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## **Standing Committee on International Trade**

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**EVIDENCE**

**Thursday, March 10, 2016**

**Chair**

**The Honourable Mark Eyking**



## Standing Committee on International Trade

Thursday, March 10, 2016

• (0850)

[English]

**The Chair (Hon. Mark Eyking (Sydney—Victoria, Lib.)):** I call the meeting to order.

Good morning, everybody. I hope everybody went to see the beef farmers last night. They had lots of beef on the bun.

We're going to continue, but we're not doing TPP this morning.

As we know, CETA is still in the final stages. We had our first opening meeting with the trade officials. They explained how in depth the CETA file is. As everybody knows, we're going to have a delegation from Europe here shortly. That's why we decided that today we would talk about CETA and figure out more details about it, what's in it, and where we're going, so that we are prepared for the members coming from Europe.

We'll begin the meeting by thanking our guests here from the department. We're going to open it up. We usually provide five minutes, but it doesn't matter if you want to go over. We're here to learn today, so if it's 10 minutes, we're fine with that. Our whole session is probably going to take an hour and 15 minutes this morning, so we'll go from there and afterwards we'll have new business.

We're going to begin with Mr. Verheul. It's good to see you again.

**Mr. Steve Verheul (Chief Trade Negotiator, Canada-European Union, Department of Foreign Affairs, Trade and Development):** Thank you very much. Good morning, everyone.

My name is Steve Verheul. I'm Canada's chief trade negotiator for the Canada-European Union Comprehensive Economic and Trade Agreement, or CETA. I'm pleased to be here today to participate in this technical briefing on CETA.

I'll begin with a brief overview of the EU market and then turn to what we see as the opportunities that CETA will create, both for Canada's business community and by extension for the Canadian economy. I will then provide you with an outline of the next steps toward bringing the agreement into force.

The EU represents the world's largest market, with a \$20-trillion economy and more than 500 million consumers. It is a key market for global supply chains. The EU has more Fortune 500 companies than anywhere else in the world, including the United States. This significant access to supply chains is an important avenue of opportunity for the global ambitions of many of Canada's small and medium-sized enterprises.

CETA will provide Canadian companies with a first-mover advantage over competitors from markets like the U.S. that do not have a trade agreement in place with the EU. In fact, Canada is gaining preferential access to almost a quarter of the world's marketplace by way of CETA. With CETA and NAFTA combined, Canada will have preferential access to close to half of the world's marketplace.

I'll now provide you with an overview of the structure and content of the agreement.

As of today, only 25% of EU tariff lines on Canadian goods are duty free. On day one of CETA's entry into force, 98% of these tariff lines will be duty free. Once all phase-outs are complete, seven years after entry into force, this will rise to 99%.

Tariff elimination will provide enhanced export opportunities into the EU market for Canadian producers, processors, and manufacturers for agricultural and agri-food products, fish and seafood, forestry goods, and the full range of industrial goods.

For regional sectors like fish and seafood, agriculture, and forestry, CETA offers significant new opportunities for growth in exports of Canadian value-added products.

The EU generally applies higher tariffs on imports of value-added finished goods than on raw materials and natural resources. As such, the elimination of tariffs under CETA creates enhanced export opportunities for Canadian value-added goods into the EU market, and therefore provides incentives for more processing and manufacturing in Canada.

Commitments for market access for goods also include provisions to ensure the non-discriminatory treatment of Canadian goods in the EU market, to limit restrictions on exports and imports, and to establish a committee to discuss issues impeding trade in goods that may arise as a means to solve problems and avoid disputes before they occur.

Rules of origin and origin procedures serve to determine when a good is originating and therefore eligible for preferential tariff treatment when exported from one party to another under CETA. The rules of origin that we have negotiated reflect Canadian production realities, in particular the integrated nature of North American supply chains.

Of particular note, the agreement includes an origin quota for automobiles, under which up to 100,000 Canadian-made automobiles a year could benefit from the phased elimination of the EU's current 10% tariff.

The procedures for making claims for preferential tariff treatment are clear, simple, and similar to those included in Canada's other agreements.

In addition, CETA commitments on customs and trade facilitation are designed to reduce processing times at the border and make the movement of goods cheaper, faster, more predictable, and efficient.

CETA will assist Canadian exporters by, for example, providing businesses with advance rulings on the origin or tariff classification of their goods and by simplifying and automating border procedures whenever possible.

Provisions on technical barriers to trade will help to ensure that unnecessary or discriminatory regulatory requirements do not diminish the value of new market access for Canadians. CETA builds on existing rules contained in the WTO agreement on technical barriers to trade and provides a number of ways to address issues and prevent problems arising from these types of barriers.

CETA is the first bilateral trade agreement in which Canada has included a stand-alone chapter on regulatory co-operation, which seeks to enhance co-operation and information sharing while regulations are being developed.

CETA also includes a protocol on conformity assessment, which will allow Canadian companies in a number of sectors to have their products tested and certified here in Canada for the EU market. This is a significant innovation that will save companies time and money, and it will be particularly useful to small and medium-sized enterprises.

CETA is also expected to open doors to the EU's \$3.3 trillion government procurement market. Under the WTO agreement on government procurement, the GPA, Canadian companies already enjoy access to some opportunities tendered by EU-level institutions and the 28 EU member state governments. CETA improves this access by removing exclusions in the GPA on procurement by specific EU entities. In addition, CETA provides Canadian suppliers with new access to procurement by sub-national entities, such as regions and municipalities, and to utilities.

Beyond goods, CETA sets out rules in relation to trade in services. These include a cross-border trade in services chapter that will provide for better market access assurances and open markets in the EU countries in sectors such as professional services, environmental services, construction services, and research and development.

CETA also contains robust provisions on domestic regulations, which will provide for greater predictability and transparency. Canadian service providers will benefit from the greatest access to the EU, the world's largest importer of services, that has ever provided in a trade agreement, as well as the most ambitious commitments on temporary entry that the EU has ever agreed to as well.

The temporary entry chapter includes commitments to facilitate mobility between Canada and the EU for mutually agreed categories

of business persons such as after-sales or after-lease services, professionals, and key personnel such as intracorporate transferees and investors. For example, in some countries and for some services, entry will not require a work permit for 90 days in any six-month period for activities such as meetings or consultations, marketing research, trade fairs, sales, or purchasing. In certain member states, high-skilled contract service suppliers may benefit from more open and transparent temporary entry commitments, compared to the EU's existing commitments under the WTO general agreement on trade and services. CETA also includes rules on intellectual property, on competition, on state-owned enterprises, and on sustainable development.

Canada and the EU have also committed to high levels of environmental and labour protection and to the strong enforcement of these protections. Canada, for the first time, directly incorporated commitments into the text of the agreement that would help ensure that trade in environmental protection would be mutually supportive and reinforcing, and that the increased prosperity resulting from liberalized trade would not occur at the expense of the environment.

Comprehensive labour provisions have been included in CETA to ensure free trade with the EU does not erode labour standards. CETA's commitments with respect to labour provide additional assurances that high standards of labour protection will be maintained as bilateral trade increases following the agreement's coming into force. For the first time in any trade agreement, all provinces and territories have signed on to the labour and environmental chapters in CETA.

As for the current status, as you know, Canada and the EU have completed the legal review of the English text. This was announced by Minister Freeland and her EU counterpart, trade commissioner Malmström, on February 29.

As I mentioned to this committee a few weeks ago, revisions to the investment protection and investment dispute resolution provisions were made as part of the legal review process. These revisions include strengthened provisions on the right to regulate for all levels of government, a revised process for the selection of tribunal members to adjudicate disputes—most notably, investors will no longer be able to choose members of the tribunal on their own—more detailed commitments on ethics for tribunal members, and the establishment of an appellate mechanism that will become operational only after Canada and the EU agree to the administrative and operational aspects of how this would function.

The changes do not decrease the level of protection afforded to investors under the agreement. Investment forms a substantial portion of the Canada-EU economic relationship. The known stock of direct investment by Canadian companies in the EU totalled \$166 billion in 2014, representing about 20% of known Canadian direct investment abroad. The same year, the known stock of direct investment from European companies in Canada totalled \$215 billion, representing over 29% of known total foreign investment in Canada.

• (0855)

Trade in investment is distinct from trade in goods or in services and operates under distinct regulations. CETA's investment chapter is designed to give investors greater certainty, stability, transparency, and protection for their investments, and to secure access for Canadian and European investors to each other's respective markets.

At the same time, the agreement's provisions will not prevent governments from acting in the public interest, such as regulating in the areas of health and safety and, as I mentioned earlier, labour and the environment. This understanding has been strengthened in CETA by including clarification language regarding the government's right to regulate.

CETA also sets out a mechanism for the resolution of investment disputes among investors and states to provide investors with recourse to compensation for alleged breaches of investment protection obligations, including in cases of discrimination or expropriation.

In CETA, Canada and the EU have made changes to the process governing the functioning of investment tribunals, increasing the level of transparency and impartiality of the mechanism and its tribunal members.

Finally, with respect to the next steps in the process, Canada and the EU are now proceeding with finalizing the legal review of the French text, as well as the texts of the 21 other EU treaty languages. This should be complete in the coming months, which will then allow us to move forward with our respective domestic ratification processes.

Canada and the EU are committed to seeing CETA signed this year, in 2016, and to its entry into force in early 2017.

I would now be happy to take any questions you may have.

Mr. Chairman, thank you.

• (0900)

**The Chair:** Thank you very much, Mr. Verheul. You've been on the trade file for a long time, and you've been in Europe many times dealing with this.

I've got a quick question for you before we go another round. Does the United States have agreements with Europe?

**Mr. Steve Verheul:** They do not. They're negotiating an agreement with Europe, the Transatlantic Trade and Investment Partnership, but they're not all that advanced. They're still in active negotiations.

**The Chair:** Thank you.

We're going to start with the questioning and we're going to go to the Conservatives first. Mr. Hoback, you have six minutes.

**Mr. Randy Hoback (Prince Albert, CPC):** Thank you, Mr. Verheul and your team. It's great to see you guys back here again in committee.

Mr. Verheul, in the coming weeks we have a group of European parliamentarians coming. I'm curious. Part of this briefing is to prepare us for that meeting and to make sure that nothing has changed on the ground since we last talked to you last fall.

With regard to the legal scrubbing, I understand that there were some changes in the mechanism on ISDS, investor state dispute settlement, and how it functions, but is protection still there for Canadian investors?

**Mr. Steve Verheul:** Yes.

Over the past month or month and a half, we've negotiated some precision in the investment provisions, particularly with respect to some of the actual substantive protections. The right to regulate has been reinforced, and that type of thing.

We've also modified the dispute resolution process to introduce some further elements to make the process more independent and transparent. With those changes, I think the EU is now satisfied with the outcome, as are we. Those are the only changes that have been made. The rest of the text is now finally agreed upon.

**Mr. Randy Hoback:** Did we have to give up anything for that?

**Mr. Steve Verheul:** No. When we started discussing the changes to the investment chapter, we found that we were pursuing similar goals. Some of the provisions that are now included reflect positions that we held earlier in the negotiations.

**Mr. Randy Hoback:** Are they precedent-setting in future agreements? Is this a new model as we go into the future on other agreements?

**Mr. Steve Verheul:** This was something we developed in conjunction with the EU. It certainly represents some new ground that has been broken, particularly with issues such as an appellate mechanism. There's never been an appellate mechanism in an investment dispute resolution process. This is the first time we've tried it.

Going forward, it will depend on our negotiating partners and whether there's a willingness to pursue similar paths or not. We'll have to determine that as we go forward.

**Mr. Randy Hoback:** As you drive down into a little more detail, you talked about regulatory co-operation, which I find really interesting. One of the big frustrations I had when dealing with Europe was that they had all sorts of non-tariff trade barriers. I always find it amazing that when you have the same product being built in Canada and in Europe, the Canadian product was scrutinized whereas the European-built product wasn't. This would have been in the late 1980s to early 1990s. It was a combination of non-tariff trade barriers and homologation.

What are we going to use as a basis in this regulatory co-operation? I assume science is still going to be the basis for the creation of these regulations, rather than politics. Is that fair to say?

**Mr. Steve Verheul:** That was our main thrust in those discussions, to ensure that science-based decisions will be made when it comes to regulatory standards. The EU has agreed to that.

With respect to regulatory co-operation, what we've really been focusing on is trying to make sure there's a lot of dialogue happening between Canadian regulators and EU regulators as new regulations are developed. It's very difficult to harmonize existing regulations. We'll try to make sure that those barriers are minimized, but we're more oriented towards trying to ensure that future regulations will be worked out together as much as possible so that they never become a barrier.

• (0905)

**Mr. Randy Hoback:** So it's the new technologies—a smart house, or gadgets for a smart house, or new electronic gadgets and stuff like that.

**Mr. Steve Verheul:** That's exactly the kind of thing we're aiming at, yes.

**Mr. Randy Hoback:** Okay.

In the recognition of the science-based aspect, then, do you mean we'll be recognizing their science as acceptable and they'll be recognizing our science as acceptable?

**Mr. Steve Verheul:** That really depends on the sector. Those will be more or less sector-based discussions in many cases. When it comes to something like agriculture, we're moving towards equivalence in treatment on beef and pork and other products. We've recently reached agreement on organic standards as well. We will continue to do that, but much of that, because of the details and the specifics, will have to be done on a case-by-case basis.

**Mr. Randy Hoback:** It will happen as you move forward in putting the deal into play.

**Mr. Steve Verheul:** Yes.

**Mr. Randy Hoback:** With regard to geographic indicators, I noticed the Europeans gained a lot on the geographic indicators. I won't say "gained" is the right word; I notice they've identified a lot. Have we similarly done a proper process to make sure we've protected our Canadian maple syrup, for example, or our siwashas and things like that?

**Mr. Steve Verheul:** Right.

We have done some of that. Even prior to CETA, we had some protections for certain Canadian spirits and other similar products. When we went through the negotiations, we found there wasn't a lot of strong interest on the part of Canadian producers to get this kind of protection. Many of the Canadian producers of these products rely on trademark protection rather than geographical indications, which is more of a European type of concept.

We do have some protections. Going forward, we can add further protections if we need to. We were really focused on that negotiation and making sure the protection provided to EU geographical indications would not undermine our own production processes, or

our relationships with other trading partners such as the U.S., which exports some of these products into Canada.

**Mr. Randy Hoback:** Existing products would be so-called grandfathered, is that right?

**Mr. Steve Verheul:** In terms of existing products, that was kind of a negotiation that depended on the specific product. We grandfathered a number of products that are produced in Canada and are also imported widely. We wanted to make sure those were either excluded or grandfathered in order to avoid disrupting current trade. That's the approach we took.

**Mr. Randy Hoback:** Do you see any hurdles that we should be aware of going forward with this group, coming up in the next two weeks, that would have been different from perhaps this time last year?

**Mr. Steve Verheul:** I think the atmosphere has shifted quite a bit since we completed the legal review and we agreed on the investment provisions as well. That was really where the EU concerns were focused. I think if you talk to most Europeans, you will find there's a lot of strong support for CETA as an ambitious agreement that meets a lot of objectives on both sides. The negative attention, to the extent that there was any, was almost exclusively focused on the investment issues.

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

We'll move over to the Liberals for six minutes.

Go ahead, Mr. Dhaliwal.

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

Thank you to the panel members.

Mr. Verheul, you briefly mentioned the services sector. When we look at British Columbia's economy, 76% of B.C.'s GDP is as a result of the services sector. Two million are employed in that sector there.

What are the sectors that will impact positively and negatively when it comes to CETA?

**Mr. Steve Verheul:** As you say, services are taking up an increasingly large portion of economies in most developed countries. Your number of I think 75% is about where the EU is at overall, and Canada is not far behind in terms of the proportion that services take up of the current economy.

Now, in terms of our interest in the EU, the EU has a services market of some \$12 trillion. It's a huge market compared with ours. We have a lot of opportunities to enhance our services exports into that market. That has been a big part of our focus. We've included provisions that allow more open access to the EU market in services than they've ever provided to any other country.

•(0910)

**Mr. Sukh Dhaliwal:** If you take environmental services, professional services, and then clean energy, B.C. is a leader. Among mining, oil, gas, and transportation, which are the ones that will benefit more?

**Mr. Steve Verheul:** That short list you provided represented some of our primary objectives in the negotiations. When it came to environmental services, engineering services, mining services, and construction services, Canadian service providers have an advantage in many of those areas. Those are areas we highlighted as priorities.

Now, part of our other concern with respect to services was that we didn't want other countries to gain advantage over us in the future. We negotiated what's called a "most favoured nation" obligation, which means that if another country in the future—including the U.S., for example—negotiates better access than we have, we will automatically get that access as well.

You also asked about the potential negative impact on imports of services. In this case I don't see there will be a lot of negative impact. Many of the services that EU companies would be providing are services that we actually have an interest in. We have an interest in drawing on some of the expertise developed in the EU, on some of the advantages they have that they could bring to Canada and that could also benefit our economy at the same time.

**Mr. Sukh Dhaliwal:** On the other hand, when it comes to British Columbia, fisheries and aquaculture is a key industry. How would it affect that, again positively and negatively?

**Mr. Steve Verheul:** Fisheries was something we spent a lot of time on because it was a key objective both in the eastern part of our country and in the western part, and particularly in B.C. As it stands now, the EU has tariffs on about 95% of that—sorry, it's not quite that high, but we're going to have elimination immediately on 95% of their tariffs, and 100% after the phase-in period.

They do have significant tariffs. Currently only about 13% of their fish tariffs are duty free. Therefore, that access will be important, and not only with respect to the products that we would ship; the EU also has additional restrictions on processed fish and seafood products. Those will be removed under CETA immediately. That's another advantage.

Then, on agriculture, similarly the EU has provided us with greater access for agricultural products than they have ever provided to anyone. That means we will have open access on over 95% of the tariffs. We will have tariff quota access on a relatively small proportion of products, including beef and pork, but even at that access level, there are substantial gains to be made.

In the case of B.C., both on the fish and seafood side and on the agricultural side, we met all of the objectives that B.C. provided us with in terms of their priorities.

**Mr. Sukh Dhaliwal:** Thank you.

On the investment side, the EU is the second-largest investor in Canada. When it comes to the EU investing in B.C., how would it help growth and job opportunities?

**Mr. Steve Verheul:** We see huge opportunities in that regard. Actually, I think the Netherlands is the second-largest investor in

Canada after the United States, and that's only one EU member state, so there's a lot of potential for further growth in investment.

Also, we've already been hearing anecdotally that EU investors from different member states are starting to look a lot more closely at the Canadian market, and that includes British Columbia because of a variety of benefits that are offered there.

I think that kind of investment coming into our markets will lead to further jobs and further opportunities for Canadian businesses, and I think we can see that as a very promising outcome of this agreement.

**Mr. Sukh Dhaliwal:** Touch on forestry, please, because forestry is also key.

**The Chair:** Sorry, unless it's a short answer...

Go ahead.

**Mr. Steve Verheul:** On forestry, we've done a number of things. We've established a committee with the EU to address some of the technical barriers that still exist between us. We have protected our regime with respect to log exports, although we have undertaken to provide the EU with the same access that anyone else might get in terms of our log exports. Generally we're very satisfied with the outcome on the logs and forestry side as well.

•(0915)

**The Chair:** Thank you very much, Mr. Dhaliwal.

We're going to go to the NDP for six minutes. Go ahead, Ms. Ramsey.

**Ms. Tracey Ramsey (Essex, NDP):** Thank you so much for your presentation today. I think we've all been watching what's happening with CETA, so it's great to have you here. I think it's very timely after what has just happened.

According to a January 2016 document prepared by the European Parliament, it has not yet been decided whether the Canada-EU CETA in its entirety would fall under the exclusive competence of the European Union or would also touch upon member states' competences. Is it expected that the Canada-EU CETA will have to be ratified by each EU member state?

**Mr. Steve Verheul:** That remains to be determined by the EU. At the moment, we certainly would anticipate that it has to go through the steps at the EU level, including approval by the Council of the EU and the European Parliament. It may then possibly have to go to member states as well.

After the agreement is approved by the European Parliament, the EU will pursue something called "provisional application", which would allow them to put in place probably 95% of the agreement. Then member states could subsequently ratify, if that's required, over a period of time that would be of less concern to us.

**Ms. Tracey Ramsey:** Do you think there's a risk that some of the EU member states would decide not to ratify CETA?

**Mr. Steve Verheul:** No, I don't think there is much of a risk. We have had some concerns expressed about CETA, largely because of the U.S. negotiations. Those were largely coming from Germany and France. Germany and France have since said they're fully on board.

I've visited the majority of the EU member states over the past couple of years, and there's strong support in all of the member states. Even the smaller ones see significant new opportunities that could arise.

**Ms. Tracey Ramsey:** Going back to the changes that have been made, then, from the ISDS to the ICS, is it a common practice to make these types of modifications to the text of an agreement during the legal scrub process?

**Mr. Steve Verheul:** I wouldn't characterize it as a common practice, but it's certainly not unprecedented, particularly in the EU, because of the various challenges they have in making sure that 28 member states are staying on board. They have tended to negotiate issues even after negotiations have been finalized. They certainly did that in the case of their agreement with Korea, for example, as well as some others.

**Ms. Tracey Ramsey:** In your opening remarks to us, you mentioned some of the revisions that were made. One of them was "strengthened provisions on the right to regulate for all levels of government". Can you expand on that for us, please?

**Mr. Steve Verheul:** This is something that has been a long-standing part of the Canadian position. We have it in our agreements that we should protect governments' right to regulate.

In our discussions with the EU, we strengthened that further by putting it in the preamble to the agreement, which already asserted the right to regulate, and also putting it into the investment chapter itself. We also have protections for the right to regulate in the individual reservations that we've taken in particular sectors. We have additional protections for areas like environment and labour and that type of thing. We wanted to make sure that there's a very clean line between a government's right to regulate and the rights of investors to be able to challenge any impact of those regulations.

**Ms. Tracey Ramsey:** There's also some timing that you mentioned around the appellate mechanism, which will become operational after Canada and the EU agree to the administrative and operational aspects of its functioning. When do you envision that happening? What is the timeline on that appellate court process being agreed upon and then having something operational?

**Mr. Steve Verheul:** We haven't established a set date, but we have indicated that we would do that as quickly as possible, particularly once the agreement comes into force.

As I mentioned earlier, this is the first time that there's ever been an appellate body in investor state dispute resolution processes, so we want to make sure that we design it in a way that's going to function well and make sure that it does what it's intended to do. We have to look at certain practical details, such as the remuneration of appellate body members. We just wanted to make sure that we took the time to be able to get that right. We can work on that—

**Ms. Tracey Ramsey:** Do you anticipate that by the time of the 2017 signing, by the time it comes into force, it will be in place?

● (0920)

**Mr. Steve Verheul:** It may not be in place that quickly. We will be working on it in the interim and certainly will be considering it, but I think it will probably take a bit of time after the agreement is in place before we actually have the appellate body functioning and in place.

**Ms. Tracey Ramsey:** For the court system itself, would that be in place in 2017?

**Mr. Steve Verheul:** That will be in place on day one that the agreement comes into place.

**The Chair:** You have over a minute left, Ms. Ramsey.

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

You talked a bit about the harmonization and some of the industries that don't line up with the European regulations. Yesterday lot of us met with the National Cattle Feeders' Association. They expressed concerns to me about the differences between what's acceptable in EU and what they have here. They see that as a barrier to them and say that they won't be able to access that market because of the differences that exist.

Can you please let us know what other markets would potentially be affected by this lack of harmonization with Europe?

**Mr. Steve Verheul:** I'm not sure that any other markets would be affected. The EU has its own distinctive requirements for entry into the EU of these products. That doesn't have any bearing on what other countries might decide to impose in terms of requirements.

With the EU, during the negotiations we made a significant amount of progress in reducing those barriers. We agreed to various carcass wash treatments, including recycled hot water and lactic acid. Both of these were agreed to during the negotiations. Those were the top two priorities of the cattle and pork sector.

**Ms. Tracey Ramsey:** Yesterday when I met with them, they told me that Europe wasn't going to accept that.

**Mr. Steve Verheul:** Those have already been formally accepted and are in place.

**Ms. Tracey Ramsey:** All right.

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

We're going to move over to the Liberals. Go ahead, Mr. Peterson.

**Mr. Kyle Peterson (Newmarket—Aurora, Lib.):** Thank you, Mr. Chair.

Thank you for being here today and for the informative presentation. This is new for us, as we are new members of this committee. We appreciate your taking the time to brief us, in part in anticipation of the European delegation coming in 12 days.

I have a couple of questions.



I know the financial analysis that was done—I think it's about seven or eight years old now—predicted benefits of up to 23% in GDP growth. Has there been any update to those projections from seven or eight years ago?

**Mr. Steve Verheul:** No, there hasn't been that kind of extensive analysis conducted since then.

I'll just mention, though, since you mentioned that analysis, that the analysis assumed a number of factors that could mean we would see even greater benefits.

For example, they assumed that the Doha negotiations under the World Trade Organization had been completed. That, of course, hasn't happened, so we would have that much of a greater margin of preferential access in comparison. They were also unable to analyze certain areas, such as services and government procurement, which would add further benefits to that picture.

The Europeans are working on an update of that analysis, and we will see it at some point.

**Mr. Kyle Peterson:** Further to that, I think that earlier analysis also indicated that Canadians would see an increase in goods exported and that Europeans would likely see an increase in services exported under this agreement. Does that analysis still remain current today?

**Mr. Steve Verheul:** That analysis still remains current. We would both see increases in exports of goods, both from the EU side and from the Canadian side, and services as well.

On the services side, the market is quite a bit more under-performing than it is on the goods side, so there's more scope for growth on that side. However, I think that we could see some significant impacts on both goods and services.

**Mr. Kyle Peterson:** What sorts of services do you see Canada importing under this agreement?

**Mr. Steve Verheul:** We'll be importing a broad range of services in which the EU has particular expertise. We have looked at everything from certain dredging services.... They have the capacity to have much larger types of equipment that they can provide and use in the Canadian market. There are water treatment processes, in some cases. Certainly they have some advantages on the engineering side as well. There are quite a few in which they would expect to gain increased access into Canada. That would apply to transportation as well.

**Mr. Kyle Peterson:** Thank you for that.

I want to touch on the auto sector a little bit, because it's important in my riding. Do you see this agreement as being beneficial to the auto sector?

**Mr. Steve Verheul:** I do. I think we've received quite a bit of support from the auto sector itself.

One part of the elements in the negotiations that was particularly important to the auto sector was that we negotiated this tariff quota of 100,000 cars, which is about what the EU exports to us now. A number of manufacturers have been looking at the European market in a much different way, thinking that we could actually expand our exports significantly into the EU, particularly when some of our

manufacturers are starting to develop global platforms rather than just plants dedicated to specific North American markets.

That will allow us to attract greater investment into the auto sector in Canada and make greater exports to the EU. Having that open access to the EU for those 100,000 cars as well as still having access to the U.S. puts us in a very valuable position. It makes us a very attractive investment location.

● (0925)

**Mr. Kyle Peterson:** On that note, we've also been reviewing the TPP, as you know. You've been before us on that. There's been some concern within the auto sector about the consequences of TPP and some detriments that might flow from that. Do you see this agreement as mitigating some of those detriments?

**Mr. Steve Verheul:** With respect to the auto sector, we could see some significant potential benefits. It will certainly offset any potential negative impacts that may come from other areas. We'll really see an increased emphasis in the investment and attraction to the auto sector, and the auto parts sector as well, given the access to the EU market.

**Mr. Kyle Peterson:** I would like to touch a little bit on the dispute resolution mechanism. What sort of appeal process is being contemplated right now?

**Mr. Steve Verheul:** The appeal process, as I mentioned a couple of times now, is something that's brand new.

What we've agreed is that there is a need or a desire to have an appellate mechanism after the initial decision is made. In the current system, with the current approach around the world, once that decision is made, there's very little recourse. There is some recourse, but there are very few options to try to overturn a decision that may not be in accordance with what you might have expected.

The appellate body will look at not only questions of law but also questions of fact, and will be able to review what the original tribunal has decided in those cases. I think it will provide the opportunity to correct any difficulties that may arise, and also provide us with a more consistent approach over time in terms of the rulings we get.

**The Chair:** Your time is almost up. You have one minute.

**Mr. Kyle Peterson:** On that, do you see this new process as a new precedent that's going to be prevalent in further trade agreements as we move forward?

**Mr. Steve Verheul:** We'll have to see.

It's certainly the EU's intention to try to pursue this type of approach in all of the agreements it currently has, including with its member states. The EU accounts for more than 1,400 bilateral investment treaties around the world. If it really does change all of those, then I think that starts to change the entire approach to investment around the world. It gets people thinking about what else can come forward, which is part of the reason we've agreed with the EU to work towards a multilateral approach on these investment disputes.

**The Chair:** That ends our first round.

We're now going to go into our second round of questioning. We'll start off with the Liberal party.

Madame Lapointe, you have six minutes.

[*Translation*]

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

Thank you to the witnesses for joining us today. Their time is appreciated.

My colleague talked about British Columbia, but I'm going to focus on Quebec.

According to an article, the Government of Quebec will be able to create 16,000 jobs in the province, thanks to the agreement with the EU. Which sectors will experience that job growth?

[*English*]

**Mr. Steve Verheul:** I think it will happen across various sectors.

When it comes to Quebec, in the discussions we've had, agriculture certainly would be one component, but we would also expect to see significant gains in areas like transportation and manufacturing. Certainly Quebec has an interest in clean technology as well. In both goods and services, many of those areas would derive benefits. Quebec, as the province that was most interested in getting this negotiation going and was instrumental in making it happen, sees a real avenue into markets in Europe. Certainly France is a close partner, but there are others as well.

• (0930)

[*Translation*]

**Ms. Linda Lapointe:** Thank you.

You just mentioned agriculture. I'd like to talk about cheese makers, specifically.

Quebec is home to 60% of Canada's cheese makers. I'd like to hear your thoughts on that particular sector.

[*English*]

**Mr. Steve Verheul:** With respect to dairy and to cheese in particular, there are really two aspects to it. We did provide access for only one dairy product, and that is cheese, although we also opened up milk protein concentrates, which is something the U.S. and others already have.

When we looked at the cheese access, while I'm not going to suggest it's not a significant number, we found it is a smaller number than the proportion by which the cheese sector in Quebec and in Canada has been growing over the years. We anticipate that the new access could be fairly easily absorbed into the Canadian market as time goes on.

The other element is that for the first time ever, we negotiated complete and open access to the EU dairy market. The EU has never provided that to any other country in the world. If we are able to export product to the EU, this is a market that other exporting countries—New Zealand, Australia, and the U.S.—would love to have access to. The EU market for dairy is the largest in the world. That gives us an opportunity that I don't foresee anyone else having for the foreseeable future.

[*Translation*]

**Ms. Linda Lapointe:** You said that the impact on the cheese sector would dissipate over time.

Do you think cheese sales are on the rise in Canada? Will that balance out the effect of incoming European products?

[*English*]

**Mr. Steve Verheul:** Yes, I would say that I do think that will be the case, and I think we've seen—particularly in Quebec, as I'm sure you're aware—that there are many producers of artisanal cheese. There is a huge variety of cheese being produced in Quebec. We're starting to see some interest in those types of cheeses in Europe. I think that part of the cheese sector in particular has significant potential for growth, both in Canada and in the EU, and I think that certainly the kinds of cheeses being produced in Quebec will be able to compete with cheeses coming from Europe as well.

[*Translation*]

**Ms. Linda Lapointe:** Thank you.

Now I'd like to turn my attention to another sector.

You said earlier that the agreement would benefit the sale of Canadian engineering services. In light of the government's intention to invest heavily in infrastructure, how do you see the agreement with the EU affecting the engineering sector?

[*English*]

**Mr. Steve Verheul:** I think that with the commitment to make significant new investments in infrastructure, the Europeans, particularly once CETA comes into effect, will be very interested in not only providing services but also supplying some of those contracts, and if the Europeans are more advanced than we are in those cases, it can be an advantage to us with respect to both the technology and the cost. I think we need to work with the Europeans as partners to make sure that those infrastructure projects go ahead as quickly and as inexpensively as possible.

[*Translation*]

**Ms. Linda Lapointe:** What are your thoughts on the transfer of labour between Europe and Canada?

[*English*]

**Mr. Steve Verheul:** I think that the economic relationship between Canada and Europe, at least up until now, has been more oriented towards investing in each other's economy than in trading with each other. I think that while we do have a significant level of trade, we will see an enhancement of that. The European market is some 15 times larger than the Canadian market, and the tradition is that the smaller country will benefit more than the larger country, because we will have so many more opportunities. I think that will create jobs in Canada and create new opportunities that didn't exist before for us to expand our economy in relation to the agreement.

[*Translation*]

**Ms. Linda Lapointe:** Do I have any time left, Mr. Chair?

[*English*]

**The Chair:** Your time is up.

[*Translation*]

**Ms. Linda Lapointe:** Thank you very much.

[English]

**The Chair:** That's okay. They were good questions and good answers.

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

• (0935)

**Hon. Gerry Ritz (Battlefords—Lloydminster, CPC):** Thank you, Mr. Chairman.

Thank you, ladies and gentlemen, for being here today. It's always good to have your presentation, and the very positive attitude you bring to this certainly makes us feel much better about what's been done.

I just have a couple of points for clarification. Mr. Hoback alluded to this aspect. In the eighties and nineties, a lot of small manufacturers were trying to get into the European market. They would get access to Germany and then they would have to go through a whole new regulatory thing with France or with Spain or whatever, and it was just a hodgepodge, a real quilt. That is eliminated now that we have one set of regulations with the European Union, and that's fantastic.

My first question is this. The Doha round failed to actually move forward, and as I see it, there is no way for that to happen, because it's now out of date. I remember Steve spending two weeks in Geneva watching the paint dry. This is all about rules-based trade, and now we have agreements like CETA and TPP that go way beyond what Doha was even projected to do.

Until we see the WTO actually catch up, how important is it that we continue to do these multilateral and bilateral agreements?

**Mr. Steve Verheul:** I'd have to say that it's very important, because I think that when we have an effort at the World Trade Organization that is not moving ahead, then it really does become a bit of a competition between countries to see who can get the greatest access to other markets and who can benefit the most from increases in access.

Now, clearly we've always had the position that a multilateral WTO approach was our primary objective, because that does benefit all countries, even the smaller developing countries, but given the situation we're in, when we have preferred access to these markets, it gives us a benefit and an advantage to compete that others simply don't have.

When we talk about CETA, for example, we will have better access than any other country to the largest market in the world. That gives us a huge advantage.

**Hon. Gerry Ritz:** One role that I've seen that the WTO still fulfills is referee, but it's a very cumbersome process. We saw that with the country of origin labelling. It took years to work through the whole process.

With some of the ISDS rules and different things that we're starting to apply in these trade agreements, do you see that at some point in the future, all that refereeing will be done within the trade agreement, as opposed to relying upon the WTO?

**Mr. Steve Verheul:** I think that will really depend on the issue. I think that if it's strictly a bilateral issue, certainly countries will use

the kinds of mechanisms we're developing now with CETA, because they tend to be more efficient and more timely and you can get through the process more quickly. There are a lot more modifications that have been included.

However, if a country feels that a number of partners or other countries may join them, then they may want to go to the WTO in order to get that additional support from other countries.

**Hon. Gerry Ritz:** That's truly third party.

**Mr. Steve Verheul:** Yes.

**Hon. Gerry Ritz:** On the regulatory co-operation aspect, I know there's a tremendous amount of discussion and work around that. My concern is that unless we have timelines attached to those negotiations and agreements as we move forward, they end up being a non-tariff trade barrier. I'm thinking of the low-level presence in GMOs. We saw what happened with trifid flax. I'm also thinking about maximum residue limits, MRLs. You're well versed in those.

Do you feel comfortable with what's being attached to the agreement? Do you believe we'll see a timely resolution, almost a proactive resolution, on some of those issues?

**Mr. Steve Verheul:** Yes, we do expect that. I think that in areas such as those that you've mentioned, we do have a specific working group on biotechnology that is targeted entirely in that direction of science-based decisions, timely processes, and getting through the process very quickly.

I think we'll see improvements in that area. Some of this has been done on a sector-by-sector basis, but when it comes to agriculture specifically, we've put a lot of attention into how we can address those barriers.

They're not all going to be gone by the time CETA goes into effect because, as you can imagine, barriers come up all the time. We've tried to set in place a process that will allow those problems to be dealt with much more quickly than in the past.

**Hon. Gerry Ritz:** Thank you.

**The Chair:** Mr. Ritz, you have a minute and a half remaining. Did you want to give it to Mr. Van Kesteren?

**Hon. Gerry Ritz:** Thank you, Mr. Chair.

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

Thank you for coming. It's fascinating.

I want to talk about some of the benefits. My riding is close to where you come from, Steve, so you know that we're at the funnel of all this trade to the United States. I'm thinking about the opportunities for Canadians and I specifically want to target diaspora. This is a point that was raised somewhere else.

Within my riding, where we've contacted a number of people, we're going to start to re-teach the Dutch diaspora how to speak Dutch. You know what happened when we were kids? Our parents would say, "*We wonen nu in Canada*", and we were never taught any Dutch, so now we have to re-teach that.

Tell us about that, and the opportunities that the different ethnic groups right across this country will have once this agreement takes place. What are some of the opportunities for them?

● (0940)

**Mr. Steve Verheul:** It is interesting that you mention that, because one piece of analysis that we did was to look at the percentage of citizens of Canada that have come from EU member states or have a heritage from EU member states. I think we came up with a final number that was over 80%.

Those linkages, as you well know, are still very strong. When I've travelled to various member states, I've used that in many of my presentations. I've said how many hundreds of thousands of Slovaks or whoever else might be in Canada now. Those kinds of linkages are the way that a lot of business gets built, as you can imagine. It's because of those contacts.

I think the diaspora that we have from the EU gives us a head start on developing those relationships. A big part of this, particularly in the early going of CETA, is going to be developing those business relationships so that we can start to get more products and services moving, get more investment, and try to get in well in advance of other countries that may have agreements in the future, particularly the U.S. I see that as a significant factor.

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

Thank you very much for that question, Mr. Van Kesteren.

We're going to move over to the Liberals. Ms. Ludwig, you have six minutes.

**Ms. Karen Ludwig (New Brunswick Southwest, Lib.):** Thank you, Mr. Chair.

Thank you again for your excellent responses.

In 2015, I was very pleased to be living in a community in my riding of New Brunswick Southwest where we welcomed the ambassadors of the CETA member countries, and we welcomed them as well to my home town of St. Andrews. Many people and many businesses across the Atlantic region are very, very much in support of the CETA deal, so I wanted to put that out there.

I also represent a riding with five international border crossings and one deep-sea port, and we also border on the port of Saint John, which is the third-largest port in Canada.

I have a number of questions, so I'll probably get cut off.

In terms of the United States, if the United States is not a member of CETA, Canada should have a significant advantage to be the springboard between goods from the U.S. to Europe, and from Europe back to the U.S. How prepared logistically are our rail services, our port infrastructure, our trucking, and our shipping to accept the goods from the U.S. to export to the EU and vice versa? That's my first question.

**Mr. Steve Verheul:** It's not really an area of my expertise, but we are expecting increases in traffic under CETA, and the ports in the east will see the greatest increase in this traffic. We do have to make sure that we're prepared to accommodate it and we would very much want that to not become a bottleneck and inhibit the trade in any way.

It's not our department and not our area of responsibility, but it's something that we clearly have to make sure is addressed in order to take full advantage of the agreement.

**Ms. Karen Ludwig:** Okay. Thank you.

I represent a riding that is a high producer of seafood products. In terms of Health Canada, CFIA, and the Canada Border Services Agency, have food inspection standards been negotiated between Canada and the EU? Let's say a herring that's been imported from the EU to Canada will pass inspection because there are agreed-upon inspection standards in the EU between Canada and the member country.

**Mr. Steve Verheul:** That's certainly well advanced. I'm not going to say that there will never be any problems, because these are always ongoing issues. Particularly when you have a new species of concern or a new disease, new measures often have to be taken, but the sanitary and phytosanitary measures chapter of CETA is more advanced than any other chapter of that type that we've negotiated. It has specific provisions to make progress both on the meat side as well as on the fruit and vegetable side, and we also have measures with respect to fish and seafood.

There will be an ongoing process to some extent to make sure that we're dealing with issues as they arise, but as we start out, we certainly don't anticipate any problems, and all of the exports that we are currently making to the EU are certainly not an issue at this point in time.

● (0945)

**Ms. Karen Ludwig:** On that same thought of dealing with issues as they arise, do you forecast that we may need additional staff in some of those departments to accommodate the increased flow of imports and exports?

**Mr. Steve Verheul:** Well, I wouldn't really want to speculate on that. We'll certainly need to keep on top of it. I think we'll probably have to do a bit of an internal review to ensure that everything is going to be on track, because we're anticipating a significant increase in movement and traffic back and forth. However, until we see what the actual size of that is, we'll have to see whether our existing resources are able to accommodate the increase.

**Ms. Karen Ludwig:** Okay. Thank you.

How does CETA change Canadian municipalities' existing selection criteria in competitive bids, if at all?

**Mr. Steve Verheul:** The fact that we've included municipalities in the government procurement obligations for the first time has meant that some changes have been made. We had extensive discussions through the negotiations with the Federation of Canadian Municipalities. I spoke to them on almost a monthly basis, and one of the interests that they expressed was in making sure that they would still have the flexibility to favour local companies in certain circumstances.

Now the municipalities will have the availability to do their procurement however they see fit when they are under the thresholds that have been established under the agreement, and those go as high as close to \$8 million. When it comes to construction services, they're allowed to establish environmental and social criteria that can limit it, and they can also include requirements with respect to quality, with respect to price, and with respect to local knowledge, to some extent. We've incorporated in discussion with the Federation of Canadian Municipalities a number of flexibilities that will allow municipalities to pursue their objectives with a considerable margin to manoeuvre.

**Ms. Karen Ludwig:** Do I have time for one more question?

**The Chair:** You have time for a quick question and a quick answer.

**Ms. Karen Ludwig:** How has CETA clarified the treatment of investors holding public debt that has been restructured? Can certain investors be treated differently on the basis of legitimate policy objectives?

**Mr. Steve Verheul:** Yes. In fact, I think that question is close, word for word, to what we have negotiated. This is an example of one of those cases in which Canada came into the negotiations with a desire to protect those types of actions from dispute settlement by investors. The EU came to this rather late, but I think it is evident that the experience the EU went through with Greece in particular reinforced the need to have protections when it comes to public debt.

The key will be that whatever actions are taken will not be discriminatory against EU investors. If we treat all investors the same, then we should be on pretty safe ground.

**The Chair:** Thanks for those questions.

We're moving over to the Conservatives.

Mr. Van Kesteren, you have five minutes.

**Mr. Dave Van Kesteren:** This is exciting stuff. I really get cranked when we start talking about all the opportunities.

To get back to southwestern Ontario, you're familiar with that and you know the agricultural.... We have a large collection of greenhouses, but it pales in comparison with the Netherlands. I think we have one-seventh the number.

I want you to talk a little about the opportunities, the technology that we will be able to export to get up to.... I think we're at a critical mass in Leamington at this point to be able to start developing new technologies ourselves. Going back to my riding, however, how is moving into the States and being able to trade with the Europeans going to put us at an advantage, let's say with the Americans, who are starting to dabble in greenhouses, starting to build them in Ohio and places such as that? Maybe you could talk about that for a second.

**Mr. Steve Verheul:** I think that's another area where there is significant potential for growth in both directions in many ways. As you mentioned, we are certainly far behind the EU in scale, in terms of greenhouses and the extent to which they utilize them in Europe, in particular in the Netherlands, among other places. We can benefit from that technology in many ways, and we can also benefit in terms of the kinds of markets we have.

At the core of your question, I think, is the real issue: that we will have open access to the EU market and we will have open access to the U.S. market. That puts us in a more advantageous position. To have open access to the two largest markets in the world is going to be a very privileged position, not only broadly but even in terms of production in greenhouses and the kinds of investment we could attract, because we could also see Europeans wanting to invest in further greenhouses in Canada because they have access to the U.S. market.

● (0950)

**Mr. Dave Van Kesteren:** Of course, Europe is faced with many challenges, such as how to get rid of their animal waste. We of course have larger.... We are starting to see some really talented people move into the territory.

One of the charges that have been laid is that there hasn't been enough consultation. I wonder whether you could tell us how many debriefings you've been involved in with all these groups that we're concerned about, such as dairy, for instance.

**Mr. Steve Verheul:** I would say that consultations constituted probably the largest part of my job during the negotiations. I spent far more time consulting than I did negotiating.

We had a structure for the first time in CETA, given the scale of it, that was even larger than we had for NAFTA 20 years ago. I had a core steering group I consulted with that represented national organizations. I had a group of about 50 to 75 businesses, selected for different reasons, that I informed regularly about the negotiations. We also had sector-specific groups, whether for autos, agriculture, or fish and seafood, to go into more detail on specific requirements. Even textiles and apparel and others had specific groups to consult with. Then we had consultation at the provincial and territorial level as well, and they did their own consultations in turn.

I would say without hesitation that in this negotiation, we consulted more broadly and more intensively than in any other negotiation we've ever done.

**Mr. Dave Van Kesteren:** Thank you for doing a terrific job.

Mr. Ritz has a question.

**Hon. Gerry Ritz:** I have just a couple of points for clarification.

The British are going through a process whereby they might remove themselves from the EU. What kind of a hand grenade is that going to throw into the agreement?

On the ISDS, there's a discussion that I see popping up in the media all the time that somehow this final agreement we have agreed to on the appellate body supplants domestic courts, and so on. I would like your view on that, because I know Investment Canada is alive and well, and continues to be.

Those are the two final points.

Thank you.

**Mr. Steve Verheul:** First of all, on the issue of whether the British might leave the European Union, I think we are all watching that date of June 23 and what might happen then very closely, because it will have a significant impact on the EU.

If the scenario that we wouldn't like to see occurs, then our agreement with the EU would remain. We have already had some discussions with the U.K. about the implications. If that comes to pass, then I think the U.K. will first of all be looking to negotiate some kind of arrangement with the EU, and then they will want to be replicating some of the agreements that the EU has as well, so that they don't lose access. We very much hope that we will be able to negotiate in the EU as it is now, or conclude and implement an agreement with the EU as it stands now.

On your second question, there has frequently been this discussion about whether investment dispute resolution in trade agreements displaces or supplants domestic courts. The fact is that domestic courts don't have the jurisdiction or authority to adjudicate international treaties. When we have protections in international treaties, we have to have a means to enforce those when it comes to investment or any other area.

**Hon. Gerry Ritz:** Parallel?

**Mr. Steve Verheul:** It has to be a parallel approach because you simply can't pursue the obligations in the agreement in a domestic court.

• (0955)

**The Chair:** Thank you very much. That's it for questions and answers.

Now we're going to the NDP. Go ahead, Ms. Ramsey.

**Ms. Tracey Ramsey:** I thank Karen for raising the issue around procurement, I think it's important that we have that conversation. Thank you for sharing with us what your negotiations were like with the FCM. It's an issue that concerns many Canadians, specifically in my riding. I live in southwestern Ontario, right on the border. After NAFTA, many municipalities in my region felt their hands were tied and were in fear of chapter 11 repercussions, so they made decisions based on the potential financial penalties they would face under that.

I know that FCM was pushing for more of a progressive enforcement that would start with a verbal engagement, then go to a public forum, then seek that financial financial penalty at the end.

We just lost a contract in Windsor. We have one of the highest unemployment rates in Canada, and we lost a contract that went to a non-local company, so this issue is very important to my region.

Can you tell me whether or not you were able to establish that progressive enforcement?

**Mr. Steve Verheul:** Yes, and that's another issue that we discussed at length with the FCM as the process went along. There are a number of provisions within government procurement to deal with that.

First of all there would be a discussion or a consultation to see if there was some way to deal with the issue before it reaches a higher level. There is also a bid review mechanism that will be established, so that if one company feels they weren't treated fairly, they could have the process reviewed. That's strictly within the context of that particular contract.

When it comes to potential investment claims, we have effectively excluded government procurement from an investor state dispute resolution.

**Ms. Tracey Ramsey:** My second question is about patents for pharmaceutical products.

The technical summary of the final negotiated outcomes 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 provincial and territorial governments.

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

**Mr. Steve Verheul:** The previous government made commitments on this issue. We have had signals from the current government that they also intend to address this issue. We don't know the specifics as of now, but certainly it would involve working very closely with provinces and territories.

Provinces and territories seem to be quite confident they would be able to supply the necessary data to show potential increases in the cost of drugs as a result of the changes made in CETA, but much of this still remains to be worked out, given that this government has not yet engaged provinces and territories in substantive discussions about how protections would be made.

**Ms. Tracey Ramsey:** The other thing I want to ask is this. What do you think the impact of this greater protection of intellectual property for Canadian patents on pharmaceutical products will be on our health care system and the Canadian economy?

**Mr. Steve Verheul:** We don't anticipate the impact will be that significant, because we didn't go nearly as far as the EU wanted us to go. They have additional patent term protection of about five years, whereas we have agreed to an additional two years under very specific circumstances, with a number of exemptions to that as well.

During the negotiations, we consulted closely with the brand-name companies and very closely with the generic companies. They have largely supported the outcome on CETA, because we were able to attain many of the objectives that they had in the negotiations. They wanted an exemption for exports, and we got that. They wanted no retroactivity, and we got that. They wanted it to apply to a single patent, not multiple patents, and we got that. We have exclusions for pediatric extensions; we got that. As a result, I think we've tailored it in a way that we don't anticipate huge impacts.

**Ms. Tracey Ramsey:** Then whether or not that extension was granted, would it be on an individual case basis?

**Mr. Steve Verheul:** Yes, it would.

**The Chair:** Thank you very much, Ms. Ramsey, and thank you very much for the answers.

We only have time for one more question. The Conservatives have given their time over to Mr. Fonseca, which bodes well, because everybody got a chance to ask a question here this morning.

You have the final round.

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

Thank you, Mr. Verheul, and congratulations on all of your hard work and your team's hard work to get us to this point.

Canadians are very proud of our federalist roots, and to know that you consulted so deeply with the provinces, the FCM, the municipalities, as we've just heard, and the different sectoral groups that you met with on a very regular basis, and to hear what you had to say in regard to that, tells us that you spent most of your time on the consultation, compared to the negotiations. I think that was very important in terms of where this agreement is right now, and we're hearing some very good things.

Going forward, I'd like to know how you're going to keep those modes of communication open as pathways with the various groups as well as with the provinces and the municipalities. Do you continue to consult with them and keep them up to speed as to where we are?

• (1000)

**Mr. Steve Verheul:** Yes, and in fact I had discussions with provinces and territories as the latest steps of the legal review were being completed, as well as the investment changes. I consulted closely with them on that, and with industry as well. I kept those discussions going.

I think we now have the challenge—and we've been working on this now over the last while—that we can negotiate the best agreement in the world, but if Canadian companies and exporters aren't taking advantage of it, it's not going to do that much good, so I often make it clear in presentations that negotiators don't trade anything. All we do is negotiate opportunities. It is now at that point in time when we have to ensure that Canadian businesses and exporters are positioned to take advantage of it, and that requires a lot of work between now and when the agreement gets implemented.

**Mr. Peter Fonseca:** It seems that you got it right when it came to this model of consultations and negotiations. Can you compare the process with the TPP to what you've done with CETA and tell us the similarities and differences?

**Mr. Steve Verheul:** I wasn't personally involved in the TPP negotiations. I think the approach that was taken in TPP drew from some of what we had established in CETA, because there had been a gap since NAFTA, which was over 20 years ago. That was our last big agreement, so when it came to CETA, we recognized that we needed a completely different model. The same principle applies to the TPP. A completely different model was needed for consultations to make sure negotiators were informed of objectives, priorities, and what needs to be done. I really can't speak to the TPP since I wasn't directly involved.

**Mr. Peter Fonseca:** My next question, and you mentioned it, is how prepared companies are to take advantage of the CETA agreement. We've known about it for years. How prepared are we?

**Mr. Steve Verheul:** I think we've still got quite a bit of work to do.

The larger companies don't need a lot of help. They either have in-house expertise or they have advisers or brokers who can help them

deal with whatever needs to be dealt with. They have all the resources they need to access the market.

Where we really need to focus is on small and medium-sized enterprises that may have never contemplated exporting to the EU. We need to make sure they're aware that these new opportunities are coming up and that this is an opportunity to expand their business beyond the relative comfort of the U.S. and our domestic market. This is our real chance to achieve significant growth by taking that leap, but it does require a lot more education and a lot more promotion, and that is what we're engaged in right now.

**Mr. Peter Fonseca:** Have you had signals from any European companies or organizations that are looking to set up shop now here in Canada, not just to take advantage of CETA but also with our NAFTA agreement, so that they have access to the North American market?

**Mr. Steve Verheul:** Absolutely. We have had delegations from member states. Belgium brought the largest business delegation they've ever taken anywhere to Canada last fall, primarily to the west. We've had other delegations coming from Italy and various other member states as well, so they're starting to show a lot of interest.

We've also had conversations with specific companies that are looking to set up in Canada because of that exact notion, that they would have access to the EU market and access to the U.S. market from a Canadian base. That really does put us in the ideal position, because in the past we've always been in the situation of the U.S. making an effort to be the hub and to have spokes of agreements with other trading partners. This gives us an opportunity to be in the centre of it, and that can be a tremendous advantage.

**Mr. Peter Fonseca:** That's excellent.

What sectors would some of those companies or organizations that have visited be in? Could you name any of the companies that have travelled here?

• (1005)

**Mr. Steve Verheul:** I'll decline to name companies, but I can tell you that we've received a number of expressions of interest in the auto sector and for various industrial products as well. Certainly there's been a big emphasis on new technologies—information and communications technologies, environmental technologies. There in particular, there's a lot of interest in trying to take advantage of new developments, new technologies, and new opportunities that could exist here.

**Mr. Peter Fonseca:** Are these their own initiatives, or are we courting these companies and organizations to come and look at the opportunities?

**Mr. Steve Verheul:** A lot that we've seen have been their own initiatives. They've heard about CETA and they've heard about the benefits that could accrue. However, we've also been doing some promotion, particularly with our missions in the EU member states. They have been out trying to inform companies of the opportunities in Canada.

What we've also seen in the past, particularly with an agreement of this size, is you get a boost just by creating interest. People hear about the agreements, so they start to think about it, whereas they might not have thought about it earlier. Even the attention on the agreement itself starts to get more people looking at whether it could be an opportunity for their business or their exports, and that can have a snowball effect in moving forward.

**Mr. Peter Fonseca:** Thank you.

**The Chair:** Thank you very much for that question, and thank you very much, folks, for coming. It really gives us a good snapshot

before we meet the delegates coming from Europe. If anything else comes up that we might need to know before we meet with that delegation, get it to us. It would be much appreciated. Thank you very much for coming.

We're going to suspend just for a few minutes now, because we have a big list of things we have to finish.

*[Proceedings continue in camera]*

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