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Chair

The Honourable Mark Eyking

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• (1530)

[English]

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

Good afternoon, everyone. It's good to see everybody again.

As you know, I missed you all last week. I heard the vice-chair, Mr. Allison, did an excellent job. Thank you.

Without further ado, today's meeting is following up on the motion from Ms. Ramsey that we get an update on three trade agreements: the Canada-Pacific Alliance agreement, Mercosur, and the TISA, the trade in services agreement.

We have with us today Ana Renart and Darren Smith. Welcome, folks, and thank you for coming in.

We usually give five minutes or so to present a short submission, and then we'll open up a dialogue with MPs.

Ms. Renart, the floor is yours.

Ms. Ana Renart (Director General, Market Access, Department of Foreign Affairs, Trade and Development): Good afternoon, Mr. Chair. I am pleased to be here today to provide the members of the committee with an update on three trade initiatives: the Pacific Alliance, Mercosur, and the trade in services agreement.

I'm joined by my colleague, Darren Smith, Canada's chief negotiator for the TISA. I'm Ana Renart. I'm the director general for market access at Global Affairs Canada.

Following my remarks, I would be happy to provide further details and answer any questions you may have.

[Translation]

I will start with the Pacific Alliance, a regional initiative created in 2011 by Chile, Colombia, Mexico and Peru that seeks the free movement of goods, services, capital and people. With a combined GDP of \$2.3 billion and a total population of more than 220 million, the Pacific Alliance represents a considerable market for Canada.

Canada welcomed the invitation in June 2017 to become an associated state in the Pacific Alliance, a process that involves the negotiation of a comprehensive free trade agreement with the Pacific Alliance as a bloc. Canada, Australia, New Zealand and Singapore are the first to be invited by the Pacific Alliance to become associated states.

Canada already enjoys the benefits of FTAs with all four Pacific Alliance countries. A free trade agreement with the Pacific Alliance as a bloc offers the prospect for some improved market access, as well as streamlining our existing agreements, improving disciplines in areas such as services and investment, as well as potentially including new progressive trade elements, such as chapters on trade and gender and small and medium-sized enterprises.

This is also a strategic opportunity for Canada to advance our progressive trade agenda with important and like-minded emerging markets in South America. The first round of negotiations took place in Cali, Colombia the week of October 23, 2017, and a second round is planned for the end of January 2018, hosted by Australia.

[English]

Staying in South America, Mercosur is a trading bloc and customs union consisting of Argentina, Brazil, Paraguay, and Uruguay.

Initial exploratory discussions were originally launched with Mercosur in 2011. Several meetings were held, but a decision was ultimately made not to proceed at that time as the climate in some of the Mercosur countries was not conducive to further opening trade. Recent political changes in the region, however, particularly in Brazil and Argentina, have spurred increased interest in trade for Mercosur with Canada.

Since early 2017, Canadian officials and their counterparts from the various Mercosur countries have sought to reassess the potential for an FTA. On October 9, 2017, international trade minister François-Philippe Champagne and Mercosur's *pro tempore* president, Brazil's foreign affairs minister Aloysio Nunes, issued a joint statement on the margins of the WTO mini-ministerial conference in Marrakesh in which they committed to advancing the exploratory discussions.

If launched, FTA negotiations could enhance market access for Canadian exporters in a number of industrial sectors, including pharmaceuticals, aluminum, machinery and equipment, information and telecommunications technology, and automobiles. On average, from 2014 to 2016 Canada exported \$2.6 billion in merchandise to Mercosur annually.

FTA negotiations with Mercosur would also allow Canada to further advance its progressive trade agenda in the region.

Finally, the trade in services agreement, or TISA, is a services-trade-only agreement currently being negotiated by 23 members of the World Trade Organization, including Canada.

TISA parties represent an enormous services market of almost two-thirds of the world's economy, with more than 1.6 billion people and a combined GDP of nearly \$50 trillion in 2015. TISA shows a great diversity of participants, with countries such as Australia, Chile, Chinese Taipei, the EU, Hong Kong, China, Israel, Japan, Mauritius, Pakistan, and the U.S.

Canada is one of the world's largest services exporters, and services make a significant contribution to our economic prosperity. This is why an agreement like TISA is of great importance to Canada.

Canada's priorities in the TISA are to create new opportunities for Canadian services suppliers, particularly in emerging markets, and to improve overall transparency and predictability in international regulations related to trade and services. While good progress has been made, the TISA is currently on hold as members await a decision from the current U.S. administration regarding its position on engaging or not in this negotiation.

• (1535)

[Translation]

Mr. Chair, that was a quick overview of the Pacific Alliance, Mercosur and the trade in services agreement.

Should you have any questions, my colleague and I will be happy to answer them.

Thank you.

[English]

The Chair: Thank you very much for cramming so much into five minutes. I'm sure there's a lot more, and we're going to have a dialogue with the MPs to find out more information.

Our first round of questioning will begin with the Conservatives.

Go ahead, Mr. Allison.

Mr. Dean Allison (Niagara West, CPC): Thank you very much, Mr. Chair, and thank you to our guests for being here today.

You mentioned a few of the things we'd like to incorporate with the Pacific Alliance, such as our progressive agenda. One of the things that I hear when I talk to a number of auto companies is the issue of currency manipulation. We've heard the U.S. talk about this quite a bit, and some of our guests, when we were talking about NAFTA, raised it as a concern.

Would that be something we would be concerned about if we were looking at trying to enter into this agreement, in terms of updating? Do you see a chapter there? Do you see something there to deal with the issue as it relates to the Asian countries and currency manipulation?

Ms. Ana Renart: I'll go back to the countries that it covers. It covers Colombia, Mexico, Peru, and Chile. We're talking with some of the other associated countries, but we're not actually negotiating

with them. I suppose we're participating in a negotiation with other associated state countries, but we're not negotiating, so the ultimate agreement will be with those four aforementioned countries.

When it comes to trade with those countries, I haven't heard at all in our consultations that currency manipulation is an issue. It's not something substantive that we've been anticipating in the negotiations. If you've heard anything, I'd be very pleased to hear about more details.

Mr. Dean Allison: I haven't heard anything with those four countries. That hasn't been the issue. I thought if the other countries were looking to join as well, it would create an opportunity. I guess you're saying we'll handle the four countries the way it is and we'll move from there.

Let's talk about Mercosur a bit. It's my understanding that Brazil has been a fairly closed economy and one that's great with non-tariff barriers and some of these things.

Talk to me. My thinking is that this would be a bit of a challenge. It's certainly a great market opportunity in terms of population, people, a growing middle class, but talk to me about the likelihood or the challenges, if you will, of trying to deal with some of the countries in Mercosur and giving them similar non-tariff barriers, etc.

Ms. Ana Renart: Absolutely. Mercosur is an opportunity for a number of reasons. We talked about its GDP, the size of the population alone. We already do a significant amount of trade.

Beyond that, they are closed countries to the rest of the world. There are no G7 countries that have any FTAs with them yet, for example. Mercosur has been talking as a bloc to the European Union. We've been hearing for a while now in the press every couple of days that they're almost there. They are pretty close, according to the articles and reports coming out on that.

They have also been talking with a number of other countries about potentially launching trade. The atmosphere has changed quite a bit in recent years in those countries, in particular in Brazil and Argentina, where the recent governments have been more open to trade and diversification.

Mercosur has a number of FTAs and other preferential trade agreements within the Latin America region, but not much outside. I think that's one reason that negotiating with them, or the possibility of negotiating with them, is so enticing as well. It's the early mover advantage, and it is establishing rules that would address any existing barriers.

On tariff barriers alone, right now they have some of the highest applied MFN tariffs, and just bringing some of those down would be a huge advantage to Canada.

• (1540)

Mr. Dean Allison: I only have about 30 seconds left, so I have a quick question on TISA.

I'm assuming when we start talking about a goods and services agreement, we would be looking at our financial institutions and insurance companies. Where would the winners be for Canada?

Mr. Darren Smith (Director, Services Trade, Department of Foreign Affairs, Trade and Development): In terms of TISA, certainly the financial services sector is one of the areas where Canada is looking to see some gains made, but more broadly speaking, it's professional services. You're looking at things like engineering and architectural services, for example, and other areas of focus for Canada.

Another area that I think has a lot of opportunity for us is environmental services. In fact, that's an area where we have advanced a proposal to see if we can find some gains through the TISA umbrella.

There are some individual sectors that could see some advantage through TISA, but broadly speaking we're also looking at it as an initiative that can help strengthen multilateral roles and increase transparency, and that will benefit all Canadian services sectors at the end.

Mr. Dean Allison: Thank you.

The Chair: Thank you, Mr. Allison. Those were good questions.

We're going to move over to the Liberals now. Mr. Fonseca, you have five minutes. Go ahead, sir.

Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.): Thank you, Ms. Renart and Mr. Smith, for your presentations and for being here.

In the city of Mississauga and my riding of Mississauga East—Cooksville, they have been investing a great deal of time through the economic development and trade department in Brazil. I know trade missions have gone there for I think the last five years, and finally they have borne a great deal of fruit.

A large operation, one of the biggest pharmaceutical companies in Brazil, Biolab, is investing \$57.4 million in Mississauga. They are opening up a plant. These are high-skilled, high-paying jobs that are coming to Mississauga. It does take time to work that market.

I would like to know what other opportunities there are in terms of manufacturing. This one is in pharmaceutical, again, and it's high-paying. Mississauga is an area where we do have a cluster when it comes to the life sciences, but I would like to know about other areas in the country and where you see opportunities for Canada with the Mercosur, and in particular Brazil.

Ms. Ana Renart: Thanks for that question. Yes, there's a lot of potential not only in investment, but we talk about goods trade and services as well.

When it comes to goods, as I mentioned briefly in response to Mr. Allison's question about very high applied tariffs, we've been consulting with stakeholders, and some of the responses we've received relate to high tariffs.

Just by way of comparison, because I think numbers always help tell the story, some of the applied tariffs in those four countries average between 9.8% and 13.7%. If you compare that to Canada, which has a 4% tariff, you see there's a big difference in the applied tariffs, so when you're looking at just the goods trade, there are huge opportunities. Some areas of particular export interest for Canada where the tariff rates are high—from 10% to 35%, for example—include fish and seafood, which a number of stakeholders talked

about, as well as chemicals, plastics, autos, and auto parts. They have very high tariffs in those countries.

There is also machinery and equipment, and forest products. Those are some of the sectors in particular where we would see some gains to be made.

It's beyond goods, as well. Some of the areas in services, for example, where we've heard stakeholders say they have a particular interest include distribution, logistics, transportation, and infrastructure. These are just some that have come back.

The other thing they have to look at is that Mercosur has no FTA. In all of its FTAs to date, they're for goods only. They haven't actually done any services-related commitments in their FTAs outside of the WTO GATS, so it's fresh. There's a lot there to get in on, and it's a huge market. We have strengths in Canada in a lot of service areas, so that would be another place.

• (1545)

Mr. Peter Fonseca: Can you speak to the Mercosur countries and the importance that they've put on gender, on labour, as well as environmental concerns? As you know, these are important to Canada. We're looking for progressive trade deals. With your knowledge and your experience, can you speak to the importance that these countries have put on these areas?

Ms. Ana Renart: Of course. If you look at the first trade and gender chapter that was ever negotiated, it was negotiated between Uruguay, one of the four Mercosur countries, and Chile, which is a Pacific Alliance country. You have the beginning of the trade and gender chapter in an FTA starting there. They are very much open to it.

We've been talking with Mercosur. As I mentioned, we started exploratory discussions in 2011 to 2012, and for the last year or so we've been talking to them. One of the things that we've been exploring with them is their appetite or interest in some of these progressive trade areas, and they have indeed confirmed that they would be interested and also have ambitions in some of these areas. These are with respect to SMEs, small and medium-sized enterprises, and actually we're now talking about micro-small and medium-sized enterprises. That includes trade and gender provisions on electronic commerce, which are also very helpful for some of these other groups, as well as labour and environment.

The Chair: You only have 10 seconds left, so we're going to have to move on, sir. I know you have lots more questions, but we're going to have to move on.

We have the NDP up for five minutes.

Go ahead, Ms. Ramsey.

Ms. Tracey Ramsey (Essex, NDP): Thank you so much to both of you for being here today. It's very difficult to try to frame questions with such large agreements, but I'll start with TISA.

TISA's had 20 full rounds, and we're really talking about things like data privacy, digital trade, financial sector regulation, education, and health care. Everything is encompassed.

One of the features of TISA is that all future services will be automatically covered. Has that been determined?

Mr. Darren Smith: You're correct. One of the debates that we're having in the context of TISA is how new services will be treated. In this discussion, there's no resolution at this point in time. There's still debate amongst the members.

It falls down to basically whether one has an understanding that our current way of classifying services is universal enough to capture any service and that there's no such thing as a new service being invented because it's captured under the universal classification codes that we have at our disposal, versus those who think that perhaps there is a different perspective on that matter. All I can say at this point in time is it's an issue under discussion.

Ms. Tracey Ramsey: Also, in TISA we have negative listing, which is the assumption that everything is covered unless it's explicitly mentioned. Governments have to specifically list sectors or measures that they do not want TISA to apply to. Can you give us some examples of the sectors or measures that are on Canada's list?

Mr. Darren Smith: Well, it's a little more complicated than that, actually. We have in TISA what's called a hybrid model. Basically issues such as national treatment or obligations related to national treatment and some senior management and board directors are local presence obligations. That will be done on a negative list basis, so you're right. Basically, everything is open unless you specifically put it down as a non-conforming measure.

With respect to market access, that is being done on a positive list basis, so you only make your commitments on the basis of market access.

In terms of what Canada is doing in this regard, I can assure you that basically Canada is following our past FTA practice. We're ensuring that we are not making any commitments related to our social programs or our public education or health or culture. Those types of elements are not part of our interests in terms of TISA. Those would be examples of where we're not going to be taking any commitments.

• (1550)

Ms. Tracey Ramsey: Just to clarify, TISA goes down to the subnational and regional levels. Is that correct?

Mr. Darren Smith: That's correct, so we work with the provinces and territories with respect to commitments that we make in this regard. Part of our process in tabling any type of offer is to do it in close conjunction with the provinces and territories.

Ms. Tracey Ramsey: To go back to that previous point, in this market access column, then, is there anything that we have explicitly exempted to ensure that our public policies and regulations going forward will not be impacted? You mentioned education and health. Is that a wide umbrella? Is it everything under health and everything under education, or are there specific things that we've carved out there?

Mr. Darren Smith: No, it's everything under health, everything under public education, everything under social programs. These are the types of reservations that you will find typically in our bilateral FTAs, and it's also consistent with our approach in the WTO GATS to begin with.

Ms. Tracey Ramsey: What do you think is a realistic timeline for completion of TISA? We've been through these 20 rounds and we've been at it since 2013.

Mr. Darren Smith: It's a difficult question because, as was said at the outset, while we made lots of progress up until the end of 2016 and we were close to a framework of an agreement, with the new U.S. administration there has been a pause in the negotiations. We actually haven't had a meeting since last December.

Ms. Tracey Ramsey: My next question is about the probability of including provisions that ban data localization. I think you mentioned things in the future. I think about NAFTA. We couldn't have envisioned the world that we're in now 25 years ago, so there wasn't language about that in there.

Do you think that data localization measures will be included in TISA? It's a concern for Canadians, in particular the two provinces, that we have to protect that.

Mr. Darren Smith: In fact, data localization is an issue that's being discussed in TISA. That work is not complete, but Canada's approach, which is shared by a good number of other participants, is to have a balanced approach so that we can still ensure a cross-border flow of data and at the same time protect the information that's held by government or in a government procurement context, so the two cases that you referred to, Nova Scotia and B.C., would not be part of TISA.

Ms. Tracey Ramsey: Okay. That's good.

The Chair: You only have 10 seconds.

Ms. Tracey Ramsey: We'll let it go, then.

The Chair: Maybe you'll get to your questions in the next round.

Ms. Tracey Ramsey: It's tough.

The Chair: We're going to move over to the Liberals now. Madam Ludwig, you have the floor.

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

Thank you both for your presentations today. My questions are actually rather general.

Sometimes we hear, or often we hear, criticism of international trade. I would like to ask Ms. Renart and Mr. Smith your position on how important it is that we are at the table discussing international trade and the opportunities to improve the standard of living if we're involved in a trade agreement. That's my first question. Thank you.

Ms. Ana Renart: I'll start off by saying Canada is a trading nation, right? One out of six jobs links to trade. It's the equivalent of about three million jobs that are linked to trade in Canada. That's two-thirds of our GDP, approximately, all linked to trade. It's an important part of our GDP, of what we do every day. I would start off by saying that.

You also look at the quality of jobs. When you look at the quality of jobs, the rates of pay tend to be higher for companies that export, so all around, it's good. It's good for Canada and it's good for our partners.

The other reason that it's important for us to be involved in negotiations, especially when they're ongoing negotiations in groupings, is to maintain a level playing field. For example, we're discussing with the Pacific Alliance right now. They are discussing potential free trade agreements with a number of other countries to also become associated states. If we weren't part of that discussion, they'd have a leg up on us.

It's the same thing with Mercosur. As they are discussing with other countries, we may want to also consider being involved in those negotiations.

Ms. Karen Ludwig: Thank you.

I would also like to ask you three other questions.

One is in regard to the opportunities for international education, for students from Chile, Argentina, or Brazil to study here in Canada. We know the K-to-12 system's been a popular one, but what about the opportunities for students in post-secondary education? Also, what about opportunities for tourism?

My next question is about risk in entering emerging markets, how to mitigate some of this risk, and the importance of diversification for the Canadian economy.

Thank you.

• (1555)

Ms. Ana Renart: May I start with the latter question?

Then Darren, do you want to do the first...?

Mr. Darren Smith: Sure.

Ms. Ana Renart: In terms of the risk in emerging markets, that's why we do FTAs. It's important to have strong rules so that we know what the terms of trade are going to be and have stability and predictability in our relationship.

I think that's a pretty simple answer. I'll keep this one short and let my colleague talk on the first question.

Mr. Darren Smith: In terms of the international education and training front, it's certainly something the department recognizes. It's not so much what we would do in the trade policy context; it's more something in the international business development or trade promotion context, where there's a lot of activity.

Nonetheless, we do work with our colleagues there, and with stakeholders, to identify any potential trade barriers that might exist in those different sectors, and obviously we try to address those accordingly. However, it is an area we've identified as having significant opportunities, not only in the Latin American context but also in the Asia-Pacific region and in Europe, and it does feature in our work in terms of trying to identify potential opportunities for Canadian entities.

Ms. Karen Ludwig: That's great. Thank you.

I'll leave you with my last question. It's about language preparedness. We're looking at these international markets and the great opportunities that are there. We work in a bilingual market here in Canada. How important is it for our population to diversify in terms of increasing language capacity to be competitive in and work in these markets?

Mr. Darren Smith: It has to be a short answer.

Ms. Ana Renart: It's important. You have to prepare for the market that you want to do business in, so it's very important that when we start talking about doing FTAs, we ensure that we're transparent and that businesses are in the loop on what it is we're trying to do so that they can build it into their planning and start thinking ahead.

The Chair: Thank you.

We're right on time.

We're going to go into our second round now, and we're starting with the Liberals.

Madame Lapointe, go ahead for five minutes.

[Translation]

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

I would like to thank you for being with us. What you are explaining today is very interesting. Earlier, you talked about small and medium-sized enterprises and the Pacific Alliance. I'm sure that small and medium-sized enterprises have objectives for the agreements you mentioned.

My riding is in the northern suburbs of Montreal, where a number of small and medium-sized businesses are located. In addition, Bell Helicopter and Bombardier are in the vicinity.

You are talking to us today about an agreement with Mercosur, which includes Brazil. But surely you know that one of our major competitors is in Brazil. That's why I was wondering if this was an issue. Many of our small and medium-sized businesses are in the aerospace and aviation industries, but also in transportation and agri-food. I'm talking about aviation, but I would also like to know how the agreements you are presenting today can be of benefit to companies in the agri-food, automotive and aerospace sectors.

[English]

Ms. Ana Renart: I just want to make sure I get all parts of your question.

First of all, when it comes to whether we can be competitive when it comes to areas in aerospace, we have excellent companies here in Canada. It's an excellent sector, world class. They can compete anywhere and everywhere, including in Brazil. Brazil is also very competitive.

Increasing and opening markets always improves the sector on both sides, right? Increasing competition is good. Including this sector in our FTAs is important in order to provide Bombardier and other companies in the sector with opportunities. There are obviously a lot of opportunities, because they already have a niche there in Brazil. There will always be ways in which they can work together.

When it comes to agrifood, there as well we have similar economies. Across the board, there are a lot of goods that are actually complementary between Canada and Mercosur countries, but there are also a lot of places where we can find niches. In the context of our consultations, there were a few sectors in agriculture where there was an expressed interest. Again, this is where Mercosur countries have very high tariffs. Bringing some of those down will allow our companies to compete and export to these countries.

• (1600)

[Translation]

Ms. Linda Lapointe: Thank you.

I talked to you about aerospace and food processing, but which sectors do you think would be beneficial for us to choose?

[English]

Ms. Ana Renart: Sorry; are you asking in what other sectors it would be beneficial for us to export to those countries?

[Translation]

Ms. Linda Lapointe: Yes. Which products made in Canada are we the most partial to?

[English]

Ms. Ana Renart: I mentioned some of the areas earlier. I can go through some specifics again. Fish and seafood is one area where tariffs are particularly high. Also, there are chemicals, plastics, autos, and auto parts. Machinery and equipment is another sector. Tariffs on aluminum are up to 16%. In terms of ICT—information and communications technologies—they have tariffs of up to 20%. Tariffs on forest products and automobiles are up to 35%. There are a number of areas where we have strengths, where there are huge opportunities.

[Translation]

Ms. Linda Lapointe: On another note, and with regard to the trade in services agreement, the TSA, Quebec is well recognized for the export of its expertise in engineering.

Where are we with this?

[English]

Mr. Darren Smith: It's still part of the negotiations. Definitely one of our priorities is to promote Canadian engineering services as opportunities in TISA. Hopefully, we'll have an agreement one day that sees that realized.

The Chair: Thank you, Madam Lapointe.

We're going to go over to the Conservatives. Mr. Dreesen, you have the floor.

Mr. Earl Dreesen (Red Deer—Mountain View, CPC): Thank you very much, Mr. Chair.

Thank you to our guests for being here today and for some of the discussions that have been going on around the table as we deal with our progressive agenda—gender, labour, environmental concerns, and so on.

As you mentioned, these have been in the deals we've been talking about for the last number of years. We've seen some progress in certain areas. You were talking about the Uruguay and Chile

discussions, and how that became part of what we were able to build upon. As we continue to build upon it, we have had that in the discussion points with every trade deal we've had.

The point right now, unfortunately, is that it seems as though we're simply focusing on certain areas but not getting down to the point that when you are talking trade deals, you should be talking about trade. When I have people coming to my office to discuss it, that's where their fear is at this point in time. We have a Prime Minister who walks out on discussions. We talk about Australia and how we're going to deal with that with the TISA. It's Australia, the U.S., and Japan. There seems to be so much confusion and frustration right now with the countries we're dealing with.

When it comes to the TISA agreement specifically, are some of these issues that we see at the present moment likely to end up becoming problems in that area?

Mr. Darren Smith: If the question relates to what the government is doing in terms of progressive trade elements in TISA, yes, there are actually some of those features in our approach. In fact, we were one of the first to operationalize something with respect to work on domestic regulations. In the services area, we address licensing and certification requirements and procedures. We try to promote transparency and predictability in these areas.

One of the things that came across to us through a World Bank study from 2015 or 2016, I believe, was that unfortunately there are a multitude of jurisdictions that actually have, as part of their legal and regulatory regime, discriminatory practices related to gender. For instance, women cannot participate in the economy by being able to receive a licence to participate in a certain sector or obtain a bank account and things of that type. We did introduce work in this regard.

In fact, that is a trade barrier. Any Canadian exporter, if the individual is a woman, could face a barrier in a foreign market based on the fact that they have potential barriers related to gender itself on their books. It could be something that prevents them from participating.

Beyond that, it also has an impact on those markets of interest to us in developing greater participation of all elements of their societies in their economy. When there are limitations in that regard, they can have a detrimental impact in terms of our trade relationship with that country.

Services are one area where we have been able to identify, at least in this regard, a specific barrier related to gender, and it does fit under this progressive trade umbrella. This is something we have advanced, and it is now also featuring as part of our broader WTO work.

• (1605)

Mr. Earl Dreesen: You mentioned the WTO discussions in 2013. Are these points that you would have been working on at that point in time? Obviously there is an awareness that this has existed. Would that have been part of the WTO framework that was worked with among countries?

Mr. Darren Smith: It has really fallen under the broader development framework. What we are finding now is that the literature and the analysis related to these issues are catching up to the interests in these areas. It's kind of an interesting time, because now we have facts and statistics to work from, and information on the different legal regimes of our different trading partners to bring to the table. Unfortunately, that didn't exist in its entirety in 2013. I suspect that in 2020 there will be even more for us to work with in terms of these issues.

Mr. Earl Dreeshen: On the other question, I wonder to what extent TISA would likely increase the ability of foreign service suppliers to access our Canadian market. Would that have an impact on our service suppliers and our consumers?

The Chair: Give a quick answer, please.

Mr. Darren Smith: TISA will certainly give some of our non-FTA partners improved understanding of and access to the Canadian marketplace, but in services all we are really talking about is increasing transparency in our existing regime. It's not going to have the same kind of effect as eliminating a tariff; it's a bit different. It works reciprocally, so we get the same benefits in those other markets.

Mr. Earl Dreeshen: Thank you.

The Chair: Thank you, sir.

Thank you, Mr. Dreeshen.

We're going to move over to the Liberals now. Mr. Peterson, you have the floor.

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

Thank you for being with us today. It's very informative, as always.

I want to compare Mercosur with the Pacific Alliance. As they stand now, are they both basically free trade blocs, or does one allow more access to the counterparties than the other?

Ms. Ana Renart: That's a good question. There isn't a straight black-and-white answer. Both are customs unions. The Pacific Alliance is a regional integration initiative, so it goes beyond trade; it's free movement of goods and people. They also have a number of other things they work on together. They co-operate in particular areas, promoting democracy, environmental projects, etc., so it is a bit more.

As well as being a customs union, Mercosur is working toward increasing collaboration within those four countries and other areas as well. They are not quite at the same place as Pacific Alliance. I mentioned the free movement of people within the Pacific Alliance; Mercosur is now talking about some residency liberalization, such as allowing citizens to stay in one another's countries for up to two years and things like that. They are not exactly the same, but similar.

• (1610)

Mr. Kyle Peterson: Okay. Adding to the confusion, if you want to call it that, I believe Chile, Colombia, and Peru are associate members of Mercosur currently, or are they striving to be so?

Ms. Ana Renart: Let me make sure I get that right. They are talking to Mercosur. If you give me a moment, I will tell you.

I'm sorry. I don't want to take up your time. I'll come back to you on the details.

Mr. Kyle Peterson: Yes.

The Chair: Maybe at the end of the meeting we can come back for an answer from you.

Mr. Peterson, go ahead.

Mr. Kyle Peterson: Okay. We'll leave that on the back burner for now.

You mentioned the three other countries—Australia, New Zealand, and Singapore, I think—that are also associated states in the Pacific Alliance right now.

Are we all negotiating at the same...? Is everyone around the same table right now? I think the next round is in Australia in January 2018.

Ms. Ana Renart: Yes.

Mr. Kyle Peterson: Are all three of those countries with us at that round?

Ms. Ana Renart: Yes. We're all candidates to become associated states with the Pacific Alliance, so right now there are eight countries in a room negotiating, but it's what we call "a hub and spokes", in the sense that we're all negotiating with the Pacific Alliance and not with each other.

Mr. Kyle Peterson: Right, but is there only going to be one of those four asked to join, or could all four potentially be asked to join?

Ms. Ana Renart: All four could potentially... If you're able to close an FTA with the bloc, then you would join as an associated state, not as a full member.

Mr. Kyle Peterson: The hub-and-spoke concept would continue.

Ms. Ana Renart: That's correct.

Mr. Kyle Peterson: There would be four associated states and the trading bloc itself.

Ms. Ana Renart: That's correct.

Mr. Kyle Peterson: Okay. There wouldn't be an eight-state free trade bloc.

Ms. Ana Renart: No.

Mr. Kyle Peterson: Thank you for that clarification.

I wanted to look a bit at the numbers from the Pacific Alliance. In our existing trade with those countries, our merchandise trade, we seem to be importing in about a 3:1 ratio in favour of the Pacific Alliance countries. For services, it's about 2:1 in our favour, but then when you look at FDI, foreign direct investment, it's almost 25:1 or 20:1 in our favour.

Are those ratios going to stay the same while the volumes increase, or will those ratios also change in the event of a free trade successful accession to the Pacific Alliance?

Ms. Ana Renart: The ratios are likely.... Well, they may change. Let me put it that way.

We currently have FTAs with the Pacific Alliance countries. For some of them, they've been in place—and Mexico under NAFTA—for several years. Most of the tariff liberalization has already taken place. We can expect some shifts. Especially as we start looking at accumulation of products and value chains, we can expect some shifts, but I don't think it would be huge.

Mr. Kyle Peterson: Okay. I'm probably out of time, Mr. Chair. Am I?

The Chair: Yes, you're pretty well out of time.

Mr. Kyle Peterson: Okay.

Thank you very much.

Ms. Ana Renart: I'll get your answer.

Mr. Kyle Peterson: I would appreciate your getting back to me on the one question. Thank you, Ms. Renart.

The Chair: Thank you, Mr. Peterson.

Before I go on, I'd like to welcome two members to our committee.

Madam Mendès, thank you for coming. Mr. Maguire, welcome.

On that note, Mr. Maguire, you have the floor.

Mr. Larry Maguire (Brandon—Souris, CPC): Thank you, Mr. Chair. It's a pleasure to be here.

Thank you very much for your presentation today. It was most interesting.

I'm looking at Mercosur and the four countries involved there in South America. We have roughly \$2.6 billion, as you indicated, in exports. Is there a balance of trade with those countries that we presently have? How are we doing with that? That would be a question while you're looking that up.

Ms. Ana Renart: I can give you the exact numbers. We are currently exporting to Mercosur.... Our overall trade is about \$8 billion. Canadian exports are \$2.5 billion, and imports are about \$5.5 billion.

Mr. Larry Maguire: Thank you.

Of course, those countries are different from those in the Pacific Alliance. As you've noted in your comments, we are already into free trade agreements with all four of those countries. In terms of the amalgamation with them in this much smaller \$2.3-trillion agreement, I guess, as opposed to the TISA at \$50 trillion, which you were talking about—

• (1615)

Ms. Ana Renart: It's huge.

Mr. Larry Maguire: —we have small populations here. Those four countries in the Pacific Alliance are about two-thirds the size of the U.S. population. We're in negotiations with NAFTA right now with the U.S. and Mexico. Mainly there are a lot of discussions here

with the U.S. in regard to our side of the border, while for these countries, we were into the TPP with them.

Where's the overlap in the discussions between what we were doing with the TPP with the Americans involved and now without them involved? Is that having any impact on these countries in the Pacific Alliance and the Mercosur to find deals with us?

Ms. Ana Renart: With regard to the Pacific Alliance countries, what's interesting is that there is a little bit of overlap with the CPTPP, but it's not complete. The CPTPP includes a number of countries that are not part of the Pacific Alliance, and one of the four Pacific Alliance countries is not a part of CPTPP. Colombia is not a part of the other agreement.

One of the issues I mentioned earlier and one of the reasons we tend to negotiate with other country groupings is to ensure a level playing field so that we can remain competitive, and that if other countries are negotiating potentially different or better access, we're in on it as well.

Despite the fact that with the Pacific Alliance there is some overlap with a potential CPTPP, the dynamics will always change a little bit with different partners—new, fewer, or different partners. It's important to be a part of that just to make sure that Canadian companies are also getting the benefits of whatever happens in that negotiation.

Mr. Larry Maguire: What areas of improvement that you mentioned would we bring to the table that would give us an advantage over the other countries they're dealing with, particularly in the Pacific Alliance?

Ms. Ana Renart: The Pacific Alliance over what we may be doing at CPTPP—is that what you mean?

Mr. Larry Maguire: Yes.

Ms. Ana Renart: To start, it's early to give you some specifics. We've had one round of negotiations, so it's just the beginning of signalling our interests, rather than talking about where we may land.

One of the things we're looking at in the context of the Pacific Alliance, for example, is cumulation of goods within the region and creating a free trade area in that sense, so that we can count products from each other's markets as originating to get preferences. That would be an improvement from what we have now.

We are looking at a number of other areas as well, such as electronic commerce and the treatment of small or medium-sized enterprises. We also have some of these provisions in other potential agreements, but there are always innovations. Darren mentioned earlier that the information is always changing. We're always modernizing and updating our FTAs because there are always things that we learn as time goes on and improvements that we can make. It's building on things that already exist.

It's hard for me to give you specifics, because it's just the beginning of the negotiation. I can just talk generally and say that these are some of the things we've been looking at, and this is how we can build and improve and include other innovations.

The Chair: Thank you.

I know you'd love to ask more questions, Mr. Maguire, but your time is up. They were good questions.

We're going to move over to the NDP now. Madam Ramsey, you have the floor.

Ms. Tracey Ramsey: Thank you.

I have one last question on TISA. How will the agreement protect against standstill and ratchet clauses or provisions, and how would TISA affect a future Canadian government's ability to create programs like national pharmacare or child care?

Mr. Darren Smith: Actually, standstill and ratchet do feature as part of the market access work that we're doing. That's basically one of the benefits we see in TISA, to the extent that in the context of national treatment, for instance, we don't have to come back to our negotiating table to deal with the potential of autonomous liberalization in some of the markets that are around the table. Ratchet would kick in in those instances.

With regard to standstill, you're talking about the benefit of basically binding at the time of the agreement itself so that one's commitments will not go backwards. In terms of protecting various social programs and such, that's done through the broad reservations we have. In the TISA context, it's called a section A reservation, which is akin to an Annex II reservation in a bilateral FTA. I'm sorry for all the terminology here, but that's how you'd equate it.

Those examples, in my view, would fall under those broad reservations where we have a broad policy space.

• (1620)

Ms. Tracey Ramsey: Thank you.

I'll flip over to the Mercosur and the Pacific Alliance. Do these deals include investor-state dispute settlement provisions?

Ms. Ana Renart: We haven't actually launched negotiations with Mercosur, but with regard to the Pacific Alliance, this is something we already have with all four of those members. We have investment agreements or chapters with all four Pacific Alliance members, and ISDS is included in all four of them.

Ms. Tracey Ramsey: Okay.

Next, is there any access to Canada's supply-managed market on the table?

Ms. Ana Renart: As we do in our FTAs, we're protecting the most sensitive areas that we've always protected, including supply management.

Ms. Tracey Ramsey: Okay.

We've talked a bit about some of the progressive elements. I'm wondering if the Government of Canada will carry out an assessment of the agreement from a gender and human rights perspective before it's finalized, and if that will be shared publicly.

Ms. Ana Renart: Will we do an assessment of gender and human rights before the FTA is done?

Ms. Tracey Ramsey: Yes.

Ms. Ana Renart: We have been doing, as we always do, environmental impact assessments, so we have been looking at that. I can't give you the exact date, but very recently, maybe about a

month ago, a notice went out in the *Gazette* asking for input into our overall assessment.

We don't do broader human rights or gender assessments in the same way, but we build those into the ongoing negotiation. Especially now, as we're talking about progressive trade, we are talking to a number of stakeholders across the board. I can tell you also that the department has been talking to a number of think tanks and other organizations to feed into what we're doing on progressive trade elements.

Ms. Tracey Ramsey: There are some UN tools available. Is there not the possibility of applying those UN tools? I think when we're talking about these things ahead of the deal being negotiated, it's important to understand the human rights and gender and labour aspects and understand what it is in those countries we're seeking to elevate or where we're seeking to be a positive influence.

I mean, there are specific tools from the UN, such as the trade and gender tool box and the guiding principles on human rights impact assessments of trade and investment agreements. Are these things not something the government would use as a way to apply that?

Ms. Ana Renart: They are, definitely. These are things that we use internally; we're just not necessarily doing it in the same way. We're not doing a human rights or gender analysis in the same way we do an environmental assessment with public consultations.

We do build all of that into our ongoing negotiations. We have a number of experts who look at these issues, including human rights. It's not just.... It's sustainable development. It's other social issues. It's labour. We have experts in other government departments with whom we work very closely and who feed into this whole process. We're consulting very broadly. All of that, including the UN tools, feeds into ongoing negotiations.

Ms. Tracey Ramsey: Are there any discussions about putting that out publicly so that Canadians can see those results?

The Chair: You'll have to give a short answer, please.

Ms. Ana Renart: I can look into it.

The Chair: Okay. That's it.

Our trusty clerk looked up some information for Mr. Peterson. We find here that the full-time members are Argentina, Brazil, Paraguay, and Uruguay, of course. Venezuela has been booted out, I guess you would call it, since 2006. The associated members are Chile, Peru, Equador, and Colombia.

Does that answer your question, Mr. Peterson?

Mr. Kyle Peterson: Absolutely. That's perfect.

The Chair: That's why we have good people around us.

Thank you, folks. Thank you for coming and for good information. We hope you'll come back again to do this. There is a thought—we're not sure, but we're going to discuss it—that we

might be going to some of these countries in the near future. We might rely on some of your help for that.

We'll suspend for a minute and then go in camera for some future business.

[Proceedings continue in camera]

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