my questions will be to you, Mrs. Dyer. Is it Miss or Mrs.?

**Ms. Jan Dyer:** It's Mrs.

**Mrs. Carol Hughes:** Thank you.

I'm not going to elaborate on anything. I'm going to ask the questions directly, to try to get some answers. If there's not enough time, maybe you could respond in writing.

• (0935)

**Ms. Jan Dyer:** Sure.

**Mrs. Carol Hughes:** On the GMO piece again, my questions are: What is left to be resolved on the trace GMO issue? You talked about the technology piece—how do you see these issues being addressed? Should these issues be resolved before the full implementation of CETA?

**Ms. Jan Dyer:** Well, that's a very big question. I might take the opportunity to give you a much longer briefing in writing, if I can. All I'll say is that I think the GMO technology debate is really one that's going to happen over a long period of time. It's going to be science based. It's going to take a lot of communication. It's going to take a lot of dialogue back and forth.

There are a lot of initiatives under way to resolve what we call the low-level presence issue, which is about what happens when there are approved or unapproved traits in shipments of canola that we are sending and how you deal with the various tolerance levels of different countries that have different standards in terms of what they'll accept for the products.

In Europe it isn't really an issue in meal, because for most of the animal feed.... In oil, most of our market goes for biodiesel. It really depends on the market.

That's a long-term, multi-faceted discussion, but I think it's a long-term dialogue that we're going to have for a very long time as this new technology works its way into the market.

**Mrs. Carol Hughes:** So based on what you've just said, you don't see that these issues would be resolved before CETA would be implemented.

I can tell you that certainly even in northern Ontario we're seeing some canola crops, even within my riding of Algoma—Manitoulin—Kapuskasung.

Brian Masse couldn't be here. He usually sits on this committee. I'm replacing him today. He has asked me to ask you these questions.

Previous witnesses from the Canola Council of Canada have stated that when CETA comes into force, exports of Canadian canola could double to a value of \$90 million per year. Can you estimate the total increase in Canadian jobs directly related to the increase of Canadian canola exports to the EU? What is the nature of these jobs? Is it cash-crop farming versus processing operations like crush plants? Do you, for instance, see increases in the grain processing sector, like the ADM plant in Windsor?

**Ms. Jan Dyer:** First of all, I don't have a jobs number. I think what we've been looking at more are the quality and the stability of the jobs you get from the long-term increase in trade. Most of the jobs in the canola industry go across the value chain. There are a lot of farming jobs, of course, but there are a lot of jobs in the seed industry, which is like the input industry. That's where the biotechnology breeding happens. They're high-quality jobs. They're science-based jobs. They're very stable.

Increasing stability and quality of jobs is a long-term gain. It's not a short-term gain like "we're going to sign tomorrow and we're going to have this many more jobs". It's going to be supply and demand over time as the technology increases.

**Mrs. Carol Hughes:** Here's my last question. To what extent is current infrastructure in Canada, i.e. the ports, able to accommodate—we heard about rail a while ago—the projected increase in exports of canola to the EU with the signing of CETA?

**Ms. Jan Dyer:** Well, I think I alluded to it before. Whenever you sign a new trade deal, there are a lot of things you have to do domestically to be ready for that deal. Infrastructure and institutions are two things that always need to come together to capture the benefits of those deals.

We saw it with NAFTA and we're going to see it here. There are changes under way in the Grain Commission, for example. The Grain Commission now pretty much funds itself on outward inspection for exports. That is putting a very heavy burden on our exporters.

On the rail transportation system, there are still reviews outstanding. There's a commitment to a commodity supply chain table and a review of the grain industry. Those things need to happen, because we need to know how the infrastructure has to change.

• (0940)

**Mrs. Carol Hughes:** Thank you.

**The Chair:** Thank you very much, Ms. Hughes.

You didn't have the luxury of actually coming to Halifax with us as a committee. We saw the capacity of the Port of Halifax, and actually, that could be threefold what it is today. CN also can increase their capacity, as well as air and roads. With capacity and the CETA agreement, we're in a great spot.

Mr. Shory, you have five minutes.

**Mr. Devinder Shory (Calgary Northeast, CPC):** Okay. Thank you.

**A voice:** [*Inaudible—Editor*]

**Voices:** Oh, oh!

**The Chair:** That wasn't subjective. Those were actual facts we saw when we were there.

**Mr. Devinder Shory:** Thank you, Mr. Chair, and my thanks to the witnesses also.

It's very interesting to hear your comments, Mr. Curtis. You said CETA will eliminate some tariffs we've been trying to get rid of for 50 years. This is a very encouraging comment, besides your other comments.

Ms. Dyer, you mentioned that once this agreement is ratified, it will result in the immediate elimination of the tariffs on canola oil, which could increase the exports of our oil by up to \$90 million per year, year after year. Then after that you talked about the growing population and said that farmers must continue to adopt new and innovative technologies. Do these innovative technologies produce high-paying jobs?

**Ms. Jan Dyer:** Yes, the quality of the jobs that we'll see with this agreement will be much more stable. There will be increases in the primary sector, but there will also be increases in investment. If we work through some of these non-tariff barriers in the agreement on biotechnology, then we will see jobs in the seed sector. That is largely about scientific advancement. It's about improving the trades and the science for producing better-quality crops for all markets.

In the food market, we'll have a much healthier oil. In the biofuel market, we'll be able to reduce greenhouse gases much more than we could with conventional fuels or some of the competitors such as palm oil. We may not see a huge increase immediately, but over time those jobs will be much more science-based, and they'll be higher-quality jobs. There will be jobs increased all through the upstream and downstream industries. There will be new jobs in handling, transportation, and all of the related services.

**Mr. Devinder Shory:** Thank you, Mr. Chairman.

**The Chair:** Mr. Hiebert.

**Mr. Russ Hiebert (South Surrey—White Rock—Cloverdale, CPC):** Ms. Dyer, in your brief to us this morning you mentioned long-standing non-tariff barrier issues, particularly GMO issues. You say the importance of establishing transparent science-based regulatory policy cannot be overstated. Is that comment a suggestion that perhaps GMO regulations are not science-based? Could you elaborate on the impact of these GMO regulations as a non-tariff barrier?

**Ms. Jan Dyer:** In the European Union, the regulatory process is extremely slow. Even once the European Food Safety Authority has given a positive opinion on a particular trait that we're trying to get approved in the EU, it can take another two or more years for countries to adopt it and for it to become an approved trait. Even after the science authority for the European Union has said a trait is safe and ready for approval, it takes a long time for the European Union to approve it.

There are various reasons for this. Their regulatory process is very slow; they have many member countries. Member countries sometimes intervene by using what they call a safeguard clause, which is an instrument that allows them to slow the approval process if they put more data on the table. Also, they're dealing with 28 member states, all of which have different regimes. That's why this particular dialogue we're having with the EU and getting this parallel letter in the agreement is really important. The Europeans have committed to try a lot harder to speed that process up. The process of approval for the safety side happens reasonably well. It's the other stuff that's added on that causes long delays, not to mention uncertainty.

• (0945)

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

That takes us to the end of this panel. We want to thank you, Dr. Curtis and Ms. Dyer, for being here. The presentations were welcome and the questions good. We will now suspend as we move into our next panel.

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(Pause)

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**The Chair:** I'd like to call this session back to order. We have two presentations in this panel. One from the International Institute for Sustainable Development, Mr. Howard Mann, senior advisor, international law, and we have Mr. Mike Darch, president of Consider Canada City Alliance, together with Bruce Lazenby.

Thank you for being here. We will start with Mr. Darch. The floor is yours.

• (0950)

**Mr. Mike Darch (President, Consider Canada City Alliance):** Good morning, ladies and gentlemen. I'm Michael Darch, the president of the Consider Canada City Alliance.

I am pleased to comment today on behalf of 11 of Canada's largest economic development agencies on the economic benefits we foresee in the Comprehensive Economic and Trade Agreement with the European Union. Joining me today is the president and CEO of Invest Ottawa, Bruce Lazenby. Invest Ottawa is a member of our organization, and Bruce is a board member.

Consider Canada is a new organization that represents 11 of Canada's largest economic development organizations, and we'll be expanding to 14 in January. Our present members represent Halifax, Quebec, Montreal, Ottawa, Toronto, the Waterloo Region, Winnipeg, Saskatoon, Calgary, Edmonton, and Vancouver. We collaborate closely with each other, as well as with the Department of Foreign Affairs, Trade and Development and with other partners to enhance Canada's ability to attract foreign direct investment to Canada. We strongly believe that a nation's ability to attract and sustain foreign investment is best achieved through an integrated approach by all levels of government.

The increasing importance of cities in global economic flows is well illustrated here in Canada. Our members represent approximately 54% of Canada's population and 56% of its employment base. But in the last five years, we've accounted for 72% of the GDP growth in Canada and a full 90% of the employment growth in Canada.

The signing of the agreement in principle of CETA could not have been better timed for us. The financial crisis in the United States once again illustrated our dependence on that economy. Attracting investment from Europe has always been difficult. First, employment laws in many European countries make it financially punitive to terminate staff in Europe, irrespective of their ability to perform in a new or revised position. That barrier has been removed as the financial crisis in Europe has made it necessary for many European countries to fully rationalize their employment for corporate survival.

Second, with our neighbour to the south being a dominant global economic power, expansion to North America meant expansion into the United States. Although the United States is poised to begin coming out of its financial crisis, its recovery remains an uneven process with few of the sound fundamentals that we have here in Canada. For the first time in decades, conditions have come together to move us away from the glare of the United States to compete for European investment on a more equal footing.

What does this have to do with CETA? First let us look at Europe. Just last Saturday we returned from a five-day investment mission to Europe having visited Madrid, Amsterdam, and Milan. Put simply, there is little growth potential in Europe. Companies looking for growth have to look elsewhere for business. Cultural, political, and economic factors raise the level of risk in many regions including Asia, the Middle East, Africa, and South America. That leaves North America. As I mentioned before, European companies have always looked to the United States. The Canadian Manufacturers & Exporters have identified \$800 billion in energy, mining, and municipal infrastructure projects that will be done in the next 10 years. Many of those projects are already under way. Meanwhile, our American neighbour struggles to fully come out of its downturn, and its political system appears to be working hard to ensure that it never does. As Europe turns outward to look for future growth, the U.S. continues to look inward.

CETA places us firmly leading the way for sustainable growth in the new global reality. The agreement looks outward to international collaboration to establish strengths in global supply chains. It addresses the labour-mobility challenges that let companies enter new markets. It recognizes that national wealth and the strength of cities are increasingly built on services and, in particular, on high value-added services.

● (0955)

Investments are made on sound business and market fundamentals, not short-term financial incentives such as those used by many U.S. states.

Many will say that the benefits being touted are conjecture and unlikely to be attained. As I mentioned, we have just returned from Europe and we saw concrete examples of the benefits. We need capital to drive the full potential out of our growth in infrastructure and innovation. We had over 300 business-to-business meetings in the three cities, and these companies were bringing investment.

I brought along our chart from Milan, which shows clearly all cities had multiple meetings, and Toronto and Calgary were double-streamed.

The companies were not looking to create jobs in Europe. Some European workers would come over to train, but the discussion was about jobs in Canada. We are not talking just about jobs in the oil fields and mines. Several companies were looking to bring their R and D to Canada and to establish companies in Canada.

It is also not just about CETA. It is also about our openness and other policy changes that are facilitating business. For example, our immigration laws are encouraging the best, the brightest, and the entrepreneurs. All of our members were approached quietly by individuals having completed or near the completion of the process

of becoming permanent residents of Canada. They were looking to open or grow companies here and, I may add, in Kelowna.

Europe is undergoing fundamental economic change. It is doing so because it is being forced. Our strong economic fundamentals let us manage change. As the negotiations are completed and the agreement goes through the approval process, Canada can manage that process to maximize the benefits to our economy. Europe and the United States are seeing their economies change, but they are being forced to change as they react to the impact of new global realities.

Canada has always been a trading nation with our economic prosperity tied to the ability to find our niche in global supply chains. With CETA and NAFTA, we sit in the middle of the largest trading and investment block in the world, with 950 million sophisticated consumers with a combined GDP of over \$36 trillion. This combined with immigration, financial, and education policies that keep us open to the world will help us maintain a sustainable economy and continue the prosperity that our nation has enjoyed over the last six decades.

We should applaud the Prime Minister, Minister Ed Fast and all those ministers and individuals who have made this deal possible. We have never had the combination of tools and economic conditions to make the case for foreign investment in Canada that are now available. Last week was but the first step of our members to achieve those benefits.

The Consider Canada City Alliance looks forward to the completion of the negotiations of CETA and its ratification. It will strengthen our ability to attract foreign direct investment, create jobs and prosperity in Canada, and diversify our economy. CETA is a historic agreement and a great one.

Thank you, and we look forward to your questions.

**The Chair:** Thank you.

Before we get to the questions, we'll hear from Mr. Mann. The floor is yours.

**Dr. Howard Mann (Senior International Law Advisor, International Institute for Sustainable Development):** Thank you, Mr. Chairman and members of the committee, for the invitation to speak today. CETA is a major trade and investment initiative, quite obviously, and will have major implications for all governments in Canada as well as the Canadian public.

I want to speak today only to the investment chapter. Not because the others aren't important, but simply because my expertise is on the investment issues and the investment chapter and not on the other issues. Unfortunately, official texts have not been released by the Canadian government and the EU Commission, just the summaries. However, as I indicated in my letter accepting the invitation to speak, I will do the best I can based on the summaries, but also on leaked text that has been circulating from time to time since last winter.

Of course, Mr. Chairman, it would be much better if we could all have a fully informed and transparent debate based on the full draft text, rather than relying on leaks and self-selected summaries by each government—and the summaries are in fact different, based on the interests of each government. The details matter, and they are largely absent from the summaries. We look forward to having a fully informed debate when the actual text is available. In the meantime, I should inform you, Mr. Chairman and members, that one such leaked text began circulating last week in Europe and fell into my inbox on Monday. It concerns the investment negotiations that took place in the middle of November and the text following that. I will speak to that text as well. I will make written submissions next week, Mr. Chairman, that will address six technical issues that support the conclusion I'm going to reach. I'll give that conclusion now because I'm sure I will run out of time at the end.

The conclusion is, very simply, in my opinion, the investment chapter, if it continues on what appears to be its present course, will provide foreign investors into Canada with the most investor-friendly set of corporate rights ever drafted by the Canadian government in an international treaty. The consequence of this increase in investor rights, coupled with a very robust investor-to-state dispute settlement mechanism under the treaty, will be a growing substantive scope for more investors—the European investors—to challenge more government measures based on higher levels of corporate rights, including future human health and environmental measures, at both the federal and provincial levels.

I say foreign investors here because this isn't just limited to European investors. All investors who are beneficiaries of an investment treaty will be able to take advantage of this package of rights because of the most favoured nation provision that's included in all the other treaties. It ratchets up the rights for everybody at the same time.

In terms of the technical points, my first one relates to the most favoured nation provision, which in this draft agreement is fully open and backward looking. I'll explain what I mean. Under investment law a most favoured nation provision allows an investor into Canada to have the same level of rights as the highest level of rights any investor in Canada has, including domestic or foreign. That's what most favoured nation means.

The current draft text is fully open so that the provisions of prior investment treaties concluded by Canada can be adopted by foreign investors under this treaty in the event of any disputes, if they're more favourable. The present draft CETA text provides carefully worded language on many provisions. In most cases, this is designed to limit the potential scope of interpretation of the rights of investors and thus to help protect government regulatory space, the right to regulate.

However, the MFN provision allows investors to reach back in time to those treaties that weren't drafted with the same level of care and the same purpose of balancing the right to regulate with investor rights.

It's worth noting, Mr. Chairman, that this ability to reach back into the older text was precluded by the language in the 2004 Canadian model FIPPA that allowed the MFN provision to apply only on a forward-looking basis, not backwards in time, precisely to prevent the undoing of the more modern language—the more up-to-date language—in the model FIPPA, in the substantive obligations of the government. The present draft text quite precisely reverses the 2004 model FIPPA in this very important way.

The second point, and on the substance, this is an area where the careful drafting doesn't reduce investor rights. It increases them and potentially quite dramatically.

- (1000)

The fair and equitable treatment provision, in my view, will become the most open ever concluded. The experience with the over 600 investor-state arbitrations under investment treaties to date globally shows that the fair and equitable treatment provision is the most frequently and the most successfully used by investors under the investor-to-state process. So it is a really important provision. It counts—it counts a lot.

The current text comes in what I will, for present purposes, call three boxes.

The first box has a defined list of factors that would constitute a breach of the fair and equitable treatment by a state, by the government. That's fine. The list generally reflects the issues most analysts would associate with the concept of FET under international law. The list is what most would have looked to, and it is defined and limited. That's good drafting in my view.

The second box is actually a couple of paragraphs later and addresses a very specific concept called the legitimate expectations of the investor. It too has been widely referred to in previous cases and analysis, and it is specifically defined and limited here. Again, it's careful drafting.

It's the third box, Mr. Chairman and members, that is of concern. The third box is defined to exist in addition to the first two. The language is very careful, “in addition to”. This third box refers to what customary law says constitutes a breach of FET, other than what is in the first two boxes. But it does not set any scope for this. It does not set any thresholds relating to the degree of government misconduct, whether it be significant, serious, or egregious, and international law has those three and other tests for the threshold of conduct, but it doesn't set out which one should apply here. It doesn't set out the test to apply in terms of how to determine whether what proposition, what alleged misconduct, is actually part of customary international law or not.

The problem is all of these things have been addressed in the existing cases and all of them have come to very different and, in many cases, opposite and irreconcilable conclusions. So there's a wide variety of very open and very closed interpretations, and this treaty does nothing to set any parameters or define any of those tests. It does so in a context where we have two boxes that would otherwise have been seen largely as the limits of what FET means, and here we have, in addition to that, this other box that is left completely undefined. That's where the serious potential mischief lies, Mr. Chairman.

The treaty essentially invites foreign investors to identify what they think should be in that new third box, that empty box, and for tribunals to decide what should be in it without any guidance from the drafters. It's open season for the lawyers in that case.

The third technical point relates to the possible inclusion of an umbrella clause, which is still on the table. I only note it; I won't get into it because of the time factors. It's a smaller technical issue.

I do want to quickly note the issue of exceptions to national treatment, which are a normal part of every agreement. This is nothing new or nothing exceptional—25% of the text of NAFTA is exceptions to national treatment in MFN—except that in this case, as it relates to the provinces, for any exceptions to apply, they have to specifically identify nonconforming provincial measures to include in a schedule. Previous agreements have grandfathered all non-existing, nonconforming measures. The change means that the provinces have to list all of their measures that they want to be excluded from full coverage of the agreement, as of when the agreement starts. That puts a heavy burden on the provinces to go through all their laws, to verify exactly which are nonconforming to the text, and schedule them.

The problem is if they make a mistake, they can't reverse it afterwards. It's finished. Once the schedule is accepted, that's it, the listing is closed. It's a very heavy burden on the provinces because of that particular change.

• (1005)

The fifth issue, just to note it for the record, concerns the use of a general exceptions clause like that found in article XX of GATT. I note it, but I won't speak to it here unless there are questions on it.

The final point, Mr. Chair, is the right to regulate clause, which is held up both here and in Europe as an example of the balancing that's included in the text. In this case, the right to regulate clause is intended to be in the preamble to the whole of the agreement, as I understand it, and it is not in the leaked text, but the technical summary produced by the Canadian government tells us that the agreed language is that it will indeed reaffirm the parties' right to regulate, but in a manner consistent with this agreement.

That language actually comes from article 1114(1) of NAFTA. That's where it was originally used, and it means, as a matter of law, that the agreement prevails over the right to regulate of governments, and all exercises of the right to regulate at both the federal and provincial levels must conform to the agreement. So contrary to what is often implied by referring to a right to regulate provision, it in fact prioritizes conformity with the treaty obligations over the right to

regulate. This is absolutely beyond a legal doubt, as seen in the history of NAFTA itself.

Very briefly, here are my conclusions, Mr. Chairman, given all this. As a matter of law based on the summaries and the existing text, the current drafting of CETA will give foreign investors into Canada more international law rights than ever before; will do so quite knowingly and deliberately; and this will inevitably lead to increases in the number of arbitrations against Canada, for both federal and provincial measures, and resulting pressures not to regulate in key areas such as the environment, human health, anti-tobacco practices, and so on.

Thank you, Mr. Chairman.

• (1010)

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

Mr. Davies, the floor is yours.

**Mr. Don Davies:** Thanks, Mr. Chairman.

Thanks to all the witnesses for coming, and welcome to the trade committee.

Mr. Mann, I want to direct my questions to you, if I may. One of the main concerns of Canadians, if I may put it just very generally, is that they want to know if CETA would allow foreign corporations to sue Canadian governments for passing legislation—and I'll put a couple of specifics to you—that protects our environment. For instance, let's say that Quebec decides it wants to put a moratorium on fracking in the province. I know there is already a lawsuit against it. Would CETA permit that?

**Dr. Howard Mann:** Yes.

**Mr. Don Davies:** Would it allow foreign corporations to sue Canadian governments for passing legislation, say, directed at consumer protection? Say we wanted to pass tobacco packaging laws like Australia did. Would CETA permit them to sue us if we tried to do that?

**Dr. Howard Mann:** Yes.

**Mr. Don Davies:** Would it permit European corporations to sue Canadian governments if we decided to create a public program like national pharmacare?

**Dr. Howard Mann:** I'm not sure what would be in that program, so I don't want to speculate just on that kind of open language.

**Mr. Don Davies:** Okay. Just generally, after reviewing the chapters you've seen on investments so far, are you concerned that CETA has gone too far in giving corporations the right to challenge democratically decided decisions by our governments?

**Dr. Howard Mann:** Yes, I am. Let me be specific here, and a little more precise, if I may. Simply because the agreement would allow European investors and other investors using this text because of MFN provisions to initiate an arbitration doesn't mean they will win, so we want to be a little bit careful there.

My concern is that this agreement, because it allows cherry-picking, through the MFN provision looking backwards, of all of the best drafted provisions from an investor perspective, wipes out all of the lessons learned and the more modern drafting that's taken place because of that; also because of the drafting of the FET provision, which takes those two areas that we would have seen as the scope of FET and then says, "in addition there is this undefined box, and you, the investors and tribunals, go out and try to fill it". That's what the real concern is for me.

**Mr. Don Davies:** You're right that we don't know if anybody is going to win or not, but I've heard the concern raised that if governments are making decisions and they fear they are going to be sued, there can be a chill factor on governments' ability. Second, even if you don't win the case in the end, if you're faced with multiple multi-billion dollar lawsuits, that costs a lot of money to the public purse in defending those cases.

So those are the two concerns that are raised. Win, lose, or draw, it's going to cost taxpayers millions and millions and maybe more to defend those suits. Is that not a legitimate concern?

• (1015)

**Dr. Howard Mann:** There are two issues there.

The first one is the chill effect. In my view that is very much present. It's on the record in New Zealand now in terms of the anti-tobacco issues. They wanted to pass the exact same legislation Australia did, and the health minister in New Zealand said straight out, on the record, that they weren't going to do it until they saw the results of the cases against Australia and Uruguay brought by Philip Morris. We see that chill effect.

I saw it in Canada both when I was a lawyer in the government and after I left the government. It's there. It exists, even in Canada. Because of the uncertainties, it becomes very difficult to say with precision what kind of measure will or won't, and in what circumstances it will or won't be a breach of an agreement. That uncertainty is the problem. We can manage it if it is clear, but again, it's the MFN provision that allows the reaching back. That unknown third box on FET takes away the certainty, the clarity, and the predictability, and that's the issue.

In terms of the cost, this draft of CETA is actually intended to include a provision requiring investors to pay the government's costs when they lose an arbitration, so that will assist on the second issue.

**Mr. Don Davies:** One wonders why we have an investor-state provision in this agreement at all. We know that it came from chapter 11 in NAFTA, in which we had concerns about the Mexican judicial system. We're dealing with Europe here, modern democracies with the rule of law. My understanding is that Canada put the ISDS provision on the table. The Europeans didn't want it. The Europeans have never signed an agreement that has investor-state provisions in it.

Why are we providing investors with access to an investor-state panel instead of making them use the domestic courts, as every other investor has to do? What is the rationale for that?

**Dr. Howard Mann:** I can't speak for the government here and I wouldn't attempt to. In theory, the idea is that access to investor-state

dispute settlement and the provisions thereof attract higher levels of investment. That's the theory.

The empirical facts indicate that it doesn't do that. There is no relationship between investment treaties or the investor-state dispute settlement process and attracting new high levels of investment. Unfortunately, for my colleagues here, the investment chapter isn't going to do anything to help them receive the kinds of investments they're talking about. That's the empirical evidence.

My understanding is that it was the Canadian government that pushed for the inclusion in this. The original EU-Canada sustainability impact assessment report, funded through the European Commission, actually recommended not including the investor-state dispute settlement system, and it was the Canadian government that continued to push for it.

My own view is that it doesn't attract new levels of investment—that's the empirical fact. Our courts are perfectly capable of handling the disputes here. European governments have concluded agreements that include investor-state dispute-settlement mechanisms with countries around the world. I think there are about 1,500 European-based bilateral treaties with other governments, but they were not originally supportive. I don't see the value of this; I see the risks. I know for sure the only groups that will certainly benefit from this are the lawyers who do the arbitration and sit on the tribunals as arbitrators.

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

We will now move to Mr. Cannan for seven minutes.

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

Thanks to our witnesses.

Obviously, Mr. Darch, you caught my attention when you mentioned Kelowna. I had the privilege of spending nine years as a city councillor and it will be eight years next month that I have been the member of Parliament for Kelowna—Lake Country.

You mentioned working with municipalities across Canada. I was president of our area association, in local government, and I spent two years with the Union of British Columbia Municipalities. You talked about supporting local government, and Mr. Fast also spent nine years in Abbotsford as a city councillor so he understands the importance of working with our local governments.

Have you been working with the Federation of Canadian Municipalities, and has this new non-profit organization had any liaison with them as well?

**Mr. Mike Darch:** On the mission we were just on, there was a representative from the Federation of Canadian Municipalities along with us, but I would also like to make the distinction that we represent the economic development departments and most of the economic development departments are at arm's-length and are not for profit. Being at arm's-length doesn't mean we don't work closely with the municipalities, and it certainly doesn't mean we don't work closely with the mayors. But our relationship with the Federation of Canadian Municipalities is more one of being sister organizations involved in the same activity related to cities.

•(1020)

**Hon. Ron Cannan:** So you'd be working with Kelowna Chamber of Commerce, etc.?

**Mr. Bruce Lazenby (Board Member, President and Chief Executive Officer, Invest Ottawa, Consider Canada City Alliance):** The Consider Canada initiative was intended to focus solely on foreign direct investment. We did not want to step on the toes of others already in some other areas. As Mike said, it's a sister organization but with a unique focus.

**Hon. Ron Cannan:** What type of businesses...? I'd be interested in any that are specific for Kelowna, as well as any across Canada. What were some of the specific organizations...and interests expressed in your last visit?

**Mr. Mike Darch:** I'll address Kelowna and then the broader one. Unfortunately Vancouver couldn't attend so I was representing Vancouver. That's how I knew about Kelowna.

In Amsterdam, I was approached by a couple who are professionals, who have just received their permanent resident status in Canada. It's their intention to move to the Kelowna area to either purchase or invest in a retirement home. Their specific area of interest is psycho-geriatric diseases so they were looking at retirement or nursing homes related to that. That's a specific investment they were interested in.

We deal more with specifics than generalities. If you want to look at some of the industries that were talking to us, certainly there were a lot of engineering and construction companies that are specifically interested in the activity taking place in the oil fields, the LNG facilities going into B.C., mining, etc. There were also a large number of companies in research and development. The Canadian research and development tax credit system is far better than the European system. They were looking to move activity here.

Certainly Bruce can attest to the advantages here since Ericsson has recently announced major expansions to its facility here in Kanata, as well as its facility in Montreal.

So companies that were coming and looking were actually across a fairly broad cross-section. A number were interested in both Halifax and Vancouver because of the relatively low amount of activity in the navy-type activity in Europe. They were looking at our ship rebuild programs taking place on both coasts.

**Hon. Ron Cannan:** Thank you.

I have an article just last month from *The Vancouver Sun* talking about how the trade deal with the European Union will be good for B.C. business and a variety of sectors. The EU is already the second-largest foreign investor in Canada. It says the province represents excellent opportunities in all sectors ranging from transportation, logistics, tourism, and energy to forestry, mining, and seafood.

With the concept and the interest that's been expressed, and with this new, as alluded to, stability, there's predictability and rules-based trading. Do you think that's going to help stimulate more foreign investment in Canada, considering the comments Mr. Mann previously made?

**Mr. Mike Darch:** As Mr. Mann said, a lot of the details of the agreement haven't been discussed. Certainly I have not read a lot of the details and can't comment on them.

From the point of view of being a stable economy with a considerable amount of activity going on at the moment and which is welcoming to immigration, etc., I think that right at the present time, Canada has a significant amount to offer.

Bruce can attest to it from the Ottawa point of view. I can speak for all 11 members. Canada is historically a great place to invest. Certainly one comment that was made by some large investors in Amsterdam is that we're just too modest. I think we are now getting a set of tools that lets us maybe shake off a little of our modesty and be much more aggressive in looking at attracting that foreign investment.

•(1025)

**Hon. Ron Cannan:** I appreciate that we're humble Canadians, but we're also proud Canadians. We have a lot to offer.

From your last trip is it fair to say that greater EU foreign direct investment into British Columbia and Canada will stimulate economic growth and job creation here at home?

**Mr. Mike Darch:** I would say so, and I'll pass it over to Bruce, who is representing Ottawa.

**The Chair:** Go ahead.

**Mr. Bruce Lazenby:** I think that's absolutely the expectation. We have to understand as well that Canada is tiny by European standards, and I think one of the attractions, as Mike said, is that we have this historic opportunity to be the first ones to sort of connect the North American market to the European market.

We've often said that Canada is a great stopping off place, it's a great staging area for a move into the rest of North America, and I think an agreement like this would really solidify that.

One case in point, we've got a company... Canada was recently voted the most reputable country in the world out of 140 countries that were surveyed. So a made-in-Canada product has got premium value, and there are companies that are looking at establishing a presence here, building whatever it is to Canadian standard, and then selling that globally. We think that's going to be important.

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

Mr. Brison, the floor is yours for five minutes.

**Hon. Scott Brison (Kings—Hants, Lib.):** Thank you very much.

Thank you to our witnesses for joining us today.



Mr. Mann, the investor-state provisions based on the principle of national treatment are not uncommon; in fact, they are pretty central to any trade agreement. They are central to the principles of all WTO agreements, and national treatment is simply that any law or regulation has to treat foreign companies equally with domestic companies, correct?

**Dr. Howard Mann:** Well, no less favourably is the technical language. So it doesn't have to be the same, but the net impact is no less favourable.

**Hon. Scott Brison:** For instance, if we had an environmental law in Canada, say, a province where we've banned fracking, would that apply equally to a foreign company and a domestic company?

**Dr. Howard Mann:** Presumably, yes, as long as it was drafted that way.

**Hon. Scott Brison:** Respectfully, you answered the previous questions unequivocally, so I'm seeking—

**Dr. Howard Mann:** You're asking specifically on one particular provision—

**Hon. Scott Brison:** The question on fracking was, but before you were unequivocal.

**Dr. Howard Mann:** Yes. If the provision was drafted so that it would apply to all companies, that would be correct.

**Hon. Scott Brison:** So federal, provincial, and municipal governments have to craft their legislation and their regulations in a way that's non-discriminatory?

**Dr. Howard Mann:** Correct.

**Hon. Scott Brison:** Would you view fracking by someone else, say a foreign company, as being less hazardous to our environment than fracking by a domestic company?

**Dr. Howard Mann:** I presume not.

**Hon. Scott Brison:** Okay. So then why are you saying that we could not enforce environmental protection because of national treatments?

**Dr. Howard Mann:** I wasn't speaking specifically to the national treatment issue there. There are a number of other disciplines in the agreement as well, in particular, the fair and equitable treatment one, and with the unknown breadth of that under the current drafting, the risks become higher.

**Hon. Scott Brison:** You mentioned that you feel it may imperil our capacity to move forward with environmental and human health protection. Do you believe there's a delta between the standards in Europe on the environment and health regulations and those in Canada?

**Dr. Howard Mann:** I'm not sure what you mean by a delta there.

**Hon. Scott Brison:** A difference.

**Dr. Howard Mann:** I assume there are variations, but I don't know the significance of them.

**Hon. Scott Brison:** Do you believe that when it comes to the Europeans, that somehow when it comes to the environment, they are less rigorous in terms of environmental protection and human health, to use your term?

• (1030)

**Dr. Howard Mann:** No, I don't think so.

**Hon. Scott Brison:** Okay.

On the fracking issue that was raised earlier, fracking has been in common use in Canada since the 1960s, but it's banned in Germany, and it's banned in France. So, if anything, if there is a delta, wouldn't it actually be implying that in Europe, perhaps on health standards and on issues of the environment, issues of GMO, etc, that the European are, if anything, ahead of us? So why is there a risk of diluting our environmental protection in Canada if in fact we're signing agreements with a group of countries that probably have higher standards and tougher standards in these cases?

**Dr. Howard Mann:** Because it isn't the governments that initiate the arbitrations. It's purely the investors who have the right to do that, and because they have the right to do that, if they consider a change in the law to have an economic impact on them, and if they consider in some way that change is protected against by the investment treaty, irrespective of the level of environmental protection in their home state—that's simply an irrelevant factor—then they can initiate the arbitration. European companies, if I may say, have initiated over half of the grand total of investment arbitrations today, so they're not strangers to the process and they're not shy about the process.

**Hon. Scott Brison:** We, our companies, are equally capable of initiating processes and obtaining legal representation and fighting those processes.

Would you agree that perhaps in Canada we need to increase our resources in the Department of Justice, that we need to ensure this as a government, and that in terms of our resources invested perhaps other countries are investing more in terms of dealing with these or fighting these type of processes?

**Dr. Howard Mann:** No, I wouldn't agree with that. We are very well-staffed with very competent lawyers in the Department of Justice—

**Hon. Scott Brison:** I'm not questioning their competence.

**Dr. Howard Mann:** We're very well-staffed. I think we'd be much better off to invest the time and energy in being a little more careful in the drafting of the kinds of provisions I talked about.

**The Chair:** Sorry, Mr. Brison, your time is gone. We'll move to Mr. Shory.

The floor is yours for seven minutes.

**Mr. Devinder Shory:** Thank you, Mr. Chair, and thank you to the witnesses also.

I'll start with Mr. Mann. I read an article from your organization recently and it said:

Canada and the EU agreed to limit the scope of the term "investor" by excluding enterprises without substantial business activities in the alleged home state from its definition. This addresses the issue of 'treaty shopping' and misuse by 'mailbox' investors, and is a welcome outcome.

My question is, is it your view that by limiting the definition of "investors" to those who have real business interest in Canada, it will ensure that the financial advantages of CETA will benefit the Canadian economy to a larger extent than it otherwise would have?

**Dr. Howard Mann:** I don't think the narrowing of the definition of investor in this case has the impact of altering the financial benefits very much. There are still multiple ways around that. Yes, it's a welcome provision in terms of the technical details of the investor-state process, I agree with that. But I don't think it's going to have very much of an impact on altering the financial equation or the role of the investment chapter in establishing that financial equation of cost benefit.

**Mr. Devinder Shory:** Thank you.

Mr. Darch, I can't believe you had 300 business-to-business meetings. I don't know how many days or weeks you spent there, how many your organization, your delegation, spent there. It's a lot.

In your presentation, you also talked about how excited the investors there are to invest in Canada and to create jobs, I would say. Then you talked about some measures and why they are attracted to invest in Canada. You talked about immigration and other kinds of things.

I believe one of the reasons also would be the lower tax, corporate tax, regime in Canada this government introduced. I guess you missed on that. But I want to ask you this. While you were there, what kind of groundwork were you able to lay during those meetings for Canadian companies wishing to penetrate into that lucrative EU market?

• (1035)

**Mr. Mike Darch:** We worked closely with the Invest in Canada bureau as part of the Department of Foreign Affairs, Trade and Development and we worked closely with the three posts in Europe: the embassies in Madrid, the Hague, Rome, and the consulate in Milan.

All had significant interface with us. We gave the benefits or profiles of our individual cities and the types of businesses we were looking for. They had their own screening processes. They had their own databases. They hired lead generators in some cities. So I think if we look at what kind of groundwork was laid, there was a considerable amount of work done for those meetings.

In addition to the meetings, there was a seminar delivered on Canada and its benefits as a place to invest in each of the three cities. So there was an exceptional amount of work done.

We're keeping going with that work by contacting the individuals who talked to us. A significant number of the companies that met are planning a visit to Canada, and certainly in economic development one of the key things about selling Canada and selling an individual region is to actually get the person there. Everybody says they're the best place in the world with the greatest opportunities, while we actually are.

So there was a lot of commitment made by those companies. Our organizations such as Invest Ottawa have made the commitment to follow up. Our posts have made the commitment, so I think there was a significant amount of work done to lay the groundwork for future activity.

**Mr. Devinder Shory:** Thank you.

Another area I'm very passionate about is foreign credential recognition. I read a press release in November this year where you talked about infrastructure projects. It says:

To build out these huge projects Canadian cities need help from European engineering services firms, architecture firms, advanced manufacturing tool companies, financial and transportation companies.

So you foresee a great deal of cooperation among professionals in both markets. This committee has heard some evidence relating to foreign credential recognition and the ability of professionals and tradespeople to work on both sides of the Atlantic.

Has this come up in any of your discussions with the Europeans? Do you share our government's concerns about the need to streamline the process of credential recognition by accreditation bodies?

**Mr. Mike Darch:** I am an engineer, and I would say there definitely is a requirement. I know some provinces, and also the federal government, have some major initiatives in this area.

I think the whole question of foreign credentials is very important. Everybody looks at foreigners coming to Canada. But we are an exporting company, and we export a lot of services such as engineering and architecture, so it is actually a two-way street.

I think the accreditation of foreign credentials is extremely important, and it is something that has to be worked on. You asked me whether it came up in our talks. Yes, it did.

**Mr. Devinder Shory:** Thank you.

In your presentation you also said Europe is undergoing fundamental economic change.

I'd like you to expand on that a little bit.

**The Chair:** Answer quickly.

**Mr. Mike Darch:** When I discussed Europe with the senior trade commissioners in each of our posts, I found that historically most of their activity has been inward-looking. In other words, most of their GDP production is through activity that occurs either directly in the nation they are from, or within the European Union.

Given the state of the European Union at the moment, given the state of individual countries such as Spain and Italy, they are now much more outward-looking. So there's much more activity where they are looking offshore for partners, opportunity, etc.

• (1040)

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

Mr. Davies.

We have two more questioners left. We'll somewhat split the time, and I'll have time for a question at the end.

Go ahead, Mr. Davies.

**Mr. Don Davies:** Thanks.

Mr. Mann, I'm glad you clarified Mr. Brison's questions. We're not just talking about most favoured nation provisions that require us to treat European investors the same as Canadian investors. We're also talking about independent sources of rights under the provisions for fair and equitable treatment.

I have a bit of the text here in front of me. One of the things it says is that a "breach of fair and equitable treatment may also arise from any other treatment of covered investments or investors which is contrary to the fair and equitable treatment obligation recognized in the general practice of States accepted as law".

That sounds to me like we're agreeing to something undefined, in the future, and out of our control.

Who determines the obligations for the general practice of states accepted as law? Where do I go to find out who makes those decisions?

**Dr. Howard Mann:** That's precisely the paragraph I'm most concerned about. In and of itself, it's open-ended drafting, whereas more modern drafting around the world is becoming much more specific and refined.

The standard referred to there is an open-language standard of customary international law. It comes from—to be precise and lawyer-like—Article 38 of the Statute of the International Court of Justice.

But in interpreting similar language in other treaties in the course of over 600 investment arbitrations, we've seen the standards relating to customary international law and FET vary widely. The standards of proving it vary widely. Even within the NAFTA, there were two cases that came out within eight months of each other—the Glamis Gold and Merrill & Ring—that took exactly opposite approaches under the same treaty. So there is no definition.

**Mr. Don Davies:** Can I just interrupt you because I have very limited time?

It's common law that would be developed by the administrative tribunals themselves. That's who will determine what the general practice of states accepted by law is. And my question is going to be this. Are there any examples where investors have used the domestic court system, got a negative decision from the highest court in the land—in the case of Canada, the Supreme Court of Canada—and then gotten that decision overridden by an investor-state tribunal?

**Dr. Howard Mann:** Yes, there are. Specifically, there's one in India under a similar jurisdictional set-up to ours in terms of separation of powers, the judiciary and the legislative, and so on. There's a case against India that has done exactly that: a Supreme Court decision in favour of the government and an arbitration decision that reviewed, overrode, and essentially reversed that Supreme Court decision.

**The Chair:** Okay, Mr. Hiebert.

**Mr. Russ Hiebert:** Mr. Mann, oftentimes people focus on the potential threat to Canadian companies or Canadian government regulations coming from foreign companies into this jurisdiction. But is it not the case that Canadian companies have reciprocal rights in those jurisdictions as well and would benefit from the same protections that people are fearful in Canada...? Won't we have those same rights in those foreign jurisdictions?

**Dr. Howard Mann:** Yes, but that doesn't make it any better for me. It seems to me that the standard we want is not one that simply amplifies and increases on a continual basis the rights of corporations, whether they're foreign corporations in Canada or Canadian corporations outside Canada. It seems to me the standard we ought to be achieving or striving for is one that's balanced, equitable, and properly reflects the ongoing right to regulate all investors and doesn't provide, let's say, hyper levels of protection to investors just because Canadian investors are also getting those abroad.

**Mr. Russ Hiebert:** But I haven't been convinced that the Canadian, provincial, or territorial governments would be prevented from regulating in the future, based on the language that you've suggested. There are limitations but nothing that prevents governments from setting environmental standards or labour rights, and so on.

Can you elaborate on that?

**Dr. Howard Mann:** It's correct that there's nothing that forbids or prevents or precludes governments from taking new measures in a legal sense. The problem arises from the risk of increased challenges on increasingly broad investor rights that can lead to more risk of the government having to pay damages, including the Canadian federal government having to pay damages, because Canada is party to the treaty, if a provincial measure is found to be inconsistent with CETA.

So I think it's the risk factor, and that comes back to the issue of whether governments pay attention to it, and yes, they do. Do governments look carefully at the cost benefit or the potential risks? Yes, they do. And do governments not regulate because of the potential risk? And the answer to that again is yes, they do.

So that's where the factor is; that's where the problem is. There's no absolute barrier but the risk equation changes, the cost-benefit analysis changes, and the higher the level of corporate rights, the higher the risk to government and the more difficult it is to balance the regulation with the potential risk.

• (1045)

**The Chair:** Very good. Our time has gone.

I just have one quick question for Mr. Darch. On the amount of private sector dollars looking to invest internationally in Europe, do you have a number?

**Mr. Mike Darch:** We don't have a number, but I must admit that when I went to Europe, my belief was that to a large degree their economy was down and there were significant problems there.

I found it quite different. There is a considerable amount of money. There's a considerable amount of money to invest. I think there is a lot of opportunity there. I know Ottawa saw opportunity. Yesterday, I talked to our chair, Bruce Graham, from Calgary Economic Development, and they're changing their view of Europe. From their point of view, there is a belief that there's a significant amount of money there that is looking to invest. Europe is not the place to invest right at the moment. In most of the other countries that are being looked at, such as those in Asia and Africa, the risk is considerably higher. For just the reasons some people have mentioned—the stability of Canada, our low taxes, etc.—I think we're in an excellent position right at the moment to take advantage of both our conditions and the money that is out there to invest.

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

Thank you for both your testimonies.

**Mr. Bruce Lazenby:** I'd like to add, Mr. Chairman, if I may, that we're not waiting two years. What's happening right now is that we're starting this process. We're making investments now under existing rules.

**The Chair:** Perfect.

Thank you very much. Our time is gone.

The meeting is adjourned.

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