



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on International Trade

CIIT • NUMBER 002 • 1st SESSION • 42nd PARLIAMENT

EVIDENCE

Tuesday, February 16, 2016

—
Chair

The Honourable Mark Eyking

Standing Committee on International Trade

Tuesday, February 16, 2016

• (0850)

[English]

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

Welcome back, committee. Hopefully everybody had a good week in their ridings. As many of you were here at our last meeting, you know we have a pretty ambitious schedule. This is going to be a very important committee, especially with Canada being involved with all the trade. We have the officials here today. They're going to be giving a snapshot of Canada and the world and where we're at in trade. It will be anything about trade except TPP, because we're going to be doing TPP on Thursday.

We'll see how it goes and if we can get done 15 minutes early, say 10:20 or 10:30, then we can do new business in the last 15 minutes. Does everybody agree that if everything goes well and we've heard everything we need to hear, we'll ask the witnesses to leave around 10:15 and we'll go to new business?

Some hon. members: Agreed.

The Chair: We have some agenda for Thursday, but I think we should discuss other issues. Unless there are any other questions from the committee, we are ready to go.

Welcome, witnesses. Thank you very much for coming. Hopefully you didn't have to go through too much snow to get here. It's good to see you here.

We're not set on any specific time, but if you can do it in 15 minutes...or if it takes a little longer, whatever. Just remember, some of us are new on this committee and some of us are new MPs. Just assume that we are all very new to trade and we have a very limited understanding of what's going on with Canada and the world.

The floor is yours.

Ms. Susan Bincoletto (Assistant Deputy Minister, International Business Development and Chief Trade Commissioner, Department of Foreign Affairs, Trade and Development): Thank you very much, Mr. Chairman, and thank you for the invitation. We're very pleased to be here in spite of the snow.

My name is Susan Bincoletto. I am the assistant deputy minister at Global Affairs Canada, responsible for business development. The responsibility I hold is chief trade commissioner, which means that I am responsible for all the trade commissioners around the world that serve Canadian companies to do business abroad and to attract investment into Canada, so it's more the trade and investment promotion side of it. I am the functional lead on the promotion side.

My colleagues will introduce themselves. We each have distinct responsibilities, but always dealing with trade.

[Translation]

I am happy to be here today to introduce Global Affairs Canada's presentation on the subject of Canada's trade and investment priorities.

I understand that committee members have asked details of recently concluded free trade agreements and issues related to the Canada-U.S. relationship. I am accompanied by colleagues who are able to provide information on these subjects.

But first I would like to set the context by providing you with an overview of where we are at in terms of advancing Minister Freeland's mandate commitments, which include the development of a new trade and export strategy for Canada.

[English]

We are all aware of the importance of international commerce for the Canadian economy. Let me give you just a few facts. There is a limit, obviously, to the growth that Canadian companies can achieve, given the size of our own market. Generally, firms that export are more productive, more innovative, and pay higher wages. Foreign investment, both inward—which brings new capital to Canada—and outward, provides an opportunity for firms to grow, to become more productive, and to develop stronger capacity for R and D. Ultimately, consumers benefit from better selection and lower prices.

There are many opportunities in markets abroad that map directly to some of Canada's strengths. The trade commissioner service, which I head, helps Canadian businesses of all sizes across Canada to identify and take advantage of these opportunities, which in turn helps grow our trade and increase prosperity. The trade commissioner service delivers, for example, the CanExport program that was recently launched by Minister Freeland. CanExport will provide up to \$50 million over five years in direct financial support to small and medium-sized enterprises in Canada who seek to develop new export opportunities, especially in high-growth priority markets and sectors.

[Translation]

Risks in the global economy require, however, that Canada step up its game. The new strategy will be a comprehensive approach that works across all orders of government to increase Canada's trade and attract investment.

As outlined in Minister Freeland's mandate, the strategy will include renewing efforts on attracting foreign investments; working with Canadian businesses to help them realize fully the advantages of free trade agreements, focussing on those that have been concluded and are in force such as the Canada-Korea Free Trade Agreement; as well as targeted strategies for emerging markets, focussing on Asia. The strategy will also look at our programs and services and ensure they are leveraged with those of our partners.

Work is well underway. The department is undertaking an assessment of the previous strategy and existing programs to get a sense of what has worked and what hasn't. There will also be a consultation process associated with the strategy to ensure that the viewpoints of stakeholders and business needs are reflected.

[English]

Once the presentation is complete, my colleagues and I will be happy to answer any questions you may have on the overall trade agenda and our work on the development of a new strategy.

I will now turn to Kirsten Hillman, our chief trade negotiator for TPP, among other things, to provide detail on trade policy.

• (0855)

Ms. Kirsten Hillman (Assistant Deputy Minister, Trade Agreements and Negotiations, Department of Foreign Affairs, Trade and Development): Thank you very much.

[Translation]

Thank you, Susan.

[English]

I am Kirsten Hillman, acting assistant deputy minister for trade negotiations. I'm also Canada's chief negotiator for the Trans-Pacific Partnership. I'm here with my colleague, Steve Verheul, who is our chief negotiator for the Canada-Europe trade negotiations, the CETA.

[Translation]

I am very happy to be here today to provide an update on Canada's trade and investment negotiations, as well as on how we are working to resolve some trade policy issues.

Canada seeks to maintain a level playing field with our competitors and open new markets for Canadian businesses through a range of trade policy tools including: multilateral, bilateral and regional negotiations, foreign investment protection and promotion agreements, and other instruments.

As you know well, one of the major initiatives we are working to bring into force is the Canada-European Union Comprehensive Economic and Trade Agreement, or CETA.

The EU is the world's largest market, with a \$20-trillion economy and more than 500 million consumers. Once CETA comes into force, Canada will be the only G7 country to have guaranteed preferential access to both the United States and the EU member states.

CETA will provide Canadian companies with first-mover advantage over competitors from other countries that do not have a trade agreement in place with the EU.

Right now, Canada and the EU are finalizing the legal review and translating the agreement into French and the other 21 official EU treaty languages.

We are also looking at certain refinements of the investor state dispute provisions in the text. These include clarifications of the commitments in the existing text and initial steps toward fulfilling commitments made under the agreement.

Following translation, the domestic process will begin for both parties to bring policies, regulations and legislation into conformity with the obligations under CETA.

I would like to note that your counterpart committee from the European Parliament is planning to visit Ottawa on March 21 and 22 for a fact-finding mission on CETA, and they will seek a meeting with you. This would be an excellent early opportunity to exchange views with your counterparts on opportunities the CETA presents for Canada and the EU to deepen our commercial relationship.

[English]

Global Affairs Canada is also working on a number of other initiatives outlined in Minister Freeland's mandate letter. We're working to bring recently concluded agreements with Ukraine into force, and to ratify the updates we have made to our FTAs with Chile and Israel. Work on these files is proceeding on a priority basis.

Canada has also recently signed the Trans-Pacific Partnership, and we are actively consulting with Canadians. We have a session devoted to this the day after tomorrow, so I will leave my comments at that for now.

Moving forward, the Government of Canada is looking for opportunities to enhance trade relationships with emerging and established markets, including China and India. We are looking to take a rigorous and step-by-step approach to enhance our relationship with China and engage Canadians on this issue. On India, discussions have been ongoing since late 2010. There is more work to do. We are continuing to work with India to move these negotiations and this overall relationship forward.

I'd also like to take the opportunity to update you very quickly on Canada's activities at the World Trade Organization. The World Trade Organization remains essential to Canada's trade policy tool kit, as some issues, such as domestic subsidies on agriculture, can only be addressed in a global forum. Recent achievements at the WTO include the trade facilitation agreement, which was concluded at the ninth Ministerial Conference in December 2013, and the expanded information technology agreement, which was concluded at the 10th Ministerial Conference in December 2015.

Canada has committed to moving forward to ratify these agreements as soon as possible. We are also working with groups of like-minded countries at the WTO to negotiate a trade in services agreement and an agreement to facilitate trade in environmental products.

While Canada is moving forward with many partners around the world, as we all know, our trade and economic relationship with the United States remains essential. My colleague David Morrison will now speak to the importance of the Canada-U.S. economic relationship.

• (0900)

[Translation]

Mr. David Morrison (Assistant Deputy Minister, Americas and Chief Development Officer, Department of Foreign Affairs, Trade and Development): Thank you very much, Kirsten.

[English]

I am David Morrison, the Global Affairs Canada assistant deputy minister for the Americas, which includes the United States and everything to the south. I am also the chief development officer of the department.

I am very pleased that the committee has chosen to open its business with a session that includes the examination of Canada's most important trade and economic relationship, the relationship with the United States, and to look more broadly at our growing ties with Mexico and the rest of the Americas. These are issues of critical importance to the prosperity of Canada.

First, let me restate the overarching economic reality of Canada's economic relationship with the United States. The U.S. is by far our largest trade and investment partner. Some details will help to elaborate this story.

Almost 25% of Canada's GDP is generated by direct exports to the United States. In 2014 Canada exported about \$450 billion in goods and services to the U.S., which constitutes 77% of our total global exports. Canada sells more to the U.S. in one year than to the rest of the world over three years. In 2014, the most recent year for which we have full-year statistics, two-way trade was \$870 billion in goods

and services. An average of 2.4 billion dollars' worth of trade crossed the border each and every day. The U.S. is the top export destination for every province and territory in Canada, and the same holds true in reverse. Canada is the number one market for 35 of the 50 American states. The U.S. is the single biggest investor in Canada. In 2014 the stock of American investment in Canada was \$361 billion, representing half of the total foreign direct investment in Canada.

I've offered these statistics on trade and investment to indicate that while we may have a few irritants with the U.S. from time to time, overall this is a vibrant economic relationship with no equal. It is also worth underscoring that the U.S. is a comprehensive partner for Canada across a range of other issues, such as the environment, energy, climate change, continental defence, international security, and people-to-people relations.

[Translation]

It is also important to highlight our relations with Mexico. For over 70 years, Mexico has been a trusted and long-term partner for Canada. As one of its top priorities, the Government of Canada is committed to the renewing of relations with Mexico, both bilaterally and trilaterally within North America.

Canada's trade and investment relationship with Mexico has steadily grown since the entry into force of NAFTA in 1994. Canada and Mexico are each other's third largest trading partner, with two-way trade totalling \$34 billion in 2014.

[English]

Canadian direct investment in Mexico reached over \$13 billion in 2014, while Mexican direct investment in Canada totalled \$884 million. Our commercial linkages are based on a deepening partnership that holds potential for both countries with a joint production platform that serves as a springboard for North American and global markets.

Turning now to the wider hemispheric context, I note that Canada has established strong relationships with the Pacific Alliance countries: Chile, Colombia, Mexico, and Peru. We're seeking to extend our engagement with this dynamic economic integration initiative. An active observer, Canada supports the Pacific Alliance's efforts to promote innovation and competitiveness as drivers for sustainable and inclusive growth in the region. These relationships are important and enduring. Canada has free trade agreements with each of the Pacific Alliance countries as well as with Costa Rica, Panama, and Honduras. Costa Rica and Panama are both applying to become full members of the Pacific Alliance. As my colleague Kirsten Hillman mentioned we have also just concluded the modernization of the Canada-Chile Free Trade Agreement.

Thank you again for the opportunity to appear before this committee and help renew the relationship between Parliament and our department. My colleagues and I would welcome your questions and comments.

• (0905)

Thank you.

The Chair: Thank you very much. I think it was quite a good snapshot of where we're at in the world.

We're going to start the first round. In the first round you get six minutes, but we're going to be flexible. If you need to finish off a thought or whatever, that's fine.

We'll go Conservative, Liberal, NDP, and then Liberal. We're going to start with Mr. Hoback.

Mr. Randy Hoback (Prince Albert, CPC): Thank you, Chair, and welcome everybody here on this nice snowy morning in Ottawa.

I have a few questions. I'll start off with Ms. Bincoletto. You talked about Canada's export agency. There's \$50 million in new funding to develop new companies to export. EDC's been doing a lot of that. Is this going into EDC, just topping them off, or is this a new department being created?

Ms. Susan Bincoletto: This program was announced in budget 2015. Its intent is to support companies and share the cost of their international activities. For example if companies want to explore markets that they haven't yet explored and go to trade fairs, trade shows, explore local business opportunities, find a way to sell their products in those countries, then they would apply for up to \$100,000 from the program. They would be co-sharing the cost of those activities with the Government of Canada. They would do the activities and then claim the invoices, and then we would reimburse.

It is a new program that is a complement to other programs the department has. It's designed in the department and administered by NRC IRAP because they are very good at client interfacing and the grants and contribution part. We've partnered with them to make it a more efficient way of delivering the program, and it complements some of the other programs the department has, for example, in supporting trade associations doing business abroad and municipalities to attract investment into Canada. Again, it's something that was missing.

Mr. Randy Hoback: I know Minister Fast at the time had basically a road show going across Canada explaining all the opportunities through EDC and CCC. Is that part of that \$50 million that's being used to promote smaller businesses to get involved in trade?

Ms. Susan Bincoletto: No, this is a new program and it is a direct financial support to Canadian companies to do business abroad.

Mr. Randy Hoback: Is it a loan, then, or is it actual direct cash?

Ms. Susan Bincoletto: It's direct cash. It's a contribution, so there are some obligations in terms of monitoring and reporting, but it's not refundable.

Mr. Randy Hoback: All right.

Ms. Hillman, you talked about CETA. I'm curious about the timelines on CETA. How are you seeing things progressing in that

regard? I know that the negotiations are done, and now it's just the interpretation and that. Could you give us an update?

Mr. Steve Verheul (Chief Trade Negotiator, Canada-European Union, Department of Foreign Affairs, Trade and Development): Thanks.

The negotiations were completed back in August of 2014. Since then, we've been going through a legal review of the text, which has taken a bit longer than we expected. It's virtually complete now.

We're now having some discussions with the EU with respect to some investment provisions in the agreement. We're going through some of that at this moment. Once that's completed, we will finish the translation. It is required to be translated into 21 other languages besides English and French. Each of those languages has equal legal effect in the EU, so that takes some time to get through as well. We're expecting that to finish around May, and then it'll go to the Council of the EU shortly after that for ratification.

Once they get through it, we can go to signature of the agreement. Following that, the European Parliament will have to ratify it. We're looking at implementation probably early in 2017.

Mr. Randy Hoback: As far as timelines here in Canada go, then, nothing has been established that you're aware of.

• (0910)

Mr. Steve Verheul: Well, I think we're going to try to make sure that we follow what the EU is doing and make sure that our ratification process is in line with theirs. It's not to our advantage to go in advance of them.

Mr. Randy Hoback: Okay. As far as the agreement itself goes, it's negotiated. It's done. We're not reopening this to any other chapters or any other adjustments.

Mr. Steve Verheul: No, we're not reopening the negotiations at all.

Mr. Randy Hoback: Okay. It's just the implementation of what's been negotiated that's under discussion.

Mr. Steve Verheul: That's right.

Mr. Randy Hoback: Okay. That's excellent.

Mr. Morrison, you talked about the Ukraine, Chile, and Israel. I was curious. You said something about priorities. What are the priorities for those agreements and having them modernized? Are they a high priority? A low priority? Can you give us an idea on that? Or maybe Kirsten can.

Ms. Kirsten Hillman: It's hard to keep us straight. There are so many of us here.

Minister Freeland's mandate letter specifically references the recently concluded free trade agreement with the Ukraine and the modernizations of those with Chile and Israel as priorities, so we are working quickly to try to get those finalized. They are all in the process of being legally "scrubbed", as they call it, or legally verified, and translated into the relevant languages. We will be moving them forward as soon as we can. Part of that's in our control; part of it's in the control of the other party. For example, the Ukraine has to translate into Ukrainian. We also obviously make sure that the French is in order.

I'm unable to give you specific timelines, but we are working quickly to have them ready as soon as our partners are ready so that we can sign them.

Mr. Randy Hoback: Then, of course, we're going to talk about the TPP on Thursday, so I'll leave that alone.

Mr. Morrison, on the Pacific Alliance, have there been any changes in the last six months in that negotiation? What's going on there?

Mr. David Morrison: There are no changes at all vis-à-vis Canada.

The Pacific Alliance itself continues to be a going concern. This is an initiative that sprung up amongst the four countries of Mexico, Peru, Colombia, and Chile. It began in 2011 and quite quickly concluded a negotiation to eliminate tariffs and, as well, promote mobility of people.

It's a new development in the Americas. From a Canadian perspective, I think it's a very exciting development, given that the four countries involved are amongst our most vibrant trading partners. We have already concluded free trade agreements with all four of the countries and, as I said, the two aspirant countries of Panama and Costa Rica are also countries with which we have free trade agreements.

For Canada, particularly in the extractives industry, this is an exciting development that we're watching very closely. We were the first non-Latin-American observer country to the Pacific Alliance, and we have been amongst the most active of the 40 or so observers since we first became an observer in 2012.

The Chair: Thank you, Mr. Morrison.

Thank you, Mr. Hoback.

We're going to the Liberals now, with Mr. Dhaliwal.

Mr. Sukh Dhaliwal (Surrey—Newton, Lib.): Thank you, Mr. Chair.

Thanks to all the talented officials who are here giving us the outlook about the trade perspectives.

I was in British Columbia last week. I had the opportunity to listen to many stakeholders. Even though they were very supportive of the TPP, the first priority that came from them was the softwood lumber agreement.

My question is for you, Mr. Morrison. Can you give us a little bit of background? You said that the U.S. is one of the biggest partners from that perspective as well, and that's what they've said. When it

comes to softwood lumber, we are also expanding our markets to China and Korea. Can you give an overview of what percentage of trade we have particular to that with the U.S. and the other countries?

Mr. David Morrison: Again, I get to do the nice bits and Kirsten gets to do the bits where things aren't unrolling as maybe we'd like, so it's over to Kirsten.

Ms. Kirsten Hillman: Thanks.

With respect to the softwood lumber industry and our relationship with the United States, the U.S. is by far Canada's largest export destination for softwood lumber, and B.C. is the largest supplier of softwood lumber to the United States. Sixty-six per cent of Canada's softwood lumber exports go to the U.S., which in 2014 represented 5.5 billion dollars' worth of trade, of exports.

While I have the floor on this, maybe I can give you a bit of an update on where we're at on the softwood lumber agreement.

● (0915)

Mr. Sukh Dhaliwal: That's what I would like to hear.

Ms. Kirsten Hillman: The 2006 softwood lumber agreement expired in October of last year, and we are now in a period of what's called "a litigation standstill". The softwood lumber agreement is essentially an agreement that sets out managed trade between the two countries. With the expiry of the agreement, we are in a period of free trade between the two countries, but free trade with an understanding that there will be no legal challenges with respect to that sector for one year.

During that time, we are working hard to negotiate a new softwood lumber agreement. We have broad support across the country from all provinces and broad support in the industry to undertake these negotiations. We're working hard to do that. We're engaging very closely with the United States on that now.

That being said, we're not going to take any deal; we're only going to negotiate a deal that makes sense for us and for our industry. It's a very important and economically significant task, and we are putting a lot of attention into it at this time.

Mr. Sukh Dhaliwal: Under these circumstances, as you mentioned, we are in a stage where there is a litigation stay. U.S. companies would love to do that. How are we going to avoid that? What exactly can we do to give our Canadian stakeholders the assurance that they will not be fighting litigation and spending all the money that they could divert to some other sources?

Ms. Kirsten Hillman: The only sure way to avoid litigation is to negotiate a new deal, to be very blunt with you. We have for a very long time gone through these cycles of litigation and negotiation, as you well know, being from B.C. in the softwood lumber area. Ideally, we would like to negotiate a successor agreement before the standstill period runs out, but that being said, it has to be the right agreement. There will have to be an assessment as we move along that we have the right agreement, one that is worthy of our concluding, and we'll of course then avoid the litigation.

That's the point of the agreement. The agreement is there to replace free trade, if you will. It establishes managed trade and therefore avoids litigation.

Mr. Sukh Dhaliwal: When it comes to two provinces, Quebec and B.C., when you are negotiating this, are there any implications that could be hard on one province or the other?

Ms. Kirsten Hillman: I guess the first thing I should say is that in this process of managing this particular file, we work hand in hand with all provinces. It's true that Quebec and B.C. have the largest economic softwood lumber relationship with the United States, and their views are very important as we move this forward.

If your question is whether it is possible to find a deal that satisfies everybody, in my experience as a negotiator that's almost never possible in life. It can be quite challenging to do that, but we work to find the very best deal for the whole country. That's our mandate, and that's what we do. We've succeeded in doing that in past iterations of this agreement. It's never perfect. It's never as good as people would want, but it's never as good as the U.S. would want either. That's the nature of a negotiation. We try to find something that both can live with and is a fair deal within Canada and with the United States.

Mr. Sukh Dhaliwal: Is there anything to do with pricing and quota that will affect any of the provinces across Canada?

Ms. Kirsten Hillman: It's too early to say.

Mr. Sukh Dhaliwal: Good. Thank you.

The Chair: Thank you for your questions.

We're going to move to the NDP. Ms. Ramsey, you're up next for six minutes.

Ms. Tracey Ramsey (Essex, NDP): Thank you so much for your report today. I really appreciate the information.

We heard, from reports on CETA's scrubbing phase, our European partners are pushing to replace the ISDS with ICS, the court system. This was in part due to growing public concern among Europeans over empowering corporations to sue governments for creating regulations that interfere with profits. In your opinion, will the revised ICS provisions better serve the Canadian public interest than the previous ISDS provisions?

● (0920)

Mr. Steve Verheul: It's true we are working with the Europeans at this point to revise some of the investment provisions. There are really two parts to this.

The first part is that we're clarifying some of the provisions in the agreement with respect to the obligations to ensure that the government's right to regulate is not interfered with by investor claims that could affect that ability to regulate. Most of those provisions are going to be described as "provisions for greater certainty", in other words, to make it very clear to any kind of arbitration process what we intended when we negotiated the agreement.

A second part of this relates to the process itself. You mentioned the investment court system. The EU has proposed that to the U.S. in the U.S.–EU negotiations. They've not proposed that system to us.

We are working on a system that would be somewhat different from what is in the CETA now, particularly with respect to the selection of arbitrators or members of a panel. We're also looking at whether we can advance the process toward having an appellate

mechanism, which is currently mentioned in CETA as a future work program. We're looking at whether we could have that implemented when CETA comes into effect. Those are the issues we're working on with the Europeans right now.

Ms. Tracey Ramsey: I have a few more questions along the same line.

Are there specific exemptions in CETA for regulations on the sensitive areas of public interest, such as climate change action or water?

Mr. Steve Verheul: There are some existing exemptions now when it comes to areas like expropriation in particular, where we've exempted issues related to the environment and social services and various other issues of that nature. I don't think we have mentioned water specifically, but we have various protections for water throughout the agreement, which would also have a bearing on that.

Ms. Tracey Ramsey: Since the election, have you received any instructions from the current government to take CETA in a new direction, be it on ISDS or any other areas of CETA?

Mr. Steve Verheul: I wouldn't call them instructions at this point. We've certainly had a dialogue about potential improvements that could be made with respect to the approach to investment in CETA, and that's what we're exploring with the Europeans now. Clearly the EU first came to us with some of these concerns because of the political situation regarding those issues in the EU. We have had an interest on our side in seeing whether we can make some improvements in light of that. That's been supported by the government.

Ms. Tracey Ramsey: Was there ever any discussion about eliminating ISDS and ICS provisions altogether, given that investors can already seek recourse in domestic courts?

Mr. Steve Verheul: No. There hasn't been a discussion of eliminating any kind of avenue for investors to pursue potential claims because you can't pursue those kinds of avenues through domestic courts. Domestic courts have no authority to adjudicate obligations in international treaties. If we're going to have any kind of form of redress for breach of an obligation in the investment treaty, we'd have to go to some other mechanism like an investment dispute resolution process.

Ms. Tracey Ramsey: My other question is about CETA as well. Regarding the protection of patents for pharmaceutical products, the technical summary of the Canada–EU CETA stipulates that Canada's federal government is prepared to address incremental cost impacts if concessions to the EU in this area have a financial impact on provinces or territories.

How would incremental cost impacts be assessed, and by whom?

Mr. Steve Verheul: That's an issue we're continuing to work on, and this is in conjunction with other departments that are more directly involved in the pharmaceutical area. We have been doing an evaluation of the potential costs and doing some modelling of what the expectations would be for those costs. There will also have to be a discussion with the provinces and territories to get their perception of what kinds of cost increases they could expect. We'll have to come to an understanding following that.

Ms. Tracey Ramsey: What mechanisms could be used by Canada's federal government to address the incremental cost impacts?

Mr. Steve Verheul: I wouldn't want to speculate, because this is still under design, but I would assume that the most likely outcome would be some kind of payment to provinces and territories to offset those additional costs. It's certainly been discussed in the past.

The Chair: You have another half a minute, if you want to use it.

• (0925)

Ms. Tracey Ramsey: I don't think I'll get in a question and answer in half a minute, but thank you.

The Chair: Well, whatever you want, Ms. Ramsey; go for it.

Ms. Tracey Ramsey: Okay.

In terms of the way in which our dollar is currently playing against the U.S. dollar, you mentioned how important our trading partnership is with the U.S. I'm wondering what types of provisions you're looking at, going forward and under current agreements, that will address the issue of the dollar being at the level it's at right now.

Mr. David Morrison: Our chief economist, who specializes in the strength of the Canadian dollar, is also here.

Let me just say that obviously in some sectors of the Canadian economy a cheaper dollar is very beneficial. It should also lead, over time, to greater inward investment into Canada. André can speak to the issues around why the dollar is at the strength it is right now, but in terms of Canada-U.S., historically a weaker Canadian dollar has led—not across the board but in certain critical sectors—to increased exports as well as to making inward investment into Canada more attractive to investors from the United States.

The Chair: Thank you, Ms. Ramsey.

We'll move now to the Liberals.

Madame Lapointe, you have six minutes.

[*Translation*]

Ms. Linda Lapointe (Rivière-des-Mille-Îles, Lib.): Good morning, everyone.

Thank you very much for being here today.

Mr. Morrison said earlier that the United States was our largest market. Unless I am mistaken, it accounts for 75% of our exports. We have a trade agreement with the U.S. and Mexico.

Many entrepreneurs or manufacturers often talk to me about the Buy American Act, which makes things much more difficult for them. Are those the kinds of difficulties you were talking about? Can you say more about that to help me better understand the Buy American Act when Quebec manufacturers bring it up?

Mr. David Morrison: Thank you very much.

I once asked...

Ms. Linda Lapointe: It's okay if you answer in English.

Mr. David Morrison: Okay, thank you.

[*English*]

I'll take the first cut, and then I'll turn to my colleagues.

Yes, “Buy America” is one of the irritants I talked about. The figure I cited was that actually 77% of all of our merchandise exports in 2014 went to the United States, so it is by far and away our largest market. Amidst that thriving trading relationship, irritants do come up from time to time. Buy America is one of them.

To clarify, there is no single Buy America act. Buy America has to do with government procurement. Some of what we generically call Buy America is at the federal level. Some of what we call Buy America is at the state level. Sometimes it's a municipal stricture that the procurement into any government works project must come from the United States.

With that as a *chapeau*, let me turn to whoever is our Buy America expert—irritant expert.

[*Translation*]

Ms. Kirsten Hillman: I would like to say a bit about the way we are addressing this issue from a trade policy perspective.

We hold discussions with the United States as part of our overall relationship. We also try to talk about this in trade negotiations or policies, which come under our responsibility.

Normally, we have to deal with the U.S. federal government, and not with the states and municipalities. In Canada, the vast majority of public markets are at the municipal and provincial levels. The discussions we hold with our negotiating partner, the U.S. federal government, may focus on policies that make it possible to distribute money to other levels of government only when they are subject to certain conditions, such as an obligation to have a certain percentage of American content in order to receive funding. The Buy American program has to do with international trade policies. We have to deal with those policies.

Those policies have been a concern for us over the past 20 years because they have an effect on our value chains, which are established based on certain relations, and these kinds of policies break the value chains. We engage in a great deal of discussions with the Americans to talk to them about economic consequences and tell them that this is not good for them or us.

Furthermore, from a legal standpoint—in other words, when it comes to international trade rules—we have very little recourse, as this does not violate the current rules laid out in agreements such as NAFTA, or those enacted by the WHO or others.

We especially need to address these issues by trying to raise awareness during our conversations with the Americans. We do that on departmental, political and governmental levels, as well as through our embassies and consulates in the United States. We use all means available. We even use our private sector stakeholders to do so.

• (0930)

Ms. Linda Lapointe: So, this applies when it comes to government contracts. If the contracts are private, it does not apply.

What can Canada do to balance things out for its companies? It seems that Canadian content is not always requested. We don't require the same thing from our manufacturers when it comes to government contracts.

Ms. Kirsten Hillman: That is correct as far as I know, but I am not an expert on the topic.

Ms. Linda Lapointe: According to my information, the U.S. has that requirement, but Canada does not.

Ms. Kirsten Hillman: My understanding is that we indeed do not have that requirement, but it could be a possibility.

Moreover, we also have to know that this kind of a policy contributes to increasing costs in a country like ours, which is much smaller. Our manufacturers have fewer resources. When we discuss policies, it would be important to consider all those aspects.

Ms. Linda Lapointe: Thank you very much.

[*English*]

The Chair: Thank you, Madame Lapointe.

That concludes our first round. We're going to go to our second round. The first three questions will be six minutes, and we'll go Liberal, Conservative, Liberal, beginning with Mr. Peterson.

Mr. Kyle Peterson (Newmarket—Aurora, Lib.): Thank you all for being here today. I have a few questions.

Mr. Morrison, you mentioned the size and strength of the Canadian-U.S. economic relationship and how it's becoming strong. However, there's also some evidence that since the economic crisis, it has diminished somewhat. I wonder if you have any thoughts on how we're going to build it up to the levels it used to be at before that, and if there's anything we can do with Mexico as a partner to try to get it back to the stage it used to be at.

Mr. David Morrison: Thank you.

I'm actually not aware of the economic relationship having diminished. It certainly dipped after the financial crisis of 2008. Economic activity overall slowed down. My recollection is that the figure I cited for 2014 merchandise exports, so not even including our trade and services, was about par for the course and higher than it's been in recent years. So, if anything, there's been a bit of an uptick.

The same holds true for Mexico, where I think we certainly believe there is a considerable amount of untapped potential. I said in my prepared remarks that Mexico and Canada have become each other's third-largest trading partner. I know for Minister Freeland and the government, that stepping up relations with both the United States and Mexico is a priority, not only in terms of the trading

relationship but certainly leading with the trading relationship. NAFTA is, of course, the foundation for the trilateral relationship, so it's certainly something that our department is very seized with and will continue to pursue in the months ahead as we look towards the coming visit to Washington and increased activity on the trilateral front as well.

• (0935)

Mr. Kyle Peterson: Perfect. Thank you.

In the material prepared for our meeting, there was a reference to a North American Leaders' Summit, which is going to be hosted here in Canada this year. I'm wondering if you could elaborate on what sort of agenda and what priority items we're going to be pushing at that meeting.

Mr. David Morrison: The summit happens not every year but most years, or it has happened most years, or every year or two, for the past decade or more. It's colloquially known as the "three amigos" summit. The last time it took place was in February 2014 when the Mexican president, President Pena Nieto, hosted in his hometown in Mexico. The agenda tends to focus on economic prosperity. That's the essence of the ties that have bound the three countries together ever since NAFTA came into force 21 years ago. There are, of course, also larger environmental issues. I think you'll see climate change featuring heavily on the agenda this year. The new government has come into office and will be pursuing a North American clean energy and environment agreement within the trilateral context.

Security issues are always at the fore. The U.S. has concerns about both its southern and its northern borders. Increasingly, I think you'll see an emphasis on North America as an actor in international affairs. I think you would have seen some of this coming out of the recent North American foreign ministers' meeting in Quebec City, which took place two weeks ago, at which the three foreign ministers in their statements mentioned Colombia and the peace process there. They mentioned Central America, and they mentioned the Caribbean. Increasingly I think you'll see the three North American countries talking about their neighbours.

Mr. Kyle Peterson: Thank you.

Do I still have time?

The Chair: You still have time.

Mr. Kyle Peterson: On that note, maybe my friend from the NDP on this committee might appreciate this question. Given the importance of the Canada-U.S. relationship, do you have any sort of brief update or any new information to add about the Ambassador Bridge and how things are progressing on that?

Mr. David Morrison: I have no new information, but the Ambassador Bridge actually carries staggering statistics, which I cited in my introductory remarks. Twenty-five per cent of that merchandise trade takes place within the Windsor-Detroit corridor, so obviously a lot of that is autos. It would be hard to overstate the importance of those links as a lifeline for the North American economy.

The bridge is scheduled for completion in 2020. It will add security to that link and obviously help facilitate trade. Canada has pledged to finance the infrastructure, and its financing will be recouped through tolls.

● (0940)

Mr. Kyle Peterson: Thank you.

The Chair: Thank you, Mr. Peterson, for those questions.

We're going to go to the Conservatives, Mr. Ritz, for six minutes.

Hon. Gerry Ritz (Battlefords—Lloydminster, CPC): Thank you, Mr. Chair, and thank you, ladies and gentlemen, for your presentations today.

It's well known that Canada punches above its weight on many levels and of course the great job that you do underscores that. There's a lot of pressure for the Canada-America market to maintain itself. Some billion dollars a day goes back and forth across that line—we know that—so the question was asked about the bridge.

I think one of the things that keeps the American market honest is having diversity of trade in our portfolio, making sure we have these trade rights into the Asia-Pacific and into Europe and of course with China and so on. We're ahead of the Americans in some instances.

I welcome the bullets in your presentation, Ms. Bincoletto. You're talking about how firms that export are more productive, more innovative, and of course have more capacity for R and D. I couldn't agree with you more, and your new program I think is great. You might want another zero on the back of it.

Over time, we found with agriculture—and Mr. Verheul will remember this—the Market Access Secretariat we set up almost a decade ago does exactly this. Now we have industries getting into China, into India, into these new and innovative markets simply because of that fifty-fifty share that we do. It's been a tremendous success and it's always oversubscribed. Good luck with that. I know it's going to work extremely well.

A little further down in your dissertation, you talked about a study, an assessment of what worked and what didn't. I fully agree with that. Would we be able to get a copy of that or is that for the minister's eyes only?

Ms. Susan Bincoletto: It's early days. The road map that the former government had, which was called the global markets action plan—

Hon. Gerry Ritz: GMAP.

Ms. Susan Bincoletto: —GMAP is less than two years old, and therefore we're still looking at it. It hasn't really been decided how we're going to disseminate that information.

Hon. Gerry Ritz: I understand there will be a consultation process as well, so I would hope this committee would be a part of that. If it's strictly the minister a lot of other areas need to be explored as well.

One thing that has always irked me a little—we see this in some stories in the media—is that our trade balance is always skewed. The one thing people don't understand is that investments into Canada come under imports. Is there any way to hive that off and have three-way reporting of imports, exports, and investments, so that you don't

see that skew in trade balance all the time? I'd love to see that. As you already pointed out, Mr. Morrison, the amount of money coming in from the U.S. is astronomical. We're seeing that now from China, from European countries.

I would also like to see a side-by-side comparison as the new trade agreements are put into play with NAFTA, CETA, TPP—the multilateral ones—that shows a comparison on ISDS, IP, Pharma, and so on, so you can see the evolution of these trade agreements. ISDS, Pharmacare, IP are not new phenomena as the world changes and goes electronic. A comparison among the three as to what is new and how it has evolved, I think would be very helpful.

I think the one thing that businesses have told us over the years, and I think will continue to as we do our consultation on these trade agreements, is that businesses want security, reliability, and predictability, or the investments don't flow. I think ISDS underscores that as we saw with the FIPA we arranged with China. We're now seeing a freer flow of monies back and forth and that's not a bad thing. I think we need to underscore the importance of developing a market like China. I certainly agree with the new government on getting moving on that. Of course we're going to have to do it at our insistence on certain levels. But the FIPA that's been signed, the renminbi hub, the new trade commissioners that are scattered throughout China are certainly the basis for those beginning discussions.

Have you developed a timeline looking forward to that?

Ms. Kirsten Hillman: Susan and I will answer this question together because there are the trade commissioners and trade officials, the promotion side and the trade negotiation side.

On the trade negotiation side, again as you will know, Minister Freeland's mandate explicitly tasks her with deepening relations with China. We are spending time thinking about that and how to take steps toward that. Free trade agreement is one tool. There are many other tools and I think what's really important right now is that we are looking at all the avenues. We're starting to talk to different businesses, different Canadians. That will only increase as we proceed with these discussions to understand what our objectives are going to be. We're going to take a step-by-step approach and make sure that as we move forward, we're doing so in a way that is thought through and makes sense for us on the negotiation side.

The trade commissioners, the Canadian presence facilitating business, that's another side, which is, as you point out, very clearly and particularly valuable for businesses on the ground.

● (0945)

Hon. Gerry Ritz: Yes. I've found over the years that China loves Canada because we're not the U.S. It's one of the first things I had to point out, that we're not a colony; we're autonomous. Now that they've welcomed that.... I mean, we have beef access and the U.S. still doesn't. There are a lot of different fronts where they use us as a bit of a hammer, and I'm fine with that as long as it ends up in good transference.

The point would be that the size and scope of the Chinese market certainly could overwhelm us. I think we saw some of the wrong way to go with Australia and China and the negotiations they did. In the end, Australia basically bought the deal, which I don't think is good, but it sets a tough precedent for Canada then to get in and again punch above our weight. But certainly I know you are up to that challenge.

The Chair: Mr. Ritz, you're out of time.

Did you have any comments on Mr. Ritz's last...?

Ms. Susan Bincoletto: Maybe I can add a few points on the trade commissioner side.

The last budget did provide us a top-up for the trade commissioner service, particularly for emerging markets, where companies have a harder time going. They do need a bit more hand-holding, not only to go and diversify their export opportunities—hence CanExport—but we also have global opportunities for associations, which get associations to bring members into new markets so that they can actually investigate a bit more on what exists.

It's a daunting market—India, China. They're difficult to penetrate, so what we're going to be doing is increasing our footprint, especially in secondary cities in China, and in Asia particularly, because again, the more difficult the market, the more you need some hand-holding.

At the same time we're working a lot more closely with some of our domestic partners such as the BDC—the Business Development Bank of Canada—and Export Development Corporation, which falls within the minister's mandate, to figure out whether we can offer a continuum of support to companies, not just that fifty-fifty, but also loans and working capital, again to grow firms so they can actually do business in those more difficult markets.

As David was mentioning, we've always been at around 75% of our merchandise trade vis-à-vis the U.S., and that can be both a good thing and a bad thing, because as you've said, diversifying your portfolio is also a good thing. What we are trying to do through this new strategy is to look at how best to push our Canadian companies to go abroad—other than to the U.S., even though there is a kind of magnet with the U.S., especially with a lower dollar, and it's easier for various reasons to do business in the U.S.—without losing sight of the opportunities for double-digit growth in other countries.

The Chair: Thank you.

We're going to go to the Liberals, with Mr. Dhaliwal.

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

To the panel here, even though the committee has its own agenda, we can set up our own priorities. Last week we talked about some of

the priorities that we should be following in the coming days and weeks—the TPP, the softwood lumber agreement, our trade with the European Union. I want to gauge your feelings when it comes to the priorities.

When I was out talking to the businesses last week, almost everyone, even though they supported the TPP and said this would be a good agreement for them.... But again, coming back to British Columbia, they said the first priority is dealing with the softwood lumber agreement. That should be the priority the committee follows. Assistant Deputy Minister Hillman mentioned that the agreement expired in October 2015.

Would you be able to give us some direction on where we should be heading, if we have to pick up one or the other? What would be your priority? What would you be looking at doing first, the softwood lumber agreement or the TPP study?

● (0950)

Ms. Kirsten Hillman: Well, that's a very difficult question for me to answer. I guess my question back to you would be whether you have to choose or whether you can do both.

My experience, having done many consultations over the past couple of months, primarily but not exclusively focused on TPP, has been that during the course of those conversations with a variety of different stakeholders—Canadians, provinces, officials, municipal governments, etc.—we talked not just about one file but about many things. As I understand it, the committee is considering outreach. It seems normal to me that, in conversations with interested Canadians who are looking at trade either because they're traders or because they are experts in the field, they will be eager to give you their perspective on a variety of initiatives and tell you what their priorities are.

I guess my answer back to you, which is perhaps not a straightforward answer, is that I'm not sure that as a country we need to choose a priority. I think we can say without question that softwood lumber is a very important file. It is a very valuable and very economically significant sector of our economy. From a trade policy perspective, it represents a tension that we have to resolve. At the same time, I think it's very important that we have concluded some free trade agreements. We need to finish them and bring them into force. Then there's the TPP, which is different again, and the government is actively trying to make sure that it understands the views of Canadians with respect to the TPP.

I would maybe put it back to you that it strikes me that both could probably be done in the course of the same interactions you have with the witnesses you bring to this committee.

Mr. Sukh Dhaliwal: One thing for sure is that the softwood lumber agreement is one of the priorities for you, right?

Ms. Kirsten Hillman: Well, for our negotiations branch, softwood lumber is a priority, yes, absolutely, 100%.

Mr. Sukh Dhaliwal: Thank you.

My question now is on India. Even though I was born there, I'm very fortunate to be where I am today. Even though Canada is a minor partner when it comes to trading with India, what are the obstacles that are preventing us from doing business there? I have seen it first-hand, but perhaps you can brief the other members here, too.

Ms. Kirsten Hillman: I think there are two ways to answer the question. There is an answer that would be similar to the one that Susan gave with respect to China. It's a large and complicated market. Sometimes for Canadian businesses it can be somewhat opaque, somewhat unpredictable. It takes extra effort to do business in India, to establish yourself in India, to invest in India. In that respect, we spend a lot of time and energy with our missions abroad in India, in the smaller offices that we have around the country, trying to help Canadians understand the environment and succeed in the environment. That is, I think, very important. It's important that Canadian companies take the step, take the risk, and get out there. I think it's not always comfortable, partly because Canadian businesses are often used to dealing with the United States. There are a lot more similarities between our legal systems and our language, etc. So there's that.

We can also seek to have legal frameworks, so trade agreements and investment agreements to help support businesses and to help provide the predictable environment, and we are working on those as well and have been for quite a few years. We started a free trade negotiation with India in 2010, and we've been negotiating a bilateral investment agreement for longer than that. Neither of those agreements has been concluded. They're challenging. They're complex. We are looking at continuing to move them forward, but India has a lot of priorities and a lot of other things that are gathering its attention, so sometimes doing that can be challenging.

● (0955)

Mr. Sukh Dhaliwal: Thank you.

The Chair: Thank you, Mr. Dhaliwal. Your time is up.

We're going to go over to the Conservatives.

Mr. Van Kesteren, you have five minutes.

Mr. Dave Van Kesteren (Chatham-Kent—Leamington, CPC): Thank you for coming here. I, for one, am extremely appreciative of your being here. I don't come from a trade background. I didn't serve on this committee. I'm one of those who need this presentation, so thank you for that.

Mr. Morrison, one of the things that struck me was that you mentioned the United States was, I think, 70%. I think 70% has been floating around, but I seem to recall that years ago it was more like 90%. Am I correct in thinking that? When I'm talking about 90%, I'm 60 years old, so I mean within my recent memory at least. Have we moved? I guess the follow-up question would be that, as a result of free trade, as a result of opening up our markets, we've certainly begun to take away that dependency that we were being criticized for so much in the past. Am I right in thinking that? Maybe you could make just a quick comment on that.

Mr. David Morrison: I actually don't know the historical figures. Ninety per cent strikes me as high, but for as long as I've been active, there's no question that there have been efforts to, as has been said,

diversify our trading partners. As just a smart strategy, one diversifies one's portfolio.

From many perspectives.... I'm thinking here of a conversation involving my equivalent in Australia, who looks at Canada's geographical setting and thinks we're very fortunate to live next to that market and to have free trade not only with the United States but with Mexico and all the way down the Pacific Alliance. He looks north, and the neighbourhood's a little rougher. It's a blessing, as my colleague said, but also, diversifying is smart.

We can come back to you, or perhaps my colleague, our department's chief economist, has the figures at hand. Certainly, my sense is that it has been roughly 75% for a very long time. That is simply the merchandise trade. That doesn't include the trade in services.

Mr. Dave Van Kesteren: Here's what my follow-up question would be. We've spoken a lot about the importance. We've spoken about some of the challenges. I guess I have three questions. Maybe anybody can answer these. Maybe Mr. Verheul can jump in at some point too.

Here's what I want to know. What are we really good at? Also, what are we getting good at? As a businessman, I would look at opportunities. If there were an area where we couldn't compete, obviously we would ignore it. What are we not able to compete in? I think that's becoming increasingly obvious in some areas. I wonder if you could talk about those things. If we were to strategize, we could maybe use those figures to explore where we should be going.

What are we really good at? What are we getting good at? What are some of the industries that we just can't compete in?

Ms. Susan Bincoletto: It's a difficult question to answer in regard to just making a list of the top three that we're good at. I look at the trade figures. We are very present in the extractives. We're very good at mining. I was just in South Africa at the Mining Indaba conference. We are good at that and we do that responsibly, so we also have corporate social responsibility.

By no means is mining better than information and communications technologies or aerospace. Aerospace is a very big export-driven industry as well. I'm looking at it from an export perspective.

Mr. Dave Van Kesteren: Thank you for that. We're good at mining here, but what you're saying in essence is that we export that to other countries.

● (1000)

Ms. Susan Bincoletto: Yes. We go and invest abroad. We actually do two things. One, we create wealth in Canada through our investment abroad. Also, we create sustainable economic development in those countries that are reliant on extractive production.

On R and D, we're very good in terms of putting money into R and D, but we're not that good on commercialization. That's not export related, but we know that we need a strong foundation in innovation and competitiveness in order to then jump into the export world. You must have good products, good services, and low prices. You also must have innovative products that are of interest to new markets. To do that, we need a solid industrial policy that will allow this to flourish.

Something we're looking at more closely, I think, is how to be better integrated with the domestic side so that we can then grow our firms and get them to export on a more solid footing.

I think I'm done. No? I'm not done?

The Chair: You can go ahead and finish up.

Mr. Dave Van Kesteren: Keep going.

Ms. Susan Bincoletto: Keep going? You like my story.

We haven't been very good at adopting technology, and I think it's something that companies need to do more of. The question then will become, what is the role of governments versus the role of the private sector to actually do something about that? Trade is becoming more domestic than it used to be. You need a strong structure of the industry. We have a lot of SMEs. They aren't growing quickly enough. We know that size does matter in terms of their capacity to export. We need to look at how domestic policies are developed in order to then push.

My world is how, when we have somebody who has the potential, do we get them to where they want to be internationally. We provide the contacts. We provide the know-how in terms of the cultural differences and how to do business there. But if we don't have that nucleus of companies that are willing to play, it's very difficult for us to do our job. It depends on the sector, but ultimately it's the firms. I always say that it's the mindset of the firms that also matters. You know, some companies like to stay medium, and they don't aspire to go beyond that. What can be done to get them to that level as well?

There are a number of sectors. The most services we provide to our trade commissioners are in aerospace, ICT, and in the extractive sector. Again, it depends on the market, but there is a handful of sectors where exports really do matter for companies. We then have to go into the firm and ask what really makes that firm a successful exporter long term, not just a one-time exporter but in a consistent way.

The Chair: Thank you. Good information, good question.

We'll move to the NDP now. You have three minutes.

Ms. Tracey Ramsey: Thank you.

I have a couple more questions about a potential free trade agreement with China.

First, the Automotive Parts Manufacturers' Association has requested that Canada seek a commitment from China to establish auto assembly facilities in Canada as part of a possible FTA between the two countries. How would a possible free trade agreement affect Canada's manufacturing sector generally, and manufacturers of auto parts specifically?

Ms. Kirsten Hillman: I think the answer to that question is that it's really too soon to answer a question like that, in the sense that every free trade agreement is different and the market access conditions provided in that agreement are different. The market access conditions are both tariff reductions and the rules of origin that apply to that treaty.

In Canada our auto and auto parts sector is largely North American-based. In free trade agreements that are bilateral with non-North American countries, we take certain approaches. If the United States or Mexico are in it, we take different approaches. There are many variables in place.

We are really far back from being able to answer that kind of question with specificity.

• (1005)

Ms. Tracey Ramsey: Has Global Affairs Canada conducted an economic analysis to assess the benefits and costs of a Canada-China FTA?

Ms. Kirsten Hillman: No. We are in the process of consulting, or starting consultations, with companies, with Canadians, with provinces, with others, civil society. That is information we use before we go down a road like that.

Ms. Tracey Ramsey: Going back to autos, do you think there are specific safeguards that Canada should include in a possible FTA with China to protect manufacturers and manufacturing jobs in Canada?

Ms. Kirsten Hillman: Sure, and we do, in almost all, if not all... I don't want to say "all", because I'd have to look at all of our FTAs, but a very common and I think probably universal feature we have in an FTA with an auto manufacturing country is called an "automotive safeguard". An automotive safeguard is a rule by which if there are import surges that are caused through the implementation of the FTA that damage our domestic industry, we have the power to put our tariff back in place. An evidence-based assessment is done to determine whether or not the FTA is having this effect on our auto industry. If it is demonstrated through domestic processes that it is, then we are entitled to put the tariff back on.

That's one tool, but we've used many tools.

Ms. Tracey Ramsey: I have one more question.

Has China asked Canada to build a new oil pipeline to the west coast and to remove restrictions on acquisitions of Canadian companies by Chinese state-owned enterprises as part of a possible FTA?

Ms. Kirsten Hillman: Not to my knowledge. Not to me. How's that?

The Chair: I would like to wrap this up in 10 minutes. For those members who didn't ask a question, you can now add some quick questions and maybe we can get some quick answers. We're not going to go to six minutes and then six minutes.

If the Liberals agree, we'll just go with this. For the ones who didn't ask a question, you're free to go ahead. For anybody else who thinks they didn't get something done here, get it out there and we'll try to wrap it up in 10 minutes.

Ms. Ludwig.

Ms. Karen Ludwig (New Brunswick Southwest, Lib.): Thank you so much for your informative presentation. As an instructor and professor of export trade, it's great to hear your talking points and your perspectives.

I have a couple of questions and I'll be fast with them. One is regarding the \$50-million investment to support companies exploring new markets. How will the funding be prioritized regarding sectors, regions, diversity and export markets, environmental protection, and size of companies?

Ms. Susan Bincoletto: It was just launched by Minister Freeland on January 5 and she did a really great job to get the excitement going. We already have 700 live applications. Some 200 have been approved or are in the process of being approved. In the next three weeks there will be a lot of attention paid and a lot of awareness. It is on a first-come, first-served basis at this point.

We will, with the luxury of time and data, be looking at which have been the firms and sectors that have been the most interested in applying and for which markets, and what is the average value for which activities. We need a little bit more time because it's only been less than a month. We will then have to have a conversation with the minister to see whether this is something that needs to be tweaked. As we proceed, we will hear about the positive and the negative.

Again, it's early. Clearly, it is something that could become more strategic, should there be a willingness, once the trade strategy that the minister has been tasked to develop makes use of this tool, the CanExport program. It's still in the early days.

Ms. Karen Ludwig: I have one more question.

Some reports suggest that 75% of new Canadian exporters are not exporting in their second year. I know from working with colleges and universities that have worked directly with local businesses that they have helped them to get export-ready.

Will part of that funding...? Is there a plan or any conversation at this point where colleges and universities may be involved? When you consider that many of our new exporters, or wannabe exporters, are small businesses that are very involved on the domestic side and stretch themselves thinly to go on the export side, they often don't do their research because they often don't know what to research. The Canada Business Network in the past has been an excellent service. I know the funding there has been reduced.

Is there a plan or conversation about some of those services that may be renewed?

•(1010)

Ms. Susan Bincoletto: We're having ongoing conversations with a number of our federal colleagues, including Innovation, Science, and Economic Development because they are the ones that are the closest to us in terms of the microeconomic environment.

You're absolutely right that many businesses succeed only in the first year and then stop exporting. We need to look at what characterizes them and what the characteristics are of those who have been exporting over five years and then see how we can perhaps tailor better programs to that community.

Again, we are in the early days. We wanted to get people excited about the opportunity to do things that they wouldn't have otherwise done in the absence of this program and to seek opportunities where they wouldn't have gone before. This is normally to the U.S. because it's the easiest market to go into.

Ms. Karen Ludwig: Thank you.

The Chair: Thank you for your question and answer. I'll go to Mr. Ritz, then Mr. Fonseca, and then we're going to go to Mr. Hoback to finish up. But we'll just keep it at two minutes, so boom, boom, boom.

Hon. Gerry Ritz: Just one quick point to make. There's a lot of discussion today about social licence, both at home and for our customers abroad. Canada has an excellent story to tell on the environmental footprint, labour standards, all of those types of things. You know the old saying, a high tide floats all boats.

How important is that when you're having discussions with countries? I know both in China and India, whenever I was there, I talked about all of our food production on clean land, clean air, clean water. It's huge.

Does that enter into your dialogue, your narrative, as you're talking to other potential buyers?

Ms. Susan Bincoletto: Yes, it definitely does. It's a brand for Canada to have good corporate responsibility in terms of how companies behave, but also the whole suite of things that we do well, food security being one, is something that we should be advertising a lot more.

Hon. Gerry Ritz: Absolutely. Thank you.

That was it.

The Chair: Mr. Fonseca.

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

My question is around the TPP in regard to NAFTA. Would it supersede NAFTA in every way?

Ms. Kirsten Hillman: No.

Mr. Peter Fonseca: No. Can you give us a little more insight into that?

Ms. Kirsten Hillman: We have many free trade agreements. We have the WTO agreement, which is a global agreement. We have free trade agreements with Chile, Peru, a variety of other countries, and of course, the NAFTA. All of those agreements coexist. The WTO agreement, for example, is an agreement that includes all the TPP countries. The NAFTA includes three of the TPP countries. Chile, in the TPP, has an FTA with every other TPP country, bilaterally, but will also have the TPP.

All of these international regimes coexist, just like municipal, federal, and provincial legislation coexist. The key is—and we always look at this when we're negotiating—to make sure there is no conflict between the two. If the TPP were to enter into force for Canada, a trader who is trading with Mexico or the United States would choose whether or not to take advantage of TPP rules, NAFTA rules, or WTO rules, depending on which provides them with the best framework for their trade.

Mr. Peter Fonseca: My other question is in line with what Mr. Ritz was asking about in regard to levelling the playing field.

When we look at some of our agreements with developing countries, be it occupational health and safety, or food safety, etc., how are those issues addressed at the table?

When the standard is much lower with the bilateral...that we're going to do the agreement with, how are those addressed? Can you give me some insight into that?

Ms. Kirsten Hillman: Okay, sure.

There's a variety of ways. We have a number of trade agreements with countries that are structured very differently from us, that have different regulatory regimes, and have different levels of development. Often these areas that we're talking about, labour standards or environmental standards, are related to the level of development, so a free trade agreement seeks to set a standard.

Our environment and our labour side accords are now chapters under the CETA and TPP. For example, those are chapters within the FTA. They do a few things. They establish standards for environmental protection or for labour rights, and they provide a mechanism whereby if those standards are not being met, we have recourse. We are able to enforce, against that trading country, their enforcement of their own domestic standards.

• (1015)

Mr. Peter Fonseca: Thank you.

The Chair: Mr. Hoback.

Mr. Randy Hoback: It's interesting that in the last eight years you have certainly been busy when you look at the number of agreements we've had in place and what's on the table now.

You made a comment about the importance of first mover. I think maybe just for the committee, it's good for them to understand what that means to Canada when we look at TPP, when look at CETA, when we look at NAFTA, and what that means to our industry, when we're the first mover, when we are aggressively signing these agreements, and the impact that it will have here at home.

Ms. Kirsten Hillman: I am happy to explain that. I think, as a very good example of first mover, we have a very practical example in Canada. First mover advantage is... Trade agreements are designed to do a few things. They're designed to set out open, predictable, and transparent trading environments for our companies so that they know the conditions under which they're doing business and they can have some security around that. They're also about giving us a leg-up on competitors. If it is possible for trade for Canadian firms—the kinds that Susan and her team try to support—to have advantages in the marketplace, then that's also part of what we try to achieve through a free trade agreement. First mover advantage is the idea that if we get in with a partner and get some of

those trade preferences and some of those established enforceable norms before our competitors, then Canadian businesses will have an advantage in that marketplace.

A very good example of that, or a counter-example of that, is the Canada-Korea relationship. Canada was negotiating a free trade agreement with Korea at the same time the United States was negotiating a free trade agreement with Korea. The United States agreement came into force before Canada's; therefore, the tariff reductions for the United States started to take effect before they started to take effect for Canada. Our Canadian exporters suffered because American products became less expensive in the Korean market, and the U.S. had a competitive advantage in the Korean market. The most striking example of that, and there are others, is our Canadian pork exporters. Within the first 12 months after the U.S.-Korea free trade agreement entered into force, when we didn't have one, they lost \$1.5 billion in a year in export sales to Korea. That's because, to put it very plainly, U.S. pork was cheaper. We try to do two things in free trade agreements: to set predictable, open, reliable, socially responsible terms of trade, and to give our exporters an advantage in the marketplace.

The Chair: Thank you very much.

We're getting close to the end here. Mr. Dhaliwal, you have a quick question and then you can jump in.

Ms. Susan Bincoletto: I just have a—

The Chair: Sorry go ahead.

Ms. Susan Bincoletto: I don't want to say anything that minimizes the importance of trade agreements, but they only become valuable if our exporters actually do business abroad. That's where there is a flip side. You have a piece of paper that gives the predictability, but then it's a means to an end and that end is more exports and more activity from our companies. That's generally the FTA promotion that is part of Minister Freeland's mandate and it is extremely important. How do we get our companies to understand what the negotiators have been doing and take advantage? That is a whole suite of activity that needs to be done so as not to underestimate the investment that it takes to get our companies out there.

The same applies to attracting investment. When CETA is enforced we will have a comparative advantage because we could become the hub of European investment into Canada and take advantage of NAFTA as well, instead of going to the U.S. as it does now. In the comparison between the two, the U.S. will still be the U.S. It is about taking advantage of those agreements and how we try to better attract foreign investment into Canada, given that we know that foreign investment leads to a lot of economic and social benefits for Canada.

• (1020)

The Chair: Very good information.

Mr. Dhaliwal, the last one to you, but it has to be a quick question and a quick answer please.

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

I want to finish off with a question I had about India.

The Chair: Go ahead.

Mr. Sukh Dhaliwal: In the report “Doing Business 2016“, the World Bank ranked India 130 out of 189 when it comes to the ease of doing business, and India ranked 178 when it comes to enforcing those agreements. I well remember when we signed the free trade agreement with Colombia. I was on the international trade committee and I know we had a parallel agreement on environment as you mentioned. My first question is this. Do you agree with the report that those figures are right? How would you see doing free trade with India compared to other emerging markets like China? In your opinion how would you rank that?

Ms. Susan Bincoletto: Do we have an opinion?

Voices: Oh, oh!

Ms. Susan Bincoletto: You're the negotiator, Kirsten...but I think that raising the standards internationally is always a good thing. As Kirsten said, not every partner in trade negotiations is equal. Some take more time and more effort than others, but from a business perspective, I think that predictability, stability, and rule of law—all these things—matter. It is certainly worth the effort, regardless of which country we're talking about.

Mr. Sukh Dhaliwal: You haven't cleared my question. If we have free trade with India and China, what difficulties do you see there? Is that manageable? It's not just about holding the hands of the

businesses and telling them go to India, China, or Colombia at that time. It's about making sure that the businesses that want to go there and do the free trade have the confidence that these three agreements we've signed, and the parallel agreements we've signed, are enforceable and can be dealt with. Do you see that?

Ms. Susan Bincoletto: It's a clear element of confidence for businesses when they know that there is that ability from the host country to abide by those rules. That's all I can tell you for that.

Mr. Sukh Dhaliwal: Is there any agreement—

The Chair: You're going to have to—

Mr. Sukh Dhaliwal: Thank you.

The Chair: There will be many days when we will be able to discuss this. It's just that we have gone over the clock. I'm sure the guests will be back again.

Thank you for coming. Thank you for giving us quite a snapshot, in just over an hour and a half, of what Canada and the world are doing on the trade situation.

We'll give our guests one minute to leave and then go in camera to discuss future business.

[Proceedings continue in camera]

Published under the authority of the Speaker of
the House of Commons

SPEAKER'S PERMISSION

Reproduction of the proceedings of the House of Commons and its Committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the *Copyright Act*. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a Committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the *Copyright Act*.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its Committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

Also available on the Parliament of Canada Web Site at the following address: <http://www.parl.gc.ca>

Publié en conformité de l'autorité
du Président de la Chambre des communes

PERMISSION DU PRÉSIDENT

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la *Loi sur le droit d'auteur*. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la *Loi sur le droit d'auteur*.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

Aussi disponible sur le site Web du Parlement du Canada à l'adresse suivante : <http://www.parl.gc.ca>