



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on International Trade

CIIT • NUMBER 068 • 1st SESSION • 41st PARLIAMENT

EVIDENCE

Wednesday, March 20, 2013

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Chair

The Honourable Rob Merrifield

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• (1535)

[English]

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

I would ask members to take their seats so that we can continue our exciting study on the benefits of Canada joining the Pacific Alliance as a full member. We are there with observer status. We started this study at our last meeting.

We have with us today Ambassador Lloreda Ricaurte. Thank you for being here. You're the ambassador for Colombia, and we certainly welcome the bilateral trade agreement we have between our two countries, and we look forward to what you have to share with the committee with regard to the potential of the Pacific Alliance.

With that, we will hear a short presentation from you and then we'll get into the questions and answers. Go ahead.

His Excellency Nicolás Lloreda Ricaurte (Ambassador, Embassy of Colombia): Mr. Chair, and honourable members, it's a pleasure to be here, and I thank you very much for the invitation.

I will try to be brief. I know you have some questions. I know you are already very familiar with the Pacific Alliance and have heard from one of our ambassadors already.

I have a written statement and I've provided copies, but I'd like to read it briefly.

Colombia continues to sustain a very positive economic performance. We have been growing at an average rate of 4.5% over the last 10 years. This has meant very welcome changes for our country.

During the last decade, the size of our economy has doubled, and this has meant that our middle class has grown from 16% to almost 30% and that we have finally begun to reduce poverty. In 2012, Colombia attracted a record amount of foreign investment, over \$16.5 billion, and this is a result of our stable economic policies, increased security, and our legal stability.

After a very difficult time, Colombia is now widely seen as an emerging economy and a regional leader. How did we get there?

The transformation is due to several very basic reasons.

The first one, of course, was by preserving sound economic policies. That means maintaining an independent central bank, which is focused on controlling inflation, and prudent public spending policies, including responsible management of our debt. As you know, Colombia is the only country in Latin America that has

never defaulted on its debt. Also, there has been transparent economic information available, with the government emphasizing the provision of open information as to the government's numbers, statistics, and management of the budget. This allows capital markets and investors to judge economic performance with accurate information.

The other reasons that explain the transformation of Colombia are our focus on security and the improvement of programs for social inclusion.

On security, after experiencing an unprecedented wave of violence throughout the late nineties to 2004, the government, through considerable sacrifice from Colombians and the generous support of the United States and other countries, was able to push insurgents to the more remote parts of the country and to cut their numbers by more than half.

The government reclaimed control of the territory and has also been implementing crucial social programs of supervised assistance to the poorest members of society. Programs, carefully audited, including incentives like conditional transfers to encourage school attendance and health care prevention, have been very successful. Just in the last year, 1.2 million people were lifted from the extreme poverty category because of these programs.

As the Colombian economy continues to grow, we find that the sectors showing the most promise are mining, financial services, real estate, business, and commerce. As the rating agencies improve our standing, inflation continues to be kept at 2%, unemployment continues to diminish—if somewhat more slowly than we would prefer—and many of our exports and imports grow substantially.

The relationship between Colombia and Canada has been a very positive one since the formal establishment of our relations in 1953. However, with the entry into force of the free trade treaty of August 15, 2011, it has entered into a new strategic phase. In the first 18 months of the agreement, Canada increased its presence in the Colombian market. Its exports just in the last year increased over 19%, bringing the total for the first time to over \$1 billion. Canada's investment has also increased significantly, notably in financial services, mining, and energy. According to the Central Bank of Colombia, Canada recorded cumulative foreign direct investment in Colombia of \$1.5 billion in the last 10 years. The main Colombian products that we export to Canada, and which show a healthy increase, are fresh flowers, sugar, textiles, and apparel, whereas the main Canadian exports, which are growing, are grains, industrial machinery, and vehicles.

Colombia firmly believes in the benefits of free trade as a tool to promote jobs and to foster economic growth. We believe in free enterprise, we protect investment, and we aim to provide security to all nationals and foreigners in our territory within a framework of strong respect for human rights.

As in every good, strong relationship, from time to time certain issues arise requiring special attention. While we advance on many fronts, the issue that we have identified as requiring significantly more time and attention is the facilitation of the entry of Colombian visitors to Canada. An improvement in this matter would lead to an increase in our bilateral trade, investment, and tourism. We are convinced that if we work together on this issue, as we have done with many other issues and close allies, we will be able to achieve significant progress without compromising the security and policies of either country.

The Pacific Alliance was created just two years ago, in April 2011, in Lima, as a mechanism for economic and trade integration. It seeks to act as a trade investment bloc and to ensure full and free movement of goods, services, capital, and its people. It is here where it goes beyond the traditional free trade agreement that generally limits itself to services and goods.

As you know, the alliance is composed of Colombia, Mexico, Chile, and Peru, and emerges from the affinity between these four Latin American countries on issues, such as the importance of the rule of law, the market economy, openness to foreign investment, and a common goal of increasing trade and also deepening our political and economic relations with the Asia-Pacific region.

All four countries have free trade agreements among themselves already, as well as with third countries, such as Canada, the U.S., and Costa Rica. The four member countries of the alliance jointly comprise a population of about 260 million people, with an income per capita of about \$13,000 U.S. Colombia, Mexico, Chile, and Peru together account for half of our region's foreign trade—\$534 billion in exports and \$520 billion in imports—and are recipients of an average of \$48 billion in foreign direct investment. Members of the alliance are expected to grow between 3.5% and 5% this year.

The alliance may integrate other regional economies in the future. It is a unique opportunity to capitalize on the stable growth of these economies. It has the following objectives: to build an area of deep integration and move progressively towards the free movement of

goods, services, capital and people; to promote further growth, development, and competitiveness of the alliance's economies; and to become a political, trade, and economic integration platform projected to the world, with a special emphasis on the Asia-Pacific region.

The alliance has an active and comprehensive agenda, based on the significant results already achieved on trade liberalization by its members. For example, there will be new joint initiatives between all the export promotion agencies of each country, as well as much closer cooperation on climate change research, student mobility, and a way to make migratory measures more flexible.

The alliance has a very simple hierarchy. It has a summit of its leaders; a council of foreign affairs and foreign trade ministers; a high level group, which really is composed of the vice-ministers of foreign affairs and foreign trade; and technical groups, who will be looking at services, cooperation, communications, institutional issues, institutional affairs, trade and integration, intellectual property, and government procurement.

What is Colombia's view of the Pacific Alliance? Colombia sees it as very pragmatic mechanism with not a lot of institutions. It does not seek to impose any restrictions on the existing integration initiatives in the region. On the contrary, it complements and promotes the creation of ideas in order to enhance integration opportunities and contribute to strengthening the economic and trade relations. It is an open process, involves the participation of other states, and according to the framework agreement, third countries can participate as observers or special guests.

Colombia's interest is having a platform for deepening trade and investment with the countries in our region that share our values, share a commitment, and have a like-minded way of looking at the future in economic terms. The alliance allows the entry of Colombia into some of the most dynamic markets of the Asia-Pacific region.

The consolidation of the Pacific Alliance will allow for deeper integration, not just goods and services, but much more. Harmonizing the rules of the four countries will eliminate many unnecessary barriers so that the alliance market will be bigger, and its common rules will attract a lot more in foreign investment. This way, the whole region can achieve greater growth and reduce poverty and unemployment.

Colombia will assume the *pro tempore* presidency at the summit of the alliance next May 23 in Cali, Colombia. This will be the seventh summit at the leader level since April 28, 2011.

Currently, we have nine member countries with observer status: Australia, Canada, Costa Rica, Spain, Guatemala, Japan, New Zealand, Panama, and Uruguay. Costa Rica and Panama have made clear their intention to become member states.

• (1540)

I'd just like to mention two recent developments in the Pacific Alliance. One is that last November Mexico announced that, pursuant to an agreement in Chile, nationals of Colombia and Peru who are travelling to Mexico will no longer require a visa if they're coming for non-commercial exchanges for up to 180 days. That is a very big advancement. It means that our consular and our immigration authorities are working much more closely together, allowing for the free movement of people.

The other is the launch of our platform for student academic mobility, which initially is looking at each country awarding a hundred scholarships. The first call will be for 50 scholarships per country, to be granted in the second half of this year to accomplished students so they can get higher education in the member countries.

I want to finish my statement by saying that our aim is to complete the tariff liberalization for 90% of goods this year and the phase-out of the remaining 10% in a maximum of seven years, to be agreed by May 2013. That's the purpose, and this should happen in May, in Cali.

I think that pretty much covers it, and I would open it to questions. Thank you.

• (1545)

The Chair: Very good. We certainly appreciate that presentation and the opportunity for your input.

We'll now have an opportunity for questions and will start with Mr. Davies.

The floors is yours, sir, for seven minutes.

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

And thank you, Your Excellency, for being with us today.

I want to start with this. We heard already, and you've repeated today, that you expect the tariffs on 90% of goods to be removed by the end of this month. If Canada were to join the negotiations after these tariffs were removed—we're an observer now—would we have an opportunity to negotiate those tariffs, or would we have to sign on and agree that the 90% of goods without tariffs would include Canadian goods in those areas too?

Mr. Nicolás Lloreda Ricaurte: Unfortunately, I think that question is above my pay grade. What I can tell you—

Mr. Don Davies: Mine, too.

Voices: Oh, oh!

Mr. Nicolás Lloreda Ricaurte: —is that if Canada were to decide to join, it would have to sit down at the table and negotiate, as it is doing at TPP and elsewhere, and see what it can achieve or not.

Mr. Don Davies: Okay, so we're not quite sure of that. Fair enough.

I want to ask you about the integration. You said that you're looking at an agreement beyond goods and services. Of course, we know that Canada just recently concluded a trade agreement with Colombia—only 18 months ago, in August of 2011. I take it that investment is not covered in that trade agreement or we don't have a FIPA with Colombia. Is that correct?

Mr. Nicolás Lloreda Ricaurte: No, there is a chapter that covered the protection of investment. What the Pacific Alliance does, going beyond goods and services—and I didn't mention investment, or if I did, what I meant was the Pacific Alliance also covers the integration of capital and the liberalization of movement of people.... Those are the third and fourth liberties, when you're talking about trade and trying not only to allow certain services allowed, which is what a typical FTA provides for, but also working on the integration of capital. It has to do with banks. It has to do with integrating stock exchanges and movement of people.

Mr. Don Davies: That's what I was going to get to.

Just so that we're clear, our trade agreement with Colombia already covers goods, services, and investment in the orthodox ways. You talked about further integration beyond that, and you've just mentioned some examples. I wonder if you could tell us a bit more about what areas you see as being further integrated between Canada and Colombia beyond what's already covered in our free trade agreement.

Mr. Nicolás Lloreda Ricaurte: I cannot speak about Canada, because Canada has chosen so far to be an observer. They get to attend the meetings where they go. If the Minister of Foreign Affairs shows up, he can attend the meetings. He can speak. He cannot negotiate.

Mr. Don Davies: Maybe I'll rephrase it, Mr. Ambassador, then. What sort of areas do you foresee being the subject of deeper integration beyond goods, services, and investment?

Mr. Nicolás Lloreda Ricaurte: One of the key ones is harmonization of rules, which is different from recognizing rules. If you harmonize rules, if you manage to have the same processes and procedures for many of the goods and services, immediately your market becomes a lot more interesting. You don't have to label and put everything just for the Colombian market, but whatever you produce—wherever you produce it—is destined for the Mexican, the Chilean, the Peruvian, and the Colombian markets.

Mr. Don Davies: Can you help us understand the harmonization of rules. In what areas or sectors, for example, will that take place?

Mr. Nicolás Lloreda Ricaurte: It will be in most sectors affecting the economy: the sale of goods, labelling, financial services, and many of the issues where, as long as you continue to advance, you're creating a bigger market.

Mr. Don Davies: I see. Thank you.

The proposed alliance is a pluralistic trade block. We've recently seen a worldwide proliferation of bilateral and plurilateral trade negotiations, leading to what many are calling a spaghetti bowl of trade agreements.

Some of the criticisms of that are that we're creating a trading system that is complex, inefficient, contradictory, and confusing. Someone said that the most complicated job in the world is going to be a customs officer, trying to determine what goods and services apply, depending on the country or the trading block from which the goods are coming into your country.

Most economists agree that what we really need and should be aiming for is a global rules-based system targeted at growth, sustainable development, and poverty alleviation based on a multilateral approach involving all 159 members of the WTO.

Your Excellency, what is your government's position on a multilateral approach to trade?

• (1550)

Mr. Nicolás Lloreda Ricaurte: I remember reading in university many years ago Mr. Bhagwati's writings and reading about the importance of having an international approach. I'm not an economist, but any economist will explain to you that if you have a multilateral approach, theoretically—and that's the problem—you are amending the flow of commerce, and everybody is benefiting.

But the problem we see, and the way Colombia sees it, even though we are a member of the WTO and we care very much for the WTO, is that we're not seeing progress quickly enough. We don't know how long it will take for the Doha Round, which has been around for 12 or 13 years, to be finalized. If it ever comes to that—and Colombia was present at the beginning of that round and the Uruguay Round, and that took awhile—we will be there.

We very much believe in multilateral trade liberalization. In the meantime, we need to conquer new markets and we need to make our own market more competitive.

Mr. Don Davies: One of my concerns is about this being a bit of a self-fulfilling prophecy. As countries accept that Doha is stalled and proceed to put their resources into bilateral or plurilateral negotiations and don't spend any time on the multilateral talks, the multilateral talks, by definition, don't occur.

Does Colombia have any official policy on multilateralism?

Mr. Nicolás Lloreda Ricaurte: Colombia believes in multilateralism. It is a member of the WTO. We have a very strong embassy there. Our government has been ready to advance in that round. It's just doesn't seem as though it's going to happen very soon, but we certainly hope it does.

Mr. Don Davies: I'm going to ask you a quick question, which I asked the ambassador to Peru.

We have the TPP going on right now. Four of the five member countries we're talking about here, including Canada, are already at the table on a Pacific trading block. Presumably, the exact same issues are being discussed at that trading table.

Do you see duplication between the Pacific Alliance and the TPP? Could you maybe explain the differences between the Trans-Pacific Partnership and this particular trading block, the Pacific Alliance?

Mr. Nicolás Lloreda Ricaurte: Colombia is not a member of the TPP. I have to start with that, but I think there is a significant difference.

The significant difference is that TPP is an ongoing process. Canada, I know, and Mexico recently joined it. If and when it happens—and I'm sure it will—it looks as if it will comprise a free trade area of goods and services, and investment. It doesn't go beyond that. It doesn't go for harmonization of rules. It doesn't look to create a big common market of some kind. That's one difference.

The other is that we're not there.

The Chair: Mr. Keddy.

Mr. Gerald Keddy (South Shore—St. Margaret's, CPC): Thank you, Mr. Chairman.

Welcome, Ambassador. It is always a pleasure to have Colombians in the room. We have spent a lot of time at this table over the bilateral free trade agreement with Colombia. It was a long and tortuous process at times, but we finally were successful with it.

So congratulations, and congratulations on your posting.

A couple of questions stand out. Number one, I think it deserves a bit of a comment on what happened with the Doha Round. Really, it was not that other countries had a self-fulfilling prophecy in the Doha Round; it was the fact that Doha had stalled completely. The reality is that many countries in Doha had changed from emerging economies to mature economies and still wanted to be treated as emerging economies. There were huge advantages to that in the Doha Round.

The difficulty of trying to get everyone in the WTO on one page proved impossible. I agree with you that it would be great, if we could, to get it back on track, but it doesn't look as though that's going to happen any time soon. That is what forced countries such as Colombia and Canada to seek first of all bilateral relations and then stronger trading relations, to counterbalance some of these other agreements.

If you compare the Pacific Alliance with the TPP, the latter is much bigger, but it's also going to be, I suspect, much more difficult. I see comments in the paper suggesting that it may be done in the next year. I think that would be ambitious—I would be welcome, but extremely ambitious. Here, by contrast, we have an example of the Pacific Alliance, and if all the countries joined, we could have the eighth largest economy in the world.

The advantages to that for Canada are huge. We would be trading with many traditional trading partners, but trading partners with whom we already have bilateral agreements. We have already settled a large number of obstacles in those bilateral agreements. So it would make sense that to go to this more plurilateral agreement would be advantageous not just for Colombia but for Canada as well.

Specifically, what do you see as the greatest advantages to Colombia of the Pacific Alliance?

• (1555)

Mr. Nicolás Lloreda Ricaurte: Thank you.

I think Colombia has been looking for a while for an initiative in which to find countries that share some values, such as the rule of law, an open market, more integration, and a harmonizing of rules to benefit and attract foreign investment. We found this in the Pacific Alliance. We found that Peru, Chile, and Mexico share those values and want to go forward. We have many things that we believe in together and want to accomplish together. We see a big value, and again—I'm sorry to repeat myself—the purpose is to go beyond a typical free trade area of just goods and services and go much further in terms of integration.

Mr. Gerald Keddy: You mentioned some statistics at the beginning that I think deserve repeating. The fact that Colombia has averaged 4.5% growth in the last decade is nothing short of remarkable, and the fact that you've increased your middle class—doubled it, from 16% to 30%.

I have to tell you that when we were studying Colombia here at committee and travelled to Bogotá and through Colombia, at the time it quite frankly wasn't safe to travel throughout Colombia. The FARC had secured large portions of the country. During the period of time that we were negotiating our bilateral agreement, that changed; you have freedom of travel. I have to congratulate you.

Just give me a second here, Mr. Chairman.

It was because of your respect for the rule of law, for your long history of the judiciary, for the maintenance through many criticisms of an active and professional police force and military.

I think that expanding trade beyond our bilateral agreement with Colombia into the possibility of being a part of the eighth largest trading block on the planet holds tremendous opportunity for Canada.

I can tell you that if the opposition members supported this, they would be criticizing us as a government if Australia were there ahead of us, if New Zealand were there ahead of us, or all the other nations that wanted to join were. We have a great opportunity to be first in line and to work with like-minded partners for the advantage of all of us.

He can comment on that.

The Chair: I'll let you comment on that, if you like.

Mr. Nicolás Lloreda Ricaurte: Thank you for your words.

As a Colombian, I will tell you that many times in my life I never thought that Colombia would get out of the terrible situation it was in. Every day I am so happy and surprised that we were able to overcome very difficult obstacles, such as violence and respect for human rights, and having control of the territory, in terms of changing the story and making all Colombians try to row in the same direction.

So thank you very much for your words.

The Chair: Now we're going to find out if that's absolutely true or not. We're going to hear from the opposition.

Voices: Oh, oh!

The Chair: Go ahead, Mr. Easter.

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

Welcome, Mr. Ambassador. We too would congratulate you on your success; we just won't be as flowery as the parliamentary secretary over there.

We already have a free trade agreement with Colombia, and it was going to be what the government promoted as the be-all and end-all, and yet now we're talking about a Pacific Alliance. So could you tell me how this Pacific Alliance would work? As I said, an FTA, a free trade agreement, was going to be the move. We were going to increase our GDP, increase our wealth, do more trade. It hasn't happened that way in Canada. We're finding in all of our trade agreements that we're not doing as well as many governments have promised.

In fact, we've had trade deficits in 10 of the last 12 months. Our manufacturing sector is in decline in this country, so there's a problem here.

How do you see the so-called Pacific Alliance being a huge boon over and above the FTA? How would this thing work?

• (1600)

Mr. Nicolás Lloreda Ricaurte: Thank you, Mr. Easter.

I'm not going to comment on Canada. I will comment on Colombia, which has signed and implemented a number of free trade agreements, some of which have in some aspects—for example, we will receive a lot of foreign investment but perhaps our exports to those countries are not growing as much as our imports.... Why? Because we had high or higher tariffs, so when they came down it was obvious that the country with the lower tariffs was not going to benefit as much.

I know that Canada increased its exports to Colombia by 19% in one year. That is a very significant number, especially when the types of things we are buying are industrial machinery and vehicles. Those are products that generate a lot of value-added and a lot of jobs.

Specifically on exports, it has been useful, but my point is that the alliance is not just a free trade agreement; it goes far beyond that. It has a lot to do with countries that share values, believe in basic principles, and want to harmonize rules to create a bigger market.

As you know, when you talk about economic liberalization the first liberty is goods. You also have services, investment capital, goods, and people. Perhaps the European Union is the only example of a successful effort at liberalizing capital and people in some aspects, but any economist will tell you that harmonizing rules brings down a lot of barriers and creates a lot of opportunities.

In the case of Colombia and the Pacific Alliance, we already had free trade agreements with Mexico, Peru, and Chile before we started this. We see it as a much deeper integration. For us, it's not just an FTA.

Hon. Wayne Easter: I'm trying to get my head around just what the Pacific Alliance is. Would you see this as a style of trade, commerce, and investment, something along the lines of the European Union?

Mr. Nicolás Lloreda Ricaurte: No, I mentioned the example of the European Union as a process in which there has been integration in other aspects.

The Pacific Alliance is what its leaders decided it would be, a framework to explore a joint effort with Asia and to further integrate the economies because they share the same values. For Colombia it is very important because those are all very important markets for us.

Hon. Wayne Easter: You're almost as hard to get answers out of as the government is.

The Chair: No, no, I think the answers are very good.

Hon. Wayne Easter: Based on the documentation we have here, Canadian direct investment in Colombia is \$1.685 billion. Is that mainly in the mining sector? Where is that Canadian investment in Colombia? Is that something you think we should be expanding, and if so, how?

Mr. Nicolás Lloreda Ricaurte: Mining and financial services are the key. A number of Canadian companies have been purchasing minority and majority stakes in some financial institutions and looking into others. Aside from mining, we have a big presence of Canadian entities now in the financial services. Mining is definitely the area where you see more investment.

A couple of weeks ago, I was in Bogota and the Canadian ambassador had some people over. He invited me and he took me to a room where he showed me a map of Colombia, divided by what we call states, and in every state there was a Canadian flag because there's at least one Canadian company exploring the country. The Canadian attention in the mining sector towards Colombia is very significant and very important. I think Colombia was not a mining country because we did not control territories. But there is now a very big part of the territory that is being explored. We're learning from the experience. We are very lucky to have a very close cooperation with the Canadian government. For example, we took our vice-minister of mines to Sudbury a few days ago. We're working together so we can accomplish responsible mining. I think the Canadians can be very good partners for that.

•(1605)

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

The Chair: Thank you very much. That's why I think the Liberal opposition voted in favour of the Colombia free trade agreement. It took them a while to come around to that, but they did.

Go ahead, Mr. Shipley, you're next.

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

Mr. Ambassador, it's always an honour to have an ambassador come before our committee to talk about his country and the benefits and the values that are changing, particularly in Colombia.

I had the opportunity a little over a year ago to visit your country. I was in Medellin, and it was incredible. When we went to the hotel, we looked around for security. We looked around for all the things

that we had been told about not many years before. I was told that, two years before, if we had come to this hotel, there would have been armed guards in front of it. For those few days that we were there, we had an opportunity to talk about our free trade agreement. And we never saw one armed guard. I give credit to your country for taking hold of something. They had tried to brand Colombia as a country of high crime and high violence. You've been able to grasp that and deal with it in a very positive manner. I congratulate you on that.

One of the things Canada is doing, and wants to do, is to have a presence in Latin America. The Pacific Alliance of the four countries, Colombia, Chile, Peru, and Mexico are the ones that we're talking about right now. I wouldn't mind getting your opinion of Canada's becoming part of the Pacific Alliance. This would make Canada more visible in Latin America. Do you see this as a benefit to Canada?

Mr. Nicolás Lloreda Ricaurte: I think it's up to Canada to decide if it wants to change its status from observer, where it is very welcome, to something more hands-on. I think it has been good for Colombia and for Latin America that Canada has recently turned more of its attention to Latin America. We're neighbours, and we value the presence of Canada. Canada has had an independent position towards Latin America on many issues, like human rights cooperation. There are many Canadian initiatives that Colombians value. I hope that Canada increases its attention towards its neighbours in Latin America. There are many things that we are doing together now, like regional security efforts in drug interdiction, and working in the Caribbean together. There are many aspects that we still can explore and go further. As to the changing of status, that's really up to you.

Mr. Bev Shipley: Then obviously we're interested because this is why we're having these discussions.

I was impressed. You said that your economy doubled in 10 years. Canadian exports to Colombia, if I heard correctly, were up 19% a year ago, contrary to what the member across was saying. You also talked about your middle class and the rising number of people in it.

When free trade agreements come about—and we've had that discussion—they help to boost an economy. Do you see the free trade agreement that we have with Colombia as having helped lift your economy and living standards?

If that is the case—and you can say yes or no—what do you see the trade alliance doing for the economy and the same sort of situation?

•(1610)

Mr. Nicolás Lloreda Ricaurte: Yes, our president, since he was trade minister 20 years ago, has always been a champion of free trade. He believes strongly in free trade. He actually pushed for the first comprehensive trade agreement with our neighbours, Venezuela, Peru, Ecuador, and Bolivia.

The real consolidation of the Andean Community was done under his watch as trade minister over 20 years ago. I remember because I worked for him as an assistant, and he has never wavered. He has been finance minister; he has been defence minister; he has always believed that free trade is a very important element. It's not the only one. In the case of Colombia—and every country has its own policies—the secret for growth comes from security, comes from free trade, comes from opening our economy, and comes from programs of social inclusion, because there are those who will not benefit just by free trade, and those who require some help in order to get to the middle class, and that's what we're trying to do, work with all these elements together.

Mr. Bev Shipley: I congratulate you for that.

Going to agriculture, the things that Canada is renowned for—among a lot of things, quite honestly—are our natural resources and our agriculture. We're recognized around the world for the quality of products not only that we grow and produce but in our genetics and livestock also. That was a significant discussion in terms of lentils and some of those crops when we were talking about agriculture to Colombia. But as we move into and become a partner with the Pacific Alliance, what would that mean in terms of the Pacific Alliance, having Canada come on with the things that I just talked about? Or are they just entitled, wrapped up into the free trade agreements that we've already got?

Mr. Nicolás Lloreda Ricaurte: Look, our position is, and my experience is, that in every free trade agreement, agricultural products are always the most sensitive. Just think of any country, and there's always the category that we don't want to open and touch, agriculture products, with the exception of the ones the country feels that it really has to export because it has a lot to offer.

So those are all very sensitive points. If you look at the Colombia-Canada free trade agreement and the U.S.-Colombia free trade agreement, there are those categories of agricultural products that have the longer phase-outs, 10 years, 12 years, because they are very sensitive politically. I can't comment on a specific issue. Again, these are all elements of a whole negotiation, so they have to be seen as that.

Mr. Bev Shipley: Ambassador, thank you for your time.

The Chair: Monsieur Morin.

Mr. Marc-André Morin (Laurentides—Labelle, NDP): Thank you, Mr. Ambassador, for being here, and I apologize for coming in a few minutes late.

I can really hear that the alliance will cover a large range of issues, such as movement of business persons and facilitation of immigration, including police cooperation and customs cooperation.

What kinds of changes do you foresee in that range of issues? What would you like to see change in the future or to be integrated with Canada as much as it is within your four member countries, let's say?

• (1615)

Mr. Nicolás Lloreda Ricaurte: Yes. I thank you for that question.

As I mentioned in my opening statements, and I'll try to be brief, this is one issue where we think that Colombia and Canada can definitely work a lot more closely together. There we don't want to

threaten any immigration or security policy that Canada has in any way. But we've found with other partners—for example, with the U.S.—that we've improved our immigration requisites significantly, and we've eased the flow of businessmen, tourists, and students to the U.S. significantly by working closely with the authorities. This is done by recognizing our security systems and understanding them, and by improving them together we can work significantly. I think that is an area in which Colombia and Canada need to work a lot more.

Mr. Marc-André Morin: Could you tell me the difference between the alliance and existing treaties like Mercosur and the Andean Community?

Mr. Nicolás Lloreda Ricaurte: Yes. That's a very good question, a hard question.

It's a hard question because I worked many years ago at the Andean Community. I was based in Lima and I spent a few years there. At the time the Andean Community was an example of integration. We managed to multiply trade with our partners in a relatively short period of time. Once we opened the barriers and we started to harmonize rules, trade with our partners increased dramatically. However, that's no longer the case. There are unfortunately a number of barriers that are difficult with some of the trade in the Andean Community. That is a regional integration bloc that is going through a relatively difficult time in some respects. As you know by the history, some countries have come in and others have left.

Mercosur is an important bloc. It has the largest economy in South America. I don't want to comment on a bloc that Colombia doesn't belong to. I certainly think that the initiatives of many integration blocs are similar. The objectives of many integration blocs are the liberalization of goods, services, capital, and people. I think it's very important—as we have in the WTO, when you look into this—that we have strong dispute settlement mechanisms. Where you're missing them, it is not easy for investors and the business community. They're all different, but they are very similar in many aspects.

The Chair: Thank you very much.

Mr. Holder.

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

I'd like to thank our guests for being here today. I really appreciate this. It's interesting, and I'm not sure if you're familiar with a show on television called *The Twilight Zone*. It went back many years ago and has been reconstituted today. The setting basically is of someone going into a dream and then waking up and they're not sure if it's still the current reality or the next reality.

I find it really curious, as someone who has been on this committee since I was elected several years ago, remembering the NDP being so aggressively against the free trade deal with Colombia. They were so strong. They condemned Colombia, accusing it them of government-sponsored deaths, corruption, association with FARC, subjugation of citizens, subjugation of trade unions. It was unbelievable and it was brutal, even though from our standpoint we felt there were so many optimistic things to do with Colombia.

But I want to give a bouquet to the New Democratic Party because I think through the leadership shown by Mr. Davies, it certainly seems that they now have an enlightened approach. And I say this with deep respect. I want to say thank you for the approach you've taken.

But then I contrast that with my colleague from the Liberal Party who supported strongly the position of Colombia and would say so. But I've heard him talk at length about Colombia and other deals and I wonder just how much worse Canada would be if we didn't have free trade deals, because now it seems that we have Liberal Party who is against removing tariffs. They seem to be against making rules and investor provisions clear for folks who are trying to do business in Colombia. They're against the dispute settlement mechanism, and they must be, because I constantly hear the member from the third party say how bad it is that we do these deals, because look at these trade deficits.

I just don't get it. I'm not sure if it's an affliction of being the third party at a time. I say this with no disrespect, but it feels like a role reversal.

Some hon. members: Oh, oh!

• (1620)

The Chair: Is there a question?

Mr. Ed Holder: There is a question, and my question is as it relates to your relationship among the Pacific Alliance. You talked of the importance of the alliance, and we as a country understand our relationship with the four countries we currently deal with and we think it's consistent with where we're trying to go.

But I'm trying to understand, where does Brazil fit into the thinking of the Pacific Alliance? I didn't hear it when we had the ambassador from Chile here—who was cited in today's *Embassy* magazine as supporting Canada's membership should we choose to do so. But where is Brazil in your mix or thinking, please?

Mr. Nicolás Lloreda Ricaurte: Mr. Holder, I'd like to start by thanking you for your words about Colombia and by just saying that I don't think the critics of the things that were happening in Colombia were just in Canada. I think they were worldwide in many respects, and I think some of the criticism was valid. I think Colombia had a lot of things to fix and I think we've fixed many of them. The government is aware that we haven't fixed them all and that we have to keep on working and investing. That's the purpose and the line that our president has put before us.

I can't comment on another country. We enjoy a close, good relationship with Brazil. We have a lot of Brazilian investment. My staff was reminding me that another very important sector in which Canadians are heavily investing in Colombia is infrastructure, helping us with energy and especially with the new transportation initiatives that the government has. So we have a lot of companies moving there, checking, asking questions, visiting and bidding. We also have a company from Brazil doing the same thing.

I think for Colombia opening our economy has been very useful.

Mr. Ed Holder: That's very diplomatic and very thoughtful. I guess if you don't mind me pressing it a little bit, I will because it has some bearing on Canada's approach to Mercosur. There you were correct about our emphasis on the southern hemisphere in terms of

the Americas. As vice-chair of ParlAmericas, I really respect and appreciate what Colombia has done and I say this with the deepest of compliments to your country.

As we choose where we as a country want to be—and I think we're all looking to determine where Canada fits into this mix—I am trying to get a sense from you of whether you could imagine inviting Brazil in at some point to this. Does including Brazil fit into the longer-term plan of the Pacific Alliance? Do you have a sense of that?

Mr. Nicolás Lloreda Ricaurte: I don't. By that I mean I don't have a sense either way. I mentioned that we have two countries that were observers initially and now have specifically said that they want to join.

Mr. Ed Holder: Sorry if I'm interrupting you, because I know I'm just down to the last moments. Would a condition of Canada's participation be visa-based? I know that when I've travelled to Chile and Costa Rica, even most recently, that issue came up and I know we're mindful and selective and sometimes I would say painfully slow, but would that be a condition of participation in your view?

Mr. Nicolás Lloreda Ricaurte: I think that the issue of the free movement of people is essential to the alliance. That is an issue that every country that wants to participate has to tackle in some way. I'm not saying that you have to do this and get rid of that if you want to join, but I'm saying that it is on the table.

There has to be some interest in improving the facilitation of movement of people, clearly, if you want to join a group whose objective and one of the core reasons is goods, services, capital, and people. You can't avoid that issue completely. Any country that wants to join has to consider that issue and has to figure out a way to work with the other members on that matter.

The Chair: We want to thank you very much for coming forward and participating in this round of questioning and dialogue with regard to this Pacific Alliance.

With that, I just want to remind the committee that we will have bells at 5:15, so we will suspend for just two minutes as we ask our second guest, Ambassador Bellina from Peru, to come forward and then we will start the second round.

We'll suspend for two minutes.

• (1625)

(Pause)

• (1625)

The Chair: We'll call the meeting back to order.

We also want to thank the Ambassador to Peru. Your Excellency, thank you for being here. We look forward to your presentation and then we'll follow it up with some very good questions, I'm sure.

The floor is yours, sir.

His Excellency José Antonio Bellina Acevedo (Ambassador, Embassy of Peru): Thank you, Mr. Chairman.

I know that you are short of time and I appreciate this invitation very much.

[Translation]

Good afternoon, everyone. It is a pleasure for me to be here with members of Parliament. My government has authorized me to be here to answer your questions about Peru and the Pacific Alliance.

[English]

I would like to make a very short presentation regarding how is Peru right now. With this you will have the framework of my country.

The Peruvian economy continues showing high growth rates. The GDP growth rate in 2012 reached 6.3%, almost the highest in America and the highest in the world. A growth rate of 6.5% is forecast for 2013. Peru's economy had the highest GDP growth in the region over the last decade. During the last decade Peru has shown one of the lowest inflation rates in the world. Growth in the last 10 years has been based on a strong external position. The Central Bank of Peru has accumulated international reserves in the amount of \$67 billion.

Investment was 26% of the GDP in 2012, and announced investment projects amount to \$35 billion for 2012-13.

Exports have almost tripled during the period 2001 to 2011. In 2011 Peruvian exports accounted for almost \$46.30 billion. Traditional exports were \$35.84 billion, and non-traditional exports were \$10.13 billion.

As a result poverty has decreased significantly. Steady growth has contributed to an important reduction in poverty during the last decade. In the last 10 years Peru has experienced the largest poverty reduction in the region, from 53% to 27%. Peru is currently considered a middle-income country, a status not achieved since the 1950s.

This is not a miracle of Santa Rosa de Lima. No. It is because in the last 20 years we have had the same policy in trade and investments. We are one of the most open economies in the world, supported by a full democracy, enforcement of law, and the work capacity of the people of Peru. This is not a miracle. It is about work, and work, and work in democracy.

In recent years the relationship between Peru and Canada has achieved a high level, mainly as a result of the entry into force of the bilateral free trade agreement of August 1, 2009. Currently the high-level dialogue between both countries is dynamic, and the bilateral agenda comprising a diversity of issues, including the development of social inclusion, the strengthening of economic ties, and the projection into third markets, particularly Asian markets.

From the hemispheric perspective, both countries share objectives such as governability and democratic stability, and economically and socially sustainable development. In this framework both countries are working toward achieving a strategic partnership.

I am not going to mention all the visits that we have had in the last years, but I would like to recall the presence of the General Governor in December last year, the Minister of Foreign Affairs in January—

• (1630)

Mr. Roberto Rodriguez (Deputy Head of Mission, Embassy of Peru): February.

Mr. José Antonio Raymundo Bellina Acevedo: February. And there were many visits of Minister Ablonczy, Minister of the Americas, and Minister Ed Fast from International Trade. There was also the Minister of Labour. I think we have had a very important exchange of high authorities between the two countries. If you want, I can leave the list with you.

The Chair: I think you also spent time with the trade committee.

Voices: Oh, oh!

The Chair: Carry on.

Mr. José Antonio Raymundo Bellina Acevedo: A new approach to bilateral cooperation is a partnership based on shared interests and goals—a non-aid approach.

In terms of cooperation programs, Peru is one of the 20 focus countries for Canadian international cooperation, from a political decision of the government of Prime Minister Harper. In terms of the Canadian cooperation to Peru approach, it is \$30 million Canadian, especially in program development in such areas as capacity building, particularly in rural governments in Peru; conflict management; and education for employment, among others.

With regard to economic relations, the total bilateral trade between Peru and Canada in 2012 was \$3.906 billion U.S. The main Peruvian exports to Canada are minerals—gold, lead, silver—fish, oil, and coffee. The main Canadian exports to Peru are wheat, lentils, paper, machinery, and airplanes. Canadian investments in Peru approached \$8 billion, mainly in the mining sector.

I would like to state here that in the last year, the importation of Canadian goods, after the signing of the free trade agreement, grew and grew each year, maybe by 10% to 25% per year, in terms of exports from Canada to Peru.

We have other areas on the bilateral agenda: defence and security, immigration issues, multilateral affairs, labour, environment, etc. We have a shared agenda toward common goals, such as an economic alliance, of course in the framework of the free trade agreement.

With regard to developing social inclusion, Peru acknowledges Canadian government action to support economic growth and social development in partner countries with strong extractive sectors, which share with Canada such values as democratic governance, human rights, and social inclusion.

Peru has already expressed its willingness to work jointly with Canada for the establishment of a branch of the International Institute for Extractive Industries and Development, which is at the University of British Columbia. The Government of Peru confirms that a branch of this institute has been put in Peru.

In terms of entry into the Pacific Alliance, as you know, the Pacific Alliance was established by the Lima declaration signed by the presidents of Peru, Chile, Colombia, and Mexico on April 28, 2011.

I would like to say very clearly that it was a Peruvian initiative. It was an initiative of the Government of Peru.

The main objective of the alliance is to attain the four fundamental freedoms of a common market: the free movement of goods, capital, services, and people.

Bilateral free trade agreements enforce among all member countries a significant basis for common negotiations. Member countries of the alliance are strongly committed to the promotion of democratic regimes, the rule of law, and international trade.

You have some slides here that can show you how....

• (1635)

The Chair: Yes. We've been following them.

Mr. José Antonio Raymundo Bellina Acevedo: As to the value of the Pacific Alliance, the Pacific Alliance is a platform aiming at fostering economic growth, competitiveness, integration, and effective cooperation among its member countries.

Colombia, Chile, Mexico, and Peru consider the alliance as an effective mechanism for the promotion of economic growth, developing open economies and market diversification, and investing in technological innovation. In this sense, the alliance has a priority in the four countries' foreign policy agendas.

In the face of the global economic and financial crisis, the alliance encourages open economies and revitalizing international trade as tools to promote global economic growth. The economies of these four member countries already show steady growth in a diverse global financial environment. In this connection, the alliance shows great potential as a forum for the articulation of economic cooperation in Latin America, the Pacific, and Asia-Pacific areas.

The population of the countries of the alliance is 205 million people. Their combined GDP is \$1.88 trillion US dollars, which is more than 35 per cent of the GDP of Latin America as a whole. Half the exports from the region come from the four member countries of the Pacific Alliance. According to 2011 global figures, the Pacific Alliance economies were positioned in 10th place, after Italy and the Association of Southeast Asian Nations, ASEAN.

The promotion of democratic regimes, the rule of law, and international trade are the main commitments of the Pacific Alliance, and are now considered as the driving force of their economic growth. The four member countries are among the most open economies and the most stable democracies in the world. The alliance has four of the most dynamic economies in the Latin American-Pacific basin. The four economies share a clear appreciation of the Asia-Pacific.

Cooperation is a key component of the Pacific Alliance: free movement of people, security and public safety, climate change, academic change, integration of its top markets, establishment of joint diplomatic and trade offices, electrical and physical inter-connection. This means that it's more than a trade agreement; it's a full integration project.

Canada has the support of Peru to be an observer. We fully support the possibility that Canada is going to be a full member of the Pacific Alliance. There are a lot of steps that the observing countries have to achieve to be full members. Right now, observing members are Costa Rica, Panama, Canada, Uruguay, Spain, Australia, New Zealand, Japan, and Guatemala.

Regarding Peru's perspective of the Pacific Alliance, Peru considers the Pacific Alliance as a means to promote economic growth with social inclusion. The Pacific Alliance is not an ideological bloc. It aims to complement all the existing regional integration efforts. Peru sees with great sympathy Canada's interest in joining for the first time a Latin American integration process.

Finally, a favourable location in the Americas, as well as the fact that the Canadian government has signed a trade agreement with the four members of the alliance, puts Canada in an advantageous situation compared with the other observer countries. The Pacific Alliance is moving toward an ambitious integration process that will go beyond the strengthening of commercial and investment ties among the most open and dynamic economies of the region. In this context, political dialogue and cooperation, together with free mobility of people, are key factors in this process.

From an inter-regional perspective, economic and social sustainable development is a main goal of the alliance. From an international point of view, a main goal is the strengthening of the bloc economy to Asia-Pacific markets. This is the first time that Canada has expressed an interest in joining a Latin American integration bloc. This could be a first step leading Canada to a better knowledge of Latin America and to concrete and effective integration with the region.

• (1640)

Thank you very much, Mr. Chair.

The Chair: Thank you very much. I appreciate that.

Mr. Davies, the questions start with you.

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

Thank you, Your Excellency, for taking time to be with us here today.

I want to read you a passage from the U.S. Department of State notes from August 2012. This is how Peru is described:

Two decades of pro-growth macro-economic policy in Peru have yielded unprecedented economic expansion, low inflation, investment-grade status for the country's debt, and a dramatic drop in poverty rates. Yet many challenges remain. More than a quarter of the population continues to live in poverty, illegal coca growth and cocaine production are on the rise, and social conflicts over natural resources and how to achieve socially inclusive and environmentally responsible growth pose serious challenges. Continued poverty reduction will remain critical to achieving socially inclusive and environmentally responsible growth.

While I congratulate your country on progress made, it sounds to me as though there are some significant challenges remaining.

Two questions come to my mind from this. Number one, over the last two decades, has the sharing of wealth in Peru gotten more equal in your country or has the wealth discrepancy become wider, as I think it has in Canada?

Mr. José Antonio Raymundo Bellina Acevedo: Thank you for your question.

I'd say there's been a big change in Peru since the fifties. Right now Peru is a middle-income country. It's not us saying that; it's the UN and the statistics.

Of course we have a lot to do. Almost 25% of the population lives in the highlands in the Andes. These are people who have lived there for thousands and thousands of years and they want to maintain their own way of life. If you go there and you have a western frame of mind and you say, "Look, these guys don't have power. They don't have water in this small hamlet of 1,000 or 2,000 people". In the Andes zone in Peru, there are more than 22,000 hamlets of fewer than 1,000 people. How in a country like Peru are we going to have all these facilities? It will be very difficult. It will take a lot of time and cost a lot of money.

Mr. Don Davies: Thank you.

I just want to focus on the question, because I have limited time. My question is about the way that wealth is shared. Has the share of wealth been distributed more equally in the country or has it gone in the opposite direction, in your view?

Mr. José Antonio Raymundo Bellina Acevedo: Yes, because the income of 60% of the population has increased, especially with the zones. That is why I remark that it's very difficult. We are talking about the highlands. We are talking about the coast of Peru, the big cities, the Amazonian forest. We are a country with very big differences.

Mr. Don Davies: I see.

Mr. José Antonio Raymundo Bellina Acevedo: Maybe the poor people will stay in the highlands of the Andes, this 25% that we talked about, the poor. But the government is focusing on those people right now. They have two goals: social inclusion and education.

Mr. Don Davies: Can I focus on the environment now? Because you raised it in climate change. One of my concerns is that you talked in the State Department about how achieving environmentally responsible growth posed serious challenges, not only for Peru but for Canada and I think for every country in the world.

How do you see the Pacific Alliance addressing the issue of raising environmental standards? We talk about trade and money and commerce and goods and services, but there are many of us, particularly on our side of the House, who view the environment as a critical component of the economy. In fact I say it is the economy. Without an environment, without our land, air, water, basic resources, we're not going to have economic opportunities. How do you see the Pacific Alliance addressing that? Do you see that being a subject of this deal, such that all the members of the Pacific Alliance will actually sign on to improve their environmental regulations?

• (1645)

Mr. José Antonio Raymundo Bellina Acevedo: Thank you for your question.

Usually the Latin American countries have a very common position regarding the environment, with few differences. In the case of Peru, Peru and Brazil share the Amazonian forest. Of course there are a lot of countries around it with a small portion, but the main Amazonian countries are Peru and Brazil. We have to keep this air of the world. Everybody always says it's the lungs of the world.

Mr. Don Davies: It's the lungs of the planet.

Mr. José Antonio Raymundo Bellina Acevedo: It's very difficult especially for the new lungs with agricultural produce and so on. We also have the problem with the oil fields and the mining fields, though not in the case of Peru. In the case of Peru, the main problem is the illegal mining activities. There is no state control, and they start to use the rivers and cause problems.

The main thing here is that there are some countries like Canada, for example, or Australia, or New Zealand, that are going to share the goals with our countries. It's going to be much easier for us to achieve a better environmental framework.

Mr. Don Davies: Has the environment been the subject of discussions in the Pacific Alliance?

Mr. José Antonio Raymundo Bellina Acevedo: Yes, of course.

Mr. Don Davies: In the discussions up to now? Is there a chapter?

Mr. José Antonio Raymundo Bellina Acevedo: Yes, they just had a discussion among the four countries because we want to share our experience. Colombia, Peru, Chile, Mexico, all four countries, have mining and oil fields. We have more or less the same legal frameworks, some stronger than others.

Mr. Don Davies: Can you tell us, Ambassador—because the Amazon is such an important part of not only South America but also as you said, the world's environment—is Peru in a positive or a negative direction in terms of protecting the Amazon forest? Could you give us a bit of insight into what's happening in Peru?

Mr. José Antonio Raymundo Bellina Acevedo: I think that in the last 10 years we have been doing much better than in the past because, for example, we have this law on prior consultation with the Amazonian inhabitants. It is going to decide if the development of mining, or an oil or gas project, will or will not be accepted. We are working on that. It is very hard for us. Sometimes it's difficult because there is more population around.

We are working well. For example, almost 35% of the Amazonian-Peruvian forest is protected. You cannot have any activities there. For example, in Madre de Dios, which is one of the biggest regions in Amazonia, there is a protected zone the size of Belgium. There is no destructive activity in this part of the country. We know that there is oil, gold, and many things, but by decision of the government, it is protected. It's the same in the north, close to Colombia, in the Pacaya-Samiria zone. It is a very, very large zone that is also protected.

We try to do our best. We know we can do much better, but we are doing better. We are working on that.

The Chair: That sounds very exciting. It sounds just like the greenest province in Canada, Alberta, and the national parks that we have there.

Mr. Cannan.

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

Thank you, Your Excellency, for your appearance here today, along with your distinguished assistants, and giving our committee an opportunity to learn more about this very exciting Pacific Alliance.

We know that Canada will always have our biggest trading partner, the United States, but through our global commerce strategy, we're trying to expand our market share. We've had an agreement with Peru in 2009, including an environmental agreement and one looking at labour issues.

From our perspective, my personal perspective, I always look for a balance between the economy and the environment, and I think it's very important that they work together. They're not mutually exclusive, but inclusive, and can work together in harmony for a strong sustainable society.

I commend you and your partners for bringing this Pacific Alliance forward.

My first question is, would it be beneficial to Peru if Canada were to join the Pacific Alliance?

• (1650)

Mr. José Antonio Raymundo Bellina Acevedo: I am not an expert in economics and trade. I am a typical political diplomat, career diplomat, with some 35 years in this métier. I would like to say that the Pacific Alliance is Americas-oriented, affording a deep integration process in which trade and investment are not the only components of this scheme. In this case, political dialogue and co-operation are crucial elements as is the free mobility of persons within the member states.

Bearing in mind that Canada is a country located in the Americas, the decision to be a full member of the alliance may be also interpreted as a political decision in favour of becoming more involved in the hemisphere and Latin America, and to play a key role with countries that share the same values and principles that Canada defends, such as democracy and human rights.

For me—and right now I'm speaking in my own capacity—it's a challenge for Canada to be a member. Canada is going to decide, finally, I hope, that it is going to fully integrate in the Americas. The Pacific Alliance is the opening that provides more value to do that. That is my answer, sir.

Hon. Ron Cannan: We've accomplished a lot of gains to date. Do you see more opportunities for both countries to expand our trade? You heard the earlier discussions about the World Trade Organization. It's moving forward like a herd of turtles, it's so slow. We need to make these bilateral and regional trade agreements.

We have a bilateral agreement with your country. It's moving forward. Do you see additional opportunities for both countries if we were to enter into this agreement?

Mr. José Antonio Raymundo Bellina Acevedo: Of course. Peru's also a member and works very hard in all organizations to promote trade, but we started to have a lot of problems regarding the differences in the policy approaches of other countries. My colleague from Colombia talked about the Andean countries, but last time two of the four countries changed their economic and trade policies. We

are not going to stop. Colombia and Peru have to grow. That is why we decided to look for another kind of agreement, to move on.

Right now the progress and the possibilities of these four countries are very big. I think that Canada could be a very good partner in this process.

Hon. Ron Cannan: We heard from the Colombian ambassador today and from Chilean ambassador on Monday. I know you work together and are also very competitive on the soccer pitch. There was a big FIFA game on Friday.

Mr. José Antonio Raymundo Bellina Acevedo: Yes, yes—here we are.

Hon. Ron Cannan: That's the big news in your country, the soccer and the first Latin American Pope, so congratulations.

Mr. José Antonio Raymundo Bellina Acevedo: We spoke of the Pacific Alliance on Friday; don't worry about that.

Some hon. members: Oh, oh!

Mr. José Antonio Raymundo Bellina Acevedo: We continued after the soccer match.

Hon. Ron Cannan: They're removing 90% of the tariffs. They feel they'll have this agreement in place by the end of the month. Is that still on track? Do you know how the negotiations are going with the four partners?

Mr. José Antonio Raymundo Bellina Acevedo: The next meeting is in Cali.

Hon. Ron Cannan: The four partners of the alliance are saying right now that they should have 90% of the tariffs removed by the end of March. Do you think it's on target? Is it moving as proposed? Are they going to need more time?

Mr. José Antonio Raymundo Bellina Acevedo: I don't have any information regarding this meeting. Right now they are working on some technical aspects of the agreement. The delegations are going to talk about all these different aspects.

I'm sure that in the last few months it's going to be very easy for the four to agree on all matters because the policies are more or less the same, and the goals are the same.

When you negotiate, sometimes you have to request more or less time. In any case, I hope they are going to achieve a very good agreement before the summit in Cali, Colombia.

• (1655)

Hon. Ron Cannan: So Canada right now is an observer—

Mr. José Antonio Raymundo Bellina Acevedo: It's an observer.

Hon. Ron Cannan: What do we have to do if we want to join? What's the process?

Mr. José Antonio Raymundo Bellina Acevedo: There is a step-by-step process.

We are very close friends with Canada. Usually, on an informal basis, all the agreements we achieve or are going to achieve we share in common with the Canadian government, because that is the way we are going to encourage Canada to be a member. It's very easy because we share the same goals.

Hon. Ron Cannan: What would be the timeline if we wanted to join? How long would it take?

Mr. José Antonio Raymundo Bellina Acevedo: That is a very good question because there are some aspects where I know Canada has some problems because of its policy situation. For example, immigration: immigration is a difficult matter for Canada. In Peru, we understand that.

In the last conversation we had with Minister Baird in Lima, we agreed that it's a difficult task for Canada. We are going to value each step that Canada can take to achieve this goal. For example, I don't know if you've seen the form for requesting a visa to Canada. It's five or six pages long. Sometimes they ask you, how's your father, your mother, your brother, your sister? I always say that is against Canadian privacy laws.

Somebody says they're not going to apply. They prefer going to the States or to the European Union. This is also a problem for tourists and for the students who want to go to Canada to develop their skills here because it's a very good system, cheaper than the United States, and safe, but when they arrive at the Canadian consulate....

The Chair: It's very interesting, and I know Mr. Easter is going to want to hear more of this.

Mr. Easter, the floor is yours.

Hon. Wayne Easter: Thank you.

Yes, I very much appreciated your direct answers to Ron there, Mr. Ambassador.

I'll just follow along that line because I think you were here earlier when we were asking. We have a free-trade agreement. Just what is the concept of the Pacific Alliance? In your response to Ron and earlier, you said beyond strengthening commerce, trade in goods and investment, it's the free mobility of people. Can you expand on that? Nobody has yet—none of the witnesses and certainly not the government—has explained to me what the Pacific Alliance is at the end of the day. You talked about social inclusion. But what does all this mean? Trade in commerce and trade in goods is easy to understand, but what's the end result of the Pacific Alliance?

If I look at the Pacific Alliance, it is certainly not a geographic block because Ecuador isn't in it. You've got Central America in between you folks and Mexico. So just what is the concept at the end of the day?

Mr. José Antonio Raymundo Bellina Acevedo: The concept is integration between the countries that were to be members of this alliance. For example, whether we are going to have mobility of persons. Right now even in Peru we have a lack of working people, especially on the coast.

Right now we have Chileans and Colombians working in Peru and also we have Peruvians working in Colombia, Mexico, and Chile because we don't need a visa, and it is very easy to fill out the form to have status to work in our country.

When we say education equivalency, we recognize the titles and the basic levels to the university levels. It means that somebody who is an engineer in Peru is going to be recognized as an engineer in Colombia, Chile, and Mexico. This is very important for us. I would

like to say something, sorry for this, but a lot of Peruvians came here thinking that they were going to be recognized as engineers, and then they weren't recognized as that. They are working as plumbers sometimes.

That is the difference. The idea is that, if I am an engineer in Peru, I am going to be an engineer in Mexico, Chile, and so on. This is more than that.

• (1700)

Hon. Wayne Easter: So basically as it relates to people and knowledge, it would be common recognition of their credentials, be they an engineer, a doctor, a dentist, whatever.

Mr. José Antonio Raymundo Bellina Acevedo: Exactly.

Hon. Wayne Easter: That's a step ahead from where we were a day ago.

The other point that I've consistently raised with this government is that those on this side of the House are concerned that the government is more interested in basically signing the agreements than their results, because the results haven't shown through to date. Canada is increasingly having trade deficits, and that worries us.

If I look at trade with Peru, you export six times more to us in merchandise trade than we export to you. That's a huge trade deficit for Canada. So it's no wonder that your GDP is increasing and ours not so much.

What is that trade mainly in? Where do you see the opportunities for Canada in this deal?

Mr. José Antonio Raymundo Bellina Acevedo: I would like to say that in the last three years Canada's exports to Peru increased by almost \$100 million after the free trade agreement. In three years they increased 25%. Also the Peruvian goods....

But the main export of Peru to Canada is minerals. Of those minerals, 30% to 45% are from Canadian mining companies. This means that the Canadian companies that invest in Peru and have a profit in Peru pay taxes here.

Hon. Wayne Easter: Oh, they don't pay many taxes here. These guys over there lowered their taxes. They are sitting on \$560 billion as a result of this crew over there.

The Chair: Can you just keep the questions and the answers....

Mr. José Antonio Raymundo Bellina Acevedo: In any case, I think Canada can take more advantage of the free trade agreement with my country.

For example, last November there were 15 infrastructure projects. The largest Canadian companies went to Peru and decided to do business with Peruvian projects. We are opening the scope not only of mining and oil but.... Right now there are Canadian infrastructure companies going to work in Peru.

I think the free trade agreement is also a process. It's not from one day to another that you are going to have a profit; you have to wait a little.

For example, I have been here three years. Each year I go to a supermarket and I see more Peruvian products and goods. You can eat, right now, Peruvian mangoes, bananas, mandarins, papayas. A lot of these products are from Peru thanks to the free trade agreement. We also have new Twin Otters in Peru thanks to the free trade agreement.

It's good. The free trade agreement is a good idea.

The Chair: That's very good, and from a guy from Prince Edward Island, they would probably like potatoes. If not, they are going to. It's all going to be good.

Mr. Keddy, the floor is yours.

• (1705)

Mr. Gerald Keddy: Thank you, Mr. Chairman. I was worried that I wasn't going to get an opportunity to refute some of the misinformation my colleague across the way has put forth here. Peru is, I think, the original home of the potato, so I would have thought Prince Edward Islanders would get along fairly well with Peruvians.

Maybe I can look at this in a slightly different way. First of all, Ambassador, welcome to the committee. It's great to have you here.

I've always been an optimist. Obviously the opposition members are maybe not so much. I can't help but look at the numbers, many of which you have mentioned yourself. I think numbers speak for themselves.

Your economy is the most rapidly growing economy in South and Central America, one of the best economies in this hemisphere. You have reduced poverty by almost 50%, from 53% to 27%. Surely somebody on the other side can say congratulations. If not, I'll say it for our side.

The Chair: That's what Wayne was getting to.

Mr. Gerald Keddy: Listen, when we came to government in 2006, there was no Americas strategy. We implemented an Americas strategy, recognizing that Canada hadn't had the presence in Central and South America that we felt we should have. We felt it was an important part of the world. There are a lot of Canadian companies doing business with all of the nations down there. We had a long-time free trade agreement with Chile, but that was the only South American country we had a free trade agreement with, and we went about negotiating these bilateral agreements.

When talking about trade imbalances, the opposition members need to look at the numbers. We exported \$4.2 billion worth of goods and services to Peru. Peru exported \$4.4 billion worth of goods and services trade to us. That's a pretty equal trading balance. Our growth in this period of economic downturn has been outside of the continental United States; it has not been with the continental United States. Our trade with the U.S. has shrunk. So thank you for doing business with us.

I'm going to get to a question in a minute.

I want to drill down into the political dialogue and the free movement of peoples and the full integration of the Americas, because surely even the opposition could agree with that concept, that we should treat one another as equals, that we should recognize

each other's educational qualifications, that we should be doing business on a larger and different scale than has traditionally been done in the past.

I'll go back to my original statement. Why would we not want to be part of the tenth largest—actually I said eighth, but eighth, ninth, and tenth are almost tied—trading bloc in the world? I can't for the life of me think why we wouldn't join this group or ask to join this group. I think you guys, the four founding countries, have done a great job at starting this, and our job now is to work with you in a positive way.

The Chair: Do you have a question?

Mr. Gerald Keddy: Yes, what is the immediate benefit for Peru and the immediate benefit for Canada?

Mr. José Antonio Raymundo Bellina Acevedo: Is this regarding if Canada joins...?

Mr. Gerald Keddy: Absolutely.

Mr. José Antonio Raymundo Bellina Acevedo: First of all, it's the start of a full integration process in many, many ways, including security matters. That is very important because there is a security element in the alliance of the Pacific regarding all these threats we have in common. Terrorists, narco-traffic, etc. That is one of the important matters. We have to consider more than trade, education, or the environment. We have to have the framework to talk more openly with Canada on all these matters that affect our hemisphere.

For me, I would say, it is music to my ears to hear that Canada wants to be involved in the hemisphere, wants to be more involved in the Americas, especially in Latin America, and particularly in South America, because we work for that. I have to say that in my three years here I see the political decision to move in this direction. Canada is really interested in South America, in the problems of South America and the solutions of the problems in South America. Right now for us, it's easy to work with Canada. I have to say you have a wonderful embassy in Lima—wonderful for the cooperation, for the EDC, for the democratic office that you have to strengthen democracy in Latin America. We are working with the CCC. We are working with all the agencies of the Canadian government right now.

Also, Canada is working for our benefit. We just signed an agreement on defence, an MOU, one month ago. It means that for us the immediate reaction is not going to be an accountability. It's going to be a political decision that is going to be very important for us, because the support of Canada in this kind of process is an accomplishment.

• (1710)

Mr. Gerald Keddy: So often when we talk about environmental issues, you only ever hear the negative. When we became the government, we increased the national parks system and protected lands in Canada more than any other government had done in the history of this country. We have more land under protection today than Canada has ever had, almost to the point of being doubled.

In Peru, you've managed to protect 35% of the Amazonian rain forest. I've never heard that number before. Congratulations. Those are the good stories and those are the types of things that I think we have a mutual respect for and that we can work together on. I'm talking about the environment.

The Chair: Please be brief.

Mr. Gerald Keddy: Canadian mining companies, which are very active in Peru, play a role in environmental stewardship. It's not an easy issue. People look at a mine site and they see a hole in the ground. They don't look at the benefits and the education that have come about as a result of that hole. But reclaiming those mine sites is how we're doing—

Mr. Don Davies: Mr. Chairman, this is going far over. I'm sorry, I have to object at this point.

The Chair: Okay, go ahead if you have any response to that.

Mr. José Antonio Raymundo Bellina Acevedo: Regarding environment matters, we try to do our best. It's difficult because there are a lot of requests for the government to do more modernization and development. But we have to keep in mind that we are only 30 million people in a big country in South America. You have the Amazon forest, and we work really close with Brazil in this regard. Brazil, for many years, did not have a clean policy on the Amazon. But right now they have a strong policy. We do a lot of work with other countries in the Amazon Cooperation Treaty. But it's not only the Amazon. Also, we need to keep our sea. Peru is the first fish country in the world—more than Japan, more than any country in the world. We have a very strict policy regarding fishing. It's difficult because sometimes we have fleets from other countries that try to operate in our sea. That is why we have a big navy, maybe. We need it. We have over 2,300 kilometres of coast.

The Chair: I appreciate that.

The bells are going to go in a minute or two, but I'm going to ask the committee's indulgence for my using the chair's prerogative to ask a question or two that I think have been overlooked a little.

Last Friday, Japan formally asked to be part of the TPP. The Ambassador of Colombia was here just before you. Colombia is not part of TPP, but Peru is and so is Canada. The indication was that TPP might have some struggles in getting to an agreement, but we're

working as hard as we can. I think your country and our country, all of us, want to see that succeed. But I want your perspective on the success of the TPP and where it's going, and then the potential hurdles it may face and whether there might perhaps be fewer hurdles with the Pacific Alliance, as you see it, and its success were Canada to join it.

• (1715)

Mr. José Antonio Raymundo Bellina Acevedo: The TPP is only a trade and investment agreement; it's not a process of integration. They are going to move, because APEC cannot move. APEC has big meetings, but it really doesn't move too much because it includes a lot of countries with different approaches to trade and investment. The TPP consists of countries that are openly free market countries that have decided to move forward. I think they are not going to contradict your objective for the Pacific Alliance, because we are working in a process of integration larger than the TPP.

The Chair: So you're saying that the alliance has a more comprehensive agenda.

Mr. José Antonio Raymundo Bellina Acevedo: Yes, of course, the alliance of the Pacific is more comprehensive.

The Chair: I think that's what we needed to get cleared up.

In your hypothesis, or let's say your projections of the success of the TPP and the timeline, would you be so bold as to...?

Mr. José Antonio Raymundo Bellina Acevedo: It's very difficult, because there are a lot of negotiations between the members—even Canada right now. I don't know very much about that, because there are experts in my headquarters who send some reports that are very difficult for an old-fashioned diplomat to read. But in any case, I think all of these processes are good; everything that supports free trade and free investment is good for our countries. Peru was one of the countries that offered a lot of support for Canada to be a full member of the TPP. This is the kind of relationship we have right now with Canada.

The Chair: I appreciate your being here and appreciate your perspective. I want to thank you, Your Excellency, for your time this afternoon and the committee for its great questions.

With that, we will adjourn.

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