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## **Standing Committee on International Trade**

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**EVIDENCE**

**Monday, March 25, 2013**

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**Chair**

**The Honourable Rob Merrifield**



## Standing Committee on International Trade

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• (1535)

[English]

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

We thank our witnesses for coming forward. We have our department here, DFAIT, with regard to our continuing study on the Pacific Alliance and whether or not we should be full members.

It has been a very interesting study up to this point. We've heard from three of the ambassadors. We look forward to your presentation. We'll follow that with some questions that drill down a little deeper. We look forward to your contribution to the committee and your answers to some of our questions.

Ms. Kerry Buck, I believe you'll do the presentation. If you want to introduce the rest of your group, we'll proceed from there. The floor is yours.

**Ms. Kerry Buck (Political Director and Assistant Deputy Minister, International Security, Africa, Latin America and the Caribbean Branch, Department of Foreign Affairs and International Trade):** Thank you very much, sir.

The other witnesses with me from the Department of Foreign Affairs and International Trade are Martial Pagé, director general of the North America policy bureau; Neil Reeder, director general of the Latin America and the Caribbean bureau; and Cameron MacKay, director general of the Asia Pacific trade policy bureau, who is also heavily engaged on Latin American trade policy issues.

If you will permit me, Mr. Chair, I will start my opening remarks.

**The Chair:** Please go ahead.

**Ms. Kerry Buck:** It is a pleasure for me to be here today and to speak to you about the Pacific Alliance. The Pacific Alliance is a dynamic group of Latin American countries that together represent the ninth-largest economy in the world. It is in Canada's interests to pursue an enhanced relationship with this group, as I will explain. However, before I speak about the Pacific Alliance, I think it would be useful to situate our interest in developing a deeper relationship with this group in the context of Canada's broader goals in the region.

Prime Minister Harper has made it a foreign policy priority to strengthen our engagement with the Americas in matters of trade, investment, security, and development throughout the hemisphere. Our vision since 2007 has been one of a more prosperous, secure, and democratic hemisphere. Seven years on, our whole-of-government engagement in the hemisphere has never been stronger.

Canada's strategy for engagement in the Americas is delivering results for Canada and for the hemisphere on three pillars: pillar one, increasing economic opportunity; pillar two, strengthening security and institutions; and pillar three, fostering lasting relationships. These three pillars are interrelated, as I will explain, including in the context of the Pacific Alliance.

[Translation]

The first pillar is increasing prosperity.

Latin America and the Caribbean is an economically dynamic and politically stable region. The sustained economic growth it has experienced in the past decade and the growing middle class across the region offer significant opportunities for Canadian businesses and investors.

Canada's efforts to liberalize trade and promote investment with countries of the Americas are working—many barriers to trade and investment have come down and trade flows are growing.

To date, Canada has concluded free trade agreements with Mexico, Chile, Colombia, Peru, Panama, Costa Rica and Honduras, more such agreements than with any other region in the world.

We have also put into place nine foreign investment protection agreements, 28 air transport agreements, five MOUs on trade and investment, and two science and technology arrangements.

Total two-way trade between Canada and the region, including Mexico, increased 32.1% from 2007 to 2012, and there are over 3,500 Canadian companies active in the region. In some countries, we are also the largest source of foreign investment, which contributes to economic opportunity in both Canada and the host country.

[English]

Second is strengthening security and institutions. We know that opportunity, jobs, and growth require peace and stability. For one example, the activities of organized criminal networks, including the illicit drug trade and associated violence in some countries in the Americas, threaten security and good governance and make it difficult to maintain an environment where trade and investment can flourish.

To assist these countries, since 2008 Canada has invested over \$2 billion Canadian through international assistance, multilateral contributions, and security-focused programming to improve security and strengthen governance in Latin America and the Caribbean, so that our partners can uphold freedom, democracy, human rights, and the rule of law.

We have placed special emphasis on programs in Central America, a key transit region for drug trafficking northward. For example, the Prime Minister announced a new \$25-million security cooperation program for this region last year at the Summit of the Americas in Cartagena. In Colombia, Canadian funding has also helped to clear mines and explosive remnants of war from acres of land, thus allowing it to become arable land used productively. These are just examples of ways in which security underscores and buttresses our economic interests as well.

Security is improving. This is creating an environment where individuals and businesses are better able to prosper and grow.

[Translation]

The third pillar is fostering lasting relationships.

Relationships across government, the private sector, civil society and people-to-people ties are fundamental to achieving long-term results. Canada needs to be engaged in the region in order to better identify and pursue shared goals and values. We have extensive linkages in education, tourism and migration, through large diaspora communities from the region now resident in Canada. Over 4 million Canadians visit Latin America and the Caribbean every year.

Canada is committed to remaining a strong partner as the region continues to grow and innovate. This means solidifying our existing relations, looking for new opportunities to deepen our relations with key partners in the region. In order to build effective partnerships to tackle issues across the region and to find mutually beneficial trade and investment opportunities, we need to know and understand each other. And to do this, we need to work together. This is an important reason why Canada needs to engage with the Pacific Alliance.

[English]

Now I will turn to Canada's relationship with the Pacific Alliance. Conceived in 2011, the Pacific Alliance was formed by Chile, Colombia, Peru, and Mexico, as you know, to create an area of deep integration by promoting the free movement of goods, services, capital, and people. These four countries are strong proponents of economic openness and fiscal responsibility, and have already established a network of free trade agreements among themselves. They are among Canada's most like-minded partners in the region. They are also a regional economic powerhouse. The four Pacific Alliance countries together have a combined population of 207 million, and account for 49% of Latin America's exports, and 34% of its GDP.

As I said at the outset, with a GDP of \$1.9 trillion Canadian in 2011, if the Pacific Alliance were counted as a single country, it would represent the ninth-largest economy in the world. This is just slightly larger than Canada's GDP of \$1.76 trillion in the same year. By 2020, according to some estimates, the Pacific Alliance's GDP could reach \$3.6 trillion, equivalent to Germany's current GDP. Total merchandise trade among the countries of the Pacific Alliance and

the world amounted to \$1 trillion Canadian in 2011, compared to Canada's total trade of \$893.9 billion. This is 46% more than the global trade of South America's principle trading bloc, Mercosur, in the same year. Between 2000 and 2011, the bilateral trade of the Pacific Alliance countries with the world has averaged an annual growth rate of 8.8%, whereas Canada's was 5.2%.

This kind of growth is leading to changes, not only in relationships inside the region, but also in the relationship between the region and others. The Trans-Pacific Partnership is a case in point, where countries are coming together—three of the Pacific Alliance countries are members of the TPP—across the Pacific to build a new trading alliance that better responds to the new global environment, and Canada must continue to be part of these changing dynamics.

The Pacific Alliance countries recognize this. By working together to protect and advance their interests, they're building relationships for the long term. For Canada, this group of countries represents an economic motor in the region, with the potential for deeper trade and investment relations over the long term. Canada's total merchandise trade with the Pacific Alliance members more than doubled, from roughly \$16 billion Canadian in 2000, to nearly \$40 billion Canadian in 2012. The Pacific Alliance countries accounted for more than two-thirds of Canada's two-way trade with the whole Latin American region.

The countries of the Pacific Alliance remain one of the largest destinations for Canadian direct investment in Latin America, accounting for nearly two-thirds of Canadian direct investment in the region. In 2011, Canadian direct investment in the countries of the Pacific Alliance totalled \$25.7 billion. Individually, Canada's bilateral relations with the members of the Pacific Alliance are some of our strongest in the hemisphere. We have free trade agreements and extensive investment with all four members.

● (1540)

Since NAFTA took effect in 1994, Canada-Mexico merchandise trade has grown almost sevenfold, surpassing \$30 billion Canadian in 2012. We are now among each other's largest trade and investment partners, and have developed a comprehensive relationship that encompasses a wide range of bilateral, trilateral, regional, and global issues.

Canada-Chile bilateral merchandise trade has more than tripled since the CCFTA came into force in 1997, reaching Canadian \$2.5 billion in 2012. Canada was the largest source of new direct investment in Chile over the last decade.

On Colombia, our FTA with Colombia came into force in August 2011. Colombia is now Canada's second-largest merchandise export destination within the Pacific Alliance region. Two-way merchandise trade in 2012 reached Canadian \$1.5 billion.

Trade relations with Peru have also seen substantial growth since the implementation of our FTA in 2009. Two-way merchandise trade totalled more than \$4.2 billion in 2012, which is a 49% increase over pre-FTA levels in 2008. By 2011, Canadian investment in Peru was \$7.7 billion, an increase of more than 100% over pre-FTA levels. Canadian interests in Peru are focused in the extractive and financial sectors but there is some diversification going on as well.

I give you these statistics to provide clear evidence that Canada already has strong economic relations with the Pacific Alliance countries. But as they bind us closer together, it is in Canada's interests to deepen our relationship with them, as a group, in the context of our engagement in the Americas and also with a view to our trans-Pacific interests.

This alliance is showing leadership in the region, promoting good governance and open markets. Their efforts to break down the barriers between them have the potential to create opportunity and prosperity in the hemisphere at large as well as across the Pacific.

Since its inception in April 2011, Canada has been following this positive and fast-moving initiative very closely.

• (1545)

**The Chair:** Go ahead.

**Hon. Wayne Easter (Malpeque, Lib.):** On a point of order, Mr. Chair, normally you would tune up witnesses a little bit when they're over their 10 minutes. This is the Department of Foreign Affairs and International Trade. Our presentation time is normally 10 minutes, and I think—

**The Chair:** That's fine. I'll look after that as a point of interest.

Go ahead. Just continue. We're about 12 minutes in, so we'll keep it on. But we have a two-hour session, so I don't see the need to curtail you too terribly much. You're just about done. Go ahead.

**Ms. Kerry Buck:** Thank you. I will shorten it slightly, Chair.

**An hon. member:** Propaganda—

**The Chair:** Don't worry about him, just go ahead.

**Ms. Kerry Buck:** What are the Pacific Alliance's objectives? The ambitions of its members go well beyond lowering barriers to trade. They're also collaborating to promote trade and attract investment, with a focus on Asian markets. They have taken necessary steps to integrate their stock markets and have removed visa requirements for members in order to facilitate the free movement of capital and people.

[Translation]

Further, to advance cooperation among themselves and with third parties, the members of the alliance established the "Pacific Cooperation Platform", which will promote cooperation activities in: environment and climate change; innovation, science and technology; micro-, small- and medium-sized enterprises; social development; and education mobility, that is, the creation of scholarships.

But there are still many unknowns in this evolving initiative, in particular how far its members are really prepared to go in their collaboration. Also, members have yet to elaborate how observers can engage substantively in the work of the alliance. And, because it is so new and the alliance has not yet admitted any new members, it has yet to define the requirements and a process for accession.

[English]

Looking forward, we're actively drawing on our bilateral relationships with the individual members of this alliance to engage with them and to define and build our relationship with them, as a group.

Further, Canada will participate in the upcoming leaders summit planned for May 23, 2013 in Colombia, which will be our first summit as an observer. We understand that Colombia will also be inviting representatives of the Canadian private sector and those of other observer countries to participate in the Business Council of the Pacific Alliance, which will bolster ties and dialogue and make proposals to leaders.

In sum, the Pacific Alliance is an exciting new regional initiative among key partners and close partners for Canada. It is still a work in progress, but one that is moving rapidly, and we're actively engaged with the members and with other observers to make sure Canada is enhancing our relationship with the Pacific Alliance, as a group, as it goes forward.

Thank you.

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

Well, you can see how keen our members are to ask questions, so we'll start right now.

Mr. Davies, the floor is yours.

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

I'm just going to ask if you could keep your answers as brief and to the point of my questions as possible, because we have a lot we'd like to ask you. Thank you for being here today.

Do any of our guests know how many chief negotiators DFAIT has who are capable of leading trade negotiations on Canada's behalf? Does anybody know that number? If so, what is it?

**Ms. Kerry Buck:** That is both a qualitative and quantitative question. We can get you the number of our experts in our trade policy bureau and revert to the committee with that.

**Mr. Don Davies:** Can you give me a general idea? Are we talking 10, 20, 50...?

**Ms. Kerry Buck:** I would prefer to revert to the committee with the exact numbers of the experts in our trade policy bureau.

**The Chair:** [Inaudible—Editor]

**Mr. Don Davies:** Thanks.

I'd also like you to give us the number of DFAIT staff who support those negotiations as well, so that I can get an idea of how many we have, and I'll tell you why. I'm concerned about our resources.

As you pointed out, Canada already has free trade agreements with all four member states of the Pacific Alliance. I think it's clear to anybody who might be listening to this that there are only four members: Chile, Colombia, Peru, and Mexico. Canada has free trade agreements with all four of them. We just concluded one with Colombia in 2011, as you pointed out. We just concluded one with Peru in 2009, and with Chile and Mexico in 1997 and 1994.

We're also of course involved in the TPP, as you've also mentioned, which is another Pacific bloc. So we have the Trans-Pacific bloc and we have the Pacific Alliance.

In the Trans-Pacific bloc, of course, as you have also acknowledged, four of the five proposed members of the Pacific Alliance, including Canada, are already members engaged in the Trans-Pacific Partnership trade negotiations.

Canada is negotiating right now CETA; and with India, Japan, and I understand South Korea; and the TPP.

So I'm just wondering, at this point do you have any evidence to give to this committee as to whether or not you think DFAIT has the resources to conduct another set of negotiations with the Pacific Alliance, given that we already have trade agreements with its individual members and we're already at the TPP table?

Does anybody have an opinion on that?

• (1550)

**Ms. Kerry Buck:** As a civil servant, I will always talk about not having enough resources, but resources are what they are. DFAIT has the resources it needs to deliver on its mandate.

There are a number of us engaged on the Pacific Alliance, both inside and outside the trade policy bureau, as we are in other trade and what I'll call "trade-plus" negotiations, because the Pacific Alliance goes beyond trade policy issues.

So it's a very difficult question to answer with a very clear number. I'm engaged, and a huge swath of my Latin American and Caribbean bureau is engaged as well, and we're outside trade policy type of work.

**Mr. Don Davies:** Maybe you could give me a qualitative answer. We're politicians, and you're working inside DFAIT. I'm just trying to get a sense of the state of resources in DFAIT right now.

Do you feel stretched, or do you have lots of negotiators and lots of time so that we can open up a Pacific Alliance and put resources, money, and negotiators to that? Can you give us a sense of whether you feel you have the resources to do that or not?

**Ms. Kerry Buck:** Again, that's a qualitative answer that's difficult for me.

We're always feeling stretched. I've been in DFAIT for over 20 years, and we're always feeling stretched and we always deliver. We work hard, we work too hard, but we deliver.

**Mr. Don Davies:** Okay.

I want to talk about duplication. I've already pointed out that we have the Trans-Pacific Partnership and the Pacific Alliance. Both talks are explicitly aimed at creating a Pacific-based trade bloc. Canada, Mexico, Chile, and Peru—leaving Colombia out—are

already at the negotiating table, presumably discussing similar things, or the very same things, that would be the subject of Pacific Alliance talks.

Is that not an inefficient duplication of resources? How many Pacific trading tables do we need to open up right now with the same countries?

**Ms. Kerry Buck:** Before I pass this to Mr. MacKay for a more detailed answer, the Pacific Alliance is about two things. It's about reaching out to the Pacific region, but it's also about deeper integration amongst the members to enhance trade and cooperation amongst them—which isn't focused solely on the Pacific region.

So in answer to your question, no, I don't see it as a duplication at all. I see them as complementary initiatives.

I'll turn the floor over to Mr. MacKay to answer in more detail.

**Mr. Cameron MacKay (Director General, Asia-Pacific Trade Policy Bureau, Department of Foreign Affairs and International Trade):** Maybe I can just add that the Pacific Alliance, as we understand it, is a new initiative among four countries that already have free trade agreements with each other. Indeed, one of the requirements of joining the Pacific Alliance is that the new members have to already have free trade agreements with all of the existing members.

The TPP is different in the sense that not all of these countries already have free trade agreements with one another. It's a much bigger grouping. It's already trans-Pacific. It's quite a different animal. Its purpose is to create basically a free trade zone across the Pacific with 21st century rules, etc., to support that trade.

So these have two different objectives, I would say, and potentially complementary.

**Mr. Don Davies:** If I may burrow into the integration and harmonization aspect, one of the ambassadors said that very thing and we know that 90% of the goods within the four Pacific Alliance members are going to be tariff-free in a week. Canada has free trade agreements with them. I presume we have MFN provisions in each of those agreements.

Is that correct? I ask because I would image that means those tariffs reductions will automatically apply to Canada as well.

**Mr. Cameron MacKay:** MFN provisions are sprinkled throughout most of our FTAs, and there can be exemptions from them as well. But our own trade, in terms of imports from the Pacific Alliance countries, already exceeds the 90% duty-free category because our FTAs have been in force for some time and are quite liberalizing.

**Mr. Don Davies:** I'm concerned about this issue of harmonization and integration. It's obviously not about tariffs, because tariff reduction has already been accomplished among all members and Canada. As the ambassadors have told us, this is about integration and harmonization.

What sectors of the Canadian economy will be harmonized with Peru or Chile or Mexico? Can you give us some examples? Can you tell us whether that harmonization will be up to Canadian standards or lowered to the standards of those countries? I'm making an assumption, of course, that most of the standards are lower in those countries than in Canada.

• (1555)

**Mr. Cameron MacKay:** I can't answer the question simply because the Pacific Alliance members are currently negotiating among themselves to determine what harmonization they will achieve, and how their own agreement will work. They haven't concluded those negotiations, and we haven't seen any of the detail. But the purpose of the Pacific Alliance, as we understand it, is to go beyond the normal trade policy rules—again, these are countries that already have free trade agreements with each other—and turn to cooperation in other areas.

**Mr. Don Davies:** In what areas will that be, Mr. MacKay? I'm trying to get a sense of the areas.

**The Chair:** Sorry, Mr. Davies, your time has gone.

I'll allow a short answer.

**Mr. Cameron MacKay:** Ms. Buck mentioned some in her opening remarks.

**Ms. Kerry Buck:** Just briefly, as I said, it's a trade-policy plus agreement because it also aims at facilitating movement of persons and migratory transit for tourism, business, and cooperation between immigration and consular authorities, and it promotes cooperation mechanisms in areas such as the environment; innovation, science, and tech; micro, small and medium-sized enterprises; social development; and other areas as agreed by participants.

It's a very embryonic alliance. Our understanding is that those areas haven't progressed that far, but that's the ambition. It goes beyond harmonization into areas of cooperation.

**The Chair:** Very good. Thank you.

Mr. Holder, the floor is yours for seven minutes.

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

I'd like to thank our guests for being here today and providing us with some background.

You come with a bias. I think it's clear that you're saying that we need to engage, and I want to press on that a little more. I think it's a little different from the prior testimony by three of the four ambassadors from the countries concerned. Ultimately, it came out that the first ambassador supported Canada's full membership. A second—it might have been Colombia—certainly leaned that way, if I recall. I wasn't sure about Peru. I think they hinged it more specifically than the others on visas and the like. I'll come back to that as well, but first to Mr. MacKay.

I wasn't aware that a country had to have FTAs with all four countries to participate. There are nine observer countries. Are you saying that all of the countries: Australia, Costa Rica, Spain, Guatemala, Japan, New Zealand, Panama, and Uruguay have FTAs with all four countries? You're clear on that?

**Mr. Cameron MacKay:** I think the countries you just listed are observer countries—

**Mr. Ed Holder:** Exactly.

**Mr. Cameron MacKay:** —but the four members themselves already have FTAs with each another. They have made it clear that to join that group of four members as opposed to being observers, the acceding country must already have free trade agreements with those four.

**Mr. Ed Holder:** With all four. I'm not sure that was clear in prior testimony, but it's good to clarify to make that sure.

Ms. Buck, when Mr. Davies asked about sufficient staffing to do what you do, I think you said that you're always feeling stretched, but that you always deliver. I revert to, "It's never enough, but we have enough". So in my view you have enough.

**Voices:** Oh, oh!

**Mr. Ed Holder:** I'm not sure, but I think so, because just as in business we've had to do the best we can. And compliments to what DFAIT does, as a broad comment.

Ms. Buck, you mentioned in your testimony why it's important for Canada to engage with the Pacific Alliance. To engage is one thing. Observer status is engaging. But when you're married, you're really committed. Are you talking about marriage or are you talking about dating? Which do you think it is?

**Ms. Kerry Buck:** Thank you, Mr. Holder. It's an analogy I've used myself in trying to describe where we are with the PA.

We're at the exploratory stage. We've been gathering information about the evolving nature of the Pacific Alliance and the accession process for membership—so both in terms of processes and thresholds for memberships, but also what's inside the Pacific Alliance box, if you will. We've been gathering information, but at the same time the Pacific Alliance members themselves are only now developing more precision on—

**Mr. Ed Holder:** Forgive me for interrupting. Are you at the stage of suggesting that you'd like to go beyond dating?

• (1600)

**Ms. Kerry Buck:** We're at the stage of assessing whether we should go beyond dating.

**Mr. Ed Holder:** So we're not quite there yet. This is serious because it begs the following question. Let's say that the Pacific Alliance is all it will ever be. So you have the four countries and the observers hanging around on the edges, dating, but they never get into a formal relationship. Say that was the sum total. Knowing, as Mr. MacKay has said, that we have trade deals with all of these countries, it begs the question: if that were the sum total of all the Pacific Alliance countries, why would we need to go beyond dating?

Those are my analogies.

**Ms. Kerry Buck:** Yes, we have FTAs with all of the Pacific Alliance members, but the Pacific Alliance goes beyond those trade deals in two aspects. It could potentially bring additional benefits to Canada—I say "potentially" and I'll get into that in a second—in two respects.

Having an FTA is an important gateway to improve the bilateral trade relationship, but there are other tools you need to use to bring that to fruition. Talking to and further engaging with the members of the Pacific Alliance itself helps enhance those relationships and helps to promote trade under the existing FTAs. That's point one.

Point two, as I made before, is that it goes beyond trade policy. It will eventually go beyond trade policy into other areas of cooperation to enhance integration.

**Mr. Ed Holder:** I would have thought those bilateral agreements we have done would give us that flexibility, the ability to do just what you said.

Here's the question. Peru and Colombia, I think at this point, still appear to be leading sources of illicit drugs, which I'm very concerned about. By Canada being at the table, how does that combat the illicit trade? How would the Pacific Alliance relationship be affected by this?

**Ms. Kerry Buck:** There are two answers. The short answer is that our understanding is that, as I said, the Pacific Alliance, on some of the non-trade policy areas of cooperation, hasn't progressed that far yet. The members have some substantial ambition, but in terms of concrete details we're not aware of significant progress in those areas.

Yes, illicit drugs bother us. We have been working with the region, using bilateral security programming throughout the region, to help prevent the illicit flow of drugs through a number of...I mentioned the amount of security programming.

No, we don't need the Pacific Alliance to tackle the problem of illicit drugs, but deepening relations with the Pacific Alliance can potentially help enhance ties across a range of both trade and non-trade issues.

**Mr. Ed Holder:** Presumably we could do that while still dating the PA, because we have free trade agreements, which give us that access relationship amongst them all.

**Ms. Kerry Buck:** Yes.

**Mr. Ed Holder:** What I'm getting at with all of this is to understand the following. At the end of this we want to make a recommendation, as a committee, one way or the other whether it makes sense for us to do this, to go beyond dating.

I'm trying to understand this. I didn't get satisfactory responses, with deep respect to the ambassadors, about becoming more than just engaged. In other words, it's not 100% clear to me.

**The Chair:** Very quickly.

**Mr. Ed Holder:** When I look at your testimony, you make several references to how the Pacific Alliance would represent the ninth largest economy in the world. They're not the ninth largest economy in the world; they're four countries that add up to that. But you've made many references—and I'm not being negative—to the Pacific Alliance as if it's one entity, and it's not. I sense that they're trying to beat up on Brazil.

I'm just trying to get a feel for how it all fits in.

**The Chair:** We'll allow a short answer.

**Ms. Kerry Buck:** The aim of the Pacific Alliance is deeper integration so they can act more like one entity. The degree to which they end up acting like one consolidated entity or a closer alliance remains to be seen, but the ambition is to act more like one entity.

To assess what we would get, we have to look at it on two levels. In terms of technical issues, if we would get more than we have under our current FTAs on the trade policy front remains to be seen. But if you look at it on a policy level, when you enhance relations with the individual members of the PA and the Pacific Alliance as a whole, you increase those contacts. When you increase those contacts among businesses, for instance, among folks in your trade ministries, your economic industries, you end up increasing business ties.

It's like a force multiplier, in producing additional trade benefits. The extent to which it's a force multiplier we don't know yet. As I said, we're at the exploratory stage, but I think it's pretty clear that the economic growth rates in the Pacific Alliance member countries lead Canada to believe that it's in our interests to enhance our relations with the Pacific Alliance. How has not been decided.

• (1605)

**The Chair:** This force multiplier almost sounds like [*Inaudible—Editor*] already.

Mr. Easter.

**Hon. Wayne Easter:** Thank you, Mr. Chair, and thank you, folks, for coming.

Somewhat along the lines Mr. Holder was on, what's the target date for completing the Pacific Alliance negotiations? Do you have a target date in mind?

**Ms. Kerry Buck:** As I said, we're gathering information about the evolving nature of the Pacific Alliance and the accession process for membership. The Pacific Alliance hasn't yet fully defined with precision the roles of observers, the requirements for new members, and the process for accession to full membership. We are not in active negotiation on Pacific Alliance at this stage.

**Hon. Wayne Easter:** So there's no date of an initial meeting, then, where Canada has met and set up a negotiating framework with the Pacific Alliance?

**Ms. Kerry Buck:** We have had multiple meetings with Pacific Alliance members at all levels, both political and official levels, to discuss what the Pacific Alliance entails and what the potential benefits for Canada would be. As I said, the alliance members themselves haven't set out the rules for accession for new members and the thresholds, and that is an important precondition before we move forward.

**Hon. Wayne Easter:** That may be why the first time that I heard Canada was involved in a Pacific Alliance discussion was when it was brought forward to this committee. My concern there, to be honest with you—and it's on the record of the committee, as we did that much in public—is that our committee would better spend its time looking at why the results of the trade agreements we do have are not as positive as they ought to be.



We're seeing two-year deficits in the beef trade now. We've had trade deficits over 10 of the last 12 months, I believe. That's why we were surprised when we ended up having the Pacific Alliance on the agenda.

Have there really been no rounds of negotiations as yet? That's what you're telling me.

**Ms. Kerry Buck:** Yes.

**Hon. Wayne Easter:** Has the department done any cost-benefit analysis of what the so-called alliance with the Pacific Alliance, or becoming a partner, would do for Canada?

**Ms. Kerry Buck:** Again, right now we're an observer, and there's a clear cost-benefit analysis to that. We're able to participate in alliance meetings and discussions, which allows us to assess mutually beneficial opportunities for closer engagement. As I said, the Pacific Alliance itself is still at an embryonic stage on a number of its elements of its menu.

**Hon. Wayne Easter:** I guess, at the end of the day, Ms. Buck, this is not like a trade agreement. This is an alliance of some concept in which we would be a partner. Many of these countries, when I look at them, have far, far different labour standards, labour rates, health and safety regs than Canada does. Their environmental standards are completely different. Are we in any way looking at lowering our standards to meet theirs, or is this just...? I still haven't got my head around quite what this is, to be honest with you.

For the life of me, I can't understand why the Government of Canada would be sending people to meetings on some nebulous concept that we've never heard of until three weeks ago, when we've got other really serious issues. This book, which is in many ways fiction, is called the budget. It's outlining some of the concerns we have in our energy sector, with prices discounted 30%. Our manufacturing sector is in decline.

Don't you think those are the areas that we should be looking at? How do we add value in Canada? How do we enhance our manufacturing sector, rather than off into the wilderness at some nebulous meeting where we have no idea what the results are going to be?

•(1610)

**The Chair:** Go ahead and answer the best you can—

**Voices:** Oh, oh!

**The Chair:**—but there is no need for getting into the weeds there.

**Ms. Kerry Buck:** I'll just respond for a second and then ask Cam MacKay to come in as well.

There are two points. It is fair to say that Canada's exports to the four countries of the Pacific Alliance have increased tremendously since we signed FTAs with them, and that was my purpose in giving those statistics in my opening remarks. Overall, total merchandise trade is one example where trade with the Pacific Alliance has more than doubled, from \$16.1 billion in 2000 to nearly \$40 billion in 2012. It is clear that there are clear links with the FTAs that we have signed with Pacific Alliance members. That is point one.

Point two is that the economic growth rates of the Pacific Alliance are extremely high. They are an economic powerhouse in the region.

We have close ties with them; Canada is already deeply embedded in their economies. You call it nebulous. It's embryonic: these things grow. They solidify. This is very, very new. It was formed in 2011. That's normal progress for this kind of regional alliance, and we're talking to alliance members to gather the information about where the Pacific Alliance is headed. But on observer status, we are already observers. It was clearly in our interests to do so.

On your other question—which I could take as rhetorical—whether we are going to weaken our standards, no, we won't be weakening our standards. It's to Canada's economic benefit to enhance our engagement with the Pacific Alliance partners. We've been doing it for a while.

**Hon. Wayne Easter:** I would just follow up on that, Mr. Chair, before Mr. MacKay comes in. Can we not do that? There is a matter of establishing priorities, and having trade talks all over the place while we're doing worse in trade may not be setting the priorities right. That's my concern.

**The Chair:** Okay, go ahead.

**Mr. Cameron MacKay:** Mr. Chair, perhaps I may just come back to some earlier points that were raised about Canada's FTAs and their impact on trade deficits and trade balances with individual countries. I know that the committee has asked about this before.

Free trade agreements really aren't a tool to try to balance trade with individual countries, one by one. Canada's experience has been very much in line with what the World Bank and others would predict from free trade agreements, which is that within 10 years roughly of negotiating a free trade agreement, trade tends to double, going both ways. If you already have a deficit, the deficit might grow; if you already have a surplus, the surplus might grow.

What really matters is Canada's overall surplus or deficit on trade. Canada has traditionally run a surplus. Since the recession, since the financial crisis of 2008, we've slipped into deficit for a while, but that really has nothing to do with the bilateral free trade agreements that we negotiate.

I just don't think we should make too much of looking at individual trade balances with particular countries in Latin America. The FTAs don't impact on that.

**The Chair:** Very good.

We'll have Mr. Keddy, for seven minutes.

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

Welcome to our witnesses. It's good to have you back here again.

I have a couple of questions and a couple of rhetorical points, actually.

We already have free trade agreements with the four founding members of the Pacific Alliance. In your own words, this is a new, evolving agreement, and I think we understand that. I'm surprised that the opposition members didn't do their homework a little better. It is a very opportune time to study the Pacific Alliance and for Canada to be in at the ground floor of these evolving negotiations.

We spent a lot of time at this committee with the official opposition and the opposition parties studying Brazil and Mercosur, which is a closed agreement; it is very, very difficult to get into. We've managed to sign a science and technology agreement and some side agreements with Brazil, but are really going nowhere, and we have these four countries, with which we already have FTAs, and their net growth is 46% greater than the value of Mercosur. On that basis alone, why wouldn't we examine this?

I'm not saying that Mercosur is going nowhere. I'm saying it certainly appears to have stalled, and there are some challenges with it, so why wouldn't we as a country look at other emerging agreements evolving in Central America and South America?

• (1615)

**Ms. Kerry Buck:** Thank you. And again, I might ask Mr. MacKay to respond as well.

As I said at the outset, these four countries of the Pacific Alliance are among our closest partners in the hemisphere, not only on the trade front but also on broader political security issues as well. They're our most like-minded. The Pacific Alliance, for us, is a way of enhancing those relationships across the board. So it's FTA-plus, as I said before.

I just want to flag as well that this in no way takes away from our focus on Brazil.

**Mr. Gerald Keddy:** Exactly.

**Ms. Kerry Buck:** We maintain our focus on Brazil. We enhance our focus on Brazil. It's a priority country for us, and it will remain so. We are taking a number of steps to enhance our strategic partnership with Brazil—the Joint Economic and Trade Council, JETC; the joint committee on science and technology and innovation; the Consultative Committee on Agriculture; the CEO forum; dialogues on energy and space; and strong education cooperation. It's really robust. So Brazil is still very much there. But with the Pacific Alliance also, across a range of issues, we have very close working relationships. That's the major foreign policy point, the broader foreign policy and trade point.

**Mr. Gerald Keddy:** You quoted a number of statistics in your original brief to committee, for example, that Canada-Mexico merchandise trade has grown almost sevenfold, and Canada-Chile, threefold; Canada-Colombia two-way merchandise trade has surpassed \$1.5 billion; Canada-Peru has seen a 49% increase in trade. To me these are huge numbers.

Again, I'm not discounting the Brazilian powerhouse in South America whatsoever. But I take exception to discounting the fact that these four countries have the potential to form a very serious trading bloc. We don't think twice about looking at the European Union—28 member states come July 1—as being one of the largest economies in the world, and certainly the wealthiest economy in the world. But somehow we discount South America.

I don't understand why the opposition parties don't see the value of trading north-south with countries that need our expertise when Canada is a welcome partner and is, quite frankly, many times welcomed to the table because we have the ability to trade into North America. Sometimes it's easier to trade with us than with the Americans.

**Ms. Kerry Buck:** Thank you.

That was the point—as the member quite rightly points out—of going over those trade statistics, to give you some hard numbers to help bolster the attraction of the Pacific Alliance, help explain the attraction of the Pacific Alliance. But as I said, it also goes beyond those trade policy and economic considerations.

Beyond the FTAs, a key policy objective of the alliance is to deepen and harmonize current trade rules and market access among members. But this deeper integration also feeds over into better cooperation and coordination in terms of competing for business opportunities in Asia and other international markets, and to help make us more present in markets of the Pacific Alliance. Over and above that, engaging with the Pacific Alliance at a fairly early stage will also, we think, bring a force-multiplier effect to our bilateral relations with Pacific Alliance members on other political security and foreign policy interests.

**Mr. Gerald Keddy:** Is there only a minute left?

**The Chair:** Yes, or less.

**Mr. Gerald Keddy:** Do you have time for one question from my colleague?

**Mr. Russ Hiebert (South Surrey—White Rock—Cloverdale, CPC):** Thank you.

You mentioned in your opening remarks that Canada is the first non-Latin American country to be granted observer status. Then I noted that Australia, Spain, New Zealand, and Japan are a number of other observers that have been granted the same status. What is really the advantage to being an observer when so many of our other trading partners have the same status?

And as a follow-up question, do those other observers also have free trade agreements with the members of the Pacific Alliance?

• (1620)

**Ms. Kerry Buck:** I believe we are the only one that has FTAs with all four members of the Pacific Alliance. I'm fairly confident of that. If there's any difference in that....

**Mr. Russ Hiebert:** So what's the advantage then?

**Ms. Kerry Buck:** Sorry, Costa Rica and Panama are getting close.

The advantage of being an observer—

**Mr. Russ Hiebert:** But there are so many other observers in the same position.

**The Chair:** Your time has gone, but—

**Ms. Kerry Buck:** We were the first, and I think that's important. We have closer relations with all Pacific Alliance members. We use this to bolster our bilateral consultations with them as well.

The advantage of observership is that it gives us increased contact with Pacific Alliance members. As well, the advantage of being first is that it really puts a marker down about Canada's close engagement with Pacific Alliance members.

Where we go from here remains to be seen.

**The Chair:** Just to clear that up, did you say that Costa Rica and Panama have free trade agreements with all four?

**Ms. Kerry Buck:** No.

**Mr. Cameron MacKay:** They're very close. I believe Costa Rica has three of the four, and they've negotiated the fourth but it hasn't passed their congress yet—

**The Chair:** Okay. I just wasn't sure what you said there.

**Mr. Cameron MacKay:** —and Panama is in a similar position.

**The Chair:** Very good.

Mr. Davies, you have five minutes.

**Mr. Don Davies:** Mr. MacKay, I'm going to challenge you a little bit on your terminology that “we've slipped into deficit for a while”. Canada went from a current account surplus of \$25 billion in 2006 and we're at a current account deficit today of about \$64 billion. That is almost a \$90 billion swing in six years.

I think if there were an NDP government in power for six years and we were running a \$64 billion current account deficit during that time, my colleagues in the Conservative Party probably wouldn't be so cavalier about it. But I'm going to point out something about deficits. I've done some research—and I won't belabour it now—and there are a lot of countries in the world that have suffered the recession, and many countries are running current account and trade surpluses. Many countries that were running current account deficits or trade deficits are improving their position, and Canada is among a relatively small group of countries that are actually getting worse in their current account trade deficits. That's my speech.

Our analyst has provided us with some numbers about the trade deficit. I can't do a current account analysis, because we don't have full investment numbers, particularly about investment of some of these members in Canada, but when I add up these numbers, we're running trade deficits with all four countries.

With Mexico, the country with which we've had the longest trade agreement, since 1994, we're running a \$21.5 billion trade deficit. With Peru we have a \$3 billion trade deficit. With Chile we have an \$830 million trade deficit, and that's since 1997. So we have long-standing trade agreements under which we're currently running chronic deficits. We just signed with Colombia and we're running a relatively small \$78 million deficit, but a deficit nonetheless.

This is a pretty good representative sample of good agreements we've had in place, in some cases for a long time—since 1994, so it's coming up to 20 years. With Chile we're talking about 16 years, and with Peru we're coming up to four years. We're running chronic trade deficits with all these countries. Is the answer really that trade

agreements don't do anything about trade deficits, and they just tend to mirror whether we have a trade deficit?

I think what Canadians really want is to enhance Canadian exports, particularly value-added exports. Given this record, it doesn't look as though these trade agreements are doing that.

**Mr. Cameron MacKay:** Just broadly speaking on Canada's trade balance with the world, I think the chief economist's office at DFAIT would argue that this is really driven, more than anything, by the state of commodity markets, exchange-rate fluctuations, productivity differences, etc. For example, since 2008, the bilateral FTAs we've brought into force with Peru and Colombia are really not the reason we have gone from being in a surplus to a deficit position. Traditionally, Canada has run very large trade surpluses with the United States and trade deficits with everyone else, and then it all roughly balances out in the end.

We talked about this a little bit last fall with the example of Panama, with which we have a growing trade deficit. The reason it's growing, just to give you one example, is that Canada is now importing significant quantities of gold from Panama for further processing in Canada and then for re-export abroad. This is a good news story for the Canadian economy, in that it's creating wealth and prosperity in Canada because we are doing the work of processing the gold, but our bilateral trade balance with Panama looks, from another perspective, poor as a result because we're importing all of this product.

But this is just in the nature or way that global value chains work now—

• (1625)

**Mr. Don Davies:** But other countries are operating in the same environments as Canada is.

**Mr. Cameron MacKay:** —so our focus is more on the broader trade balance, and we don't think that Canada's free trade agreements with these individual countries are the reasons for the issues you described earlier.

**Mr. Don Davies:** Okay.

Now I want to talk a bit about visa process. **The presentation says:** The ambitions of its members go well beyond lowering barriers to trade.... They have taken necessary steps to integrate their stock markets, and removed visa requirements for members in order to facilitate the free movement of capital and people.

At least with respect to Colombia and Peru, we've had recent civil wars, insurrections, drug production, and money laundering. Can you give us a reason why we would want to lower visa requirements to facilitate the movement of people and capital from countries like that?

**The Chair:** That's his last question. Go ahead with an answer.

**Ms. Kerry Buck:** Our interests on the immigration movement of peoples front with Pacific Alliance countries, as with all countries, are twofold: first, to ensure the integrity and security of our immigration system and our national security, but at the same time to facilitate movement of people who help increase our economic ties and economic benefits to Canada. At times, those two objectives can work in tandem. At times, they're competing and conflicting. We will not sacrifice one in favour of the other. Those two objectives need to be met, but it's not a zero-sum game.

We have taken a number of steps over the last couple of years to increase or facilitate movement of people from Pacific Alliance countries—and other economic powerhouses in the region, to be frank—by increasing for example the number of our VACs, our visa application centres. I just concluded our bilateral consultations with Chile about an hour ago, and one stat from that process is that we have one of the fastest visa processing times in the world for Chile, but we still ensure that we protect our national security and the integrity of our immigration system. So we have taken a number of steps—I won't get into all the details—to facilitate movement of peoples.

How this issue will play out in the Pacific Alliance remains to be seen. There's not complete clarity on what the threshold for membership is, but as I said, those two objectives of our ours, the security and the integrity of our immigration system, will absolutely continue, but our second objective of facilitating movement of peoples also is top of mind.

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

Mr. Shory, the floor is yours.

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

As well, thank you to the witnesses for being here.

So far in this study, and also in your presentation today, what I have found is that it is clear that the department supports joining the Pacific Alliance. I had the same sense from the ambassadors who were here in the previous three meetings.

Surely it is clear from the FTAs with these four countries that Canada has benefited. The trade has been doubled or tripled. It seems that the department has conducted an analysis to evaluate the benefits and the costs, etc., and, based upon that, you're here to support that. My question is, if we go ahead, what is the process of becoming a full member?

**Ms. Kerry Buck:** Again, on conditions of membership, we know two things, and Pacific Alliance members know two things. The framework agreement that the Pacific Alliance states have adopted says that a country requesting accession must have a free trade agreement in effect with each of the parties—well, we have that—and second, that acceptance of membership will be subject to unanimous approval by the Council of Ministers.

Beyond that, the precision for that threshold of membership is not quite there yet, and Pacific Alliance members are discussing it. Similarly, the process for accession to full membership is still under discussion and, of course, it's related to what the threshold is. These are technical issues. They're technical issues that have policy impact and policy importance for us, so the decision hasn't been made yet

on full membership because we don't have sufficient clarity. The clarity doesn't yet exist amongst Pacific Alliance members about what the threshold is and what the process is.

We're measuring it. We're talking to Pacific Alliance members, but they themselves are not quite there yet.

• (1630)

**Mr. Devinder Shory:** I see that even though Canada was the first country invited to be an observer, there are quite a few other countries. The question would be, if Canada joins as a full member, would there be any hitch or limitation that Canada would consider to having all other observers joining this Pacific Alliance?

**Ms. Kerry Buck:** I think it's difficult for us to assess right now the benefits of the candidacy of their other observers. We're focusing on our relations with the Pacific Alliance and Pacific Alliance countries. I'm unable to assess the membership of other observers.

We have an edge in that we have existing FTAs with all four members. We are in their markets in a very big way, and we have very strong bilateral relations with them. We have an edge over other observers. Our interest is keen. Their interest is keen. We also bring a lot to the table: we have a lot of Pacific presence; we're G8; we're G20. It's something we're looking at carefully.

**Mr. Devinder Shory:** Another concern I have is whether there were any consultations with the stakeholders or the public in this regard before we joined the Pacific Alliance, or is where we are taking it basically confined to the department or the committee?

**Ms. Kerry Buck:** We're still in the exploratory phase. We haven't gone out to stakeholders yet, because we don't have the details to go out to stakeholders with.

**Mr. Devinder Shory:** It was my assumption that the department had done an analysis. Has the department done an analysis?

**Ms. Kerry Buck:** We did a cost-benefit analysis for observer status. That has put us in a position to get more insight into what the discussions are amongst the Pacific Alliance members. Once we have more clarity on what the threshold is for membership, what the agreements are, and what the areas of negotiation are inside the Pacific Alliance, we'll be in a better position to do a fuller cost-benefit analysis. We're not there yet, because Pacific Alliance members aren't there yet.

**Mr. Devinder Shory:** So if Canada becomes a full member in the Pacific Alliance, what will the balance be for the provinces and territories? Will some provinces and territories have more benefits? Will some have negative effects? Has that kind of analysis been done?

**The Chair:** That's the last question. Please give us a quick answer.

**Ms. Kerry Buck:** We're not there yet. The Pacific Alliance is not there yet.

**The Chair:** Thank you.

That takes us over to Mr. Morin.

**Mr. Marc-André Morin (Laurentides—Labelle, NDP):** We heard that some other observer countries were looking at joining the alliance.

Which countries are likely to join?

**Ms. Kerry Buck:** The other countries that have sought and been granted observer status to date are Australia, Spain, Uruguay, Paraguay, Guatemala, New Zealand, and Japan. They have been granted observer status. This is fairly recent. We have been an observer since last October.

None of these is yet in a position to look at full membership, because they haven't met the condition precedent of having existing FTAs with all of the Pacific Alliance members. They are not yet at the stage of doing an analysis of whether membership suits their needs, because they haven't met that one threshold.

● (1635)

**Mr. Marc-André Morin:** One thing we heard over and over again was that we are looking at like-minded countries. Don't you think this could take the debate toward an ideological perspective, as in trying to find countries that share our political views in the broader sense?

**Ms. Kerry Buck:** I've been a diplomat for a while now, and I won't call "like-minded" a term of art, but it's a term we use to signify countries that frequently take common positions internationally on issues of concern to us, like protection of human rights or liberalization of trade. It's not political in any sense. It's about our foreign policy directions. When I said these four members were among the most like-minded members of the Pacific Alliance, I meant only that in our relations at the OAS, the UN, or bilaterally we find a lot in common with them.

**Mr. Marc-André Morin:** I have just one small question.

You have more experience than I do. I heard a comparison that poked a hole through my eardrum when my colleague was comparing the EU and the alliance. Europeans have been into trade. Most of them share a common currency. Their economies have been integrated for a long while.

I don't want to say anything negative about those four countries, but if you look into the not so distant past, they have had extremely violent military conflicts, and they're not totally settled yet, and they haven't really made up their minds as to what their alliance is going to be. Don't you think we should sit back and remain observers for a while, and see what comes out of their alliance and how stable it's going to be. That's one other thing. They've been so stable and progressing economically, but, socially, is it going to last? There have been some *coups d'état* and all kinds of stuff in those countries, with the army taking control of the governments, and the history of that there. What do you think of that perspective?

**Ms. Kerry Buck:** I think that's a very valid question. It is true that in the Latin American region for a number of decades many, many countries were marked with violent pasts, full-on conflict, military and others, and civilian dictatorships as well.

I don't know what timeline to put on this—I'd have to think more carefully—but over at least the last decade, if not more, those violent swings and that violent period in Latin America have really shifted. A number of countries have moved away from that past of dictatorship, away from that past of conflict, and made some very, very important progress on political stability, on returning to a peaceful environment, and on growing a significant middle class—which also has an impact, not just on economy prosperity, but also on their political stability. You've got a much freer press than there

used to be and much more stable electoral processes in the Pacific Alliance countries. It's always dangerous as a foreign policy practitioner to estimate whether this will stick or not. But as a foreign policy practitioner, when I look at the four countries in the Pacific Alliance, I'm very, very confident that it will stick.

There are continuing human rights problems. There's the aftermath of conflict in some of these countries. This is normal: every country has human rights problems. But there have been some very, very important steps made by those governments to make sure that there's sustainable security and sustainable democracy, a really important shift.

So while it's a very valid question, the region, and particularly these four Pacific Alliance countries, has really come a long, long way.

I'll give you one example.

● (1640)

**The Chair:** Maybe you can give the example on the next question, but we'll have to move on.

Go ahead, Mr. Shipley.

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

Thank you to each of the witnesses for being a part of this.

I just want to follow up on the discussions that have happened across the way.

Is Canada worse off because we have been involved and have signed free trade agreements? When I listen across the way, it would become very clear that we should not be in them, that, in fact, we are worse off because of them. Do you have a comment on that?

**Hon. Wayne Easter:** On a point of order, Mr. Chair, to imply that we said that is wrong.

**The Chair:** That's fine. He can answer whatever question he likes, because I could stop some of yours, too, if you like.

But go ahead, you can answer the way you like.

**Mr. Cameron MacKay:** Well, I think the Canadian government's position is that the free trade agreements we have negotiated so far have made Canada better off, and that freer, liberalized, rules-based trade, be it through the WTO, through bilateral trade agreements, or through regional trade agreements, basically create the foundation for further economic prosperity. It's for that reason that successive Canadian governments have negotiated free trade agreements.

**Mr. Bev Shipley:** I appreciate the fact that you used, in a very short time, an illustration to help explain that there is some benefit actually in having some trade deficits, and how those actually come about. We had another individual talk to us about not always considering a trade barrier as a negative, because it creates jobs, it creates processing here.

With that, you used the example—and I hadn't actually thought of this—of gold, a very precious metal worth a lot of money that comes into Canada. We have the technology in Canada obviously to process that, to refine it, and then have a value-added product. Would that be a fair assessment of what you're talking about, or what Ms. Buck talked about?

**Mr. Cameron MacKay:** I think that's one example. If you have economists come and speak to you, they'll tell you about global value chains and the equal importance of imports to the Canadian economy as exports, and where we're not just focused on exports. It's about efficiency in trade, tapping into global value chains where imports are as important as exports, and gold is one example.

**Mr. Bev Shipley:** Yes. Thank you for that, because actually in the budget—about which one of us across the way didn't have a lot of good to say—we've taken the position that it is important to put dollars towards technology and competitiveness, and then again, developing marketing. I want to make sure that we were, from your perspective, right, because we often hear remarks like, “I wish Canada could process and value-add more to our products. We're a primary producer.” I hear it in agriculture—that's my base—but we also hear that a lot in the natural resources sector.

Do the countries in the Pacific Alliance see Canada as one of the leaders able to help them through technology so that we can deepen our trade relationships—I think that's the term that you used—with them?

I don't know who might want to answer that.

**Ms. Kerry Buck:** We're just doing inter-divisional consultations here.

Do you want to talk about what we're doing on mining?

**Mr. Neil Reeder (Director General, Latin America and Caribbean Bureau, Department of Foreign Affairs and International Trade):** Maybe I'll just mention—

**Mr. Bev Shipley:** Because if it isn't, we need to hear it. That's all.

**Mr. Neil Reeder:** I think we have a very strong record to share in terms of corporate social responsibility, which has been a focus of the government, including the extractive sector, for example. Because of the scope of Canadian investment in that sector, it's an area where we can work to build capacity and to have those countries better manage those sectors. So we're very engaged in this. We also have a new centre for extractive industries being developed at UBC and Simon Fraser University, funded by CIDA. That will be coming forward in the next year or so in terms of engaging.... So I think we have a very good story there. This is an area where we can continue to work with the region.

I would like to add one small point, if I can, on trade and investment, because there's a lot of talk about trade, but in fact you're talking about investments that generate jobs back in Canada in the extractive sector, because of the processing of the ores. If you looked at the numbers we talked about, the direct investment in the four countries is \$25 billion, and that also creates jobs and opportunities for Canadians and in the region. Our experience has been that investment follows trade, and a FTA gives comfort to investors, like a FIPA, to enable them to go into the region with confidence. Where we don't have an FTA or a FIPA, sometimes investment communities

are less than certain. So when you establish this network, this web of FTAs and FIPAs, then you begin to provide a better environment for investment. That investment creates jobs not only there but back here.

It would be interesting if you asked Scotiabank one day how many jobs in their towers in Toronto depend on their investments in Latin America and the Caribbean; it's huge. Those are Canadian jobs created by investment in the region.

● (1645)

**The Chair:** Okay, the time has gone. That's what happens when you're having a good time.

**Mr. Bev Shipley:** Thank you very much.

**The Chair:** Mr. Cannan, you're next.

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

I just wanted to clarify a comment, to follow up on Mr. Davies' questions. I know he has asked several times about the current account and the trade deficit balance, but from my seven-plus years of being on the committee, is it fair to say that a country can have a trade deficit but still have the strongest economy in the G-7?

**Mr. Cameron MacKay:** I believe that's the case today.

**Hon. Ron Cannan:** Thank you. I just wanted to clarify that.

Related to the Pacific Alliance, one of the issues we've been looking at—coming from British Columbia—is expanding our Asia-Pacific connection. We were in Japan in November, working on the partnership agreement there and looking at expanding trade. But specific to the Pacific Alliance, would Canada support expanded membership in the Pacific Alliance to include Asian countries?

**Ms. Kerry Buck:** That's a very good question. I don't think we're at the stage of answering that.

As I said, there are two purposes or major objectives of the Pacific Alliance. Objective one is deeper integration among the members, and objective two is reaching out to the Pacific. Our approach to membership of this body, as it is with other bodies, is that if it is open to a liberal economy and meets 21st century trade standards, then we should be a viable member of such trade bodies—or trade-plus bodies, as the Pacific Alliance is. That's been our approach across a number of multilateral forums.

As you know, Asia has been a very important partner for us, and a market and a region where we have expanded significantly over the last while.

I can't say which specific Asian members would be welcome in the Pacific Alliance because we're not there yet, but I know that we're very supportive of our own enhanced engagement with Asia. It makes sense that those Asian members that are consistent and take the same approach as us to 21st century trade standards would be viable members.

**Hon. Ron Cannan:** I can appreciate it's still somewhat hypothetical because, as I said, we're just at the observation stage. Would there be a specific country, a group of countries, we'd lean toward more favourably to include in the Pacific Alliance?

**Ms. Kerry Buck:** I think I went through a list of observers. Those are ones that have stepped up to become observers already. From the Asia-Pacific region there's Australia, New Zealand, and Japan. To go back to my earlier reference to like-minded countries, that they are among the most like-minded with Canada in the Asia-Pacific region, so they would be in a good position to move forward. Again, we're the only ones with FTAs with all four members. They're not there yet.

**Hon. Ron Cannan:** In your handout, in your opening statement, you talked about how this is an exciting initiative that you're embarking on in the region. On May 23 it will be your first leaders summit in Colombia.

I have two questions. One is, basically, what do you hope to accomplish by that May 23 meeting? Also, it indicates that there are Canadian private sector companies that are going to be invited. Have those invitations gone out? Do you have any idea who's going to be going, or which sectors?

• (1650)

**Ms. Kerry Buck:** On the first one, the Prime Minister has received an invitation. He's considering his participation or the participation of Canada. The agenda isn't set yet, so for me to speak about objectives and "gets" from that meeting is premature. The final agenda isn't set yet; it's not yet set by Pacific Alliance members.

I do not believe the invitations have gone to any of the businesses yet. We have a preliminary indication from the Pacific Alliance that they will extend invitations to the Canadian private sector. We're counting on that, but no, this hasn't been finalized yet.

The meeting is still a way's away. As Mr. MacKay said, the Pacific Alliance is still negotiating some elements.

Prior to that, there's also a possibility that there might be a ministerial meeting held the day before the summit, but again this is not finalized yet. Really, the May 23 meeting is still a work in progress. We have been speaking to the Colombians very, very frequently to work with them to clarify the meeting objectives.

**Hon. Ron Cannan:** Can I just ask a quick question?

**The Chair:** No, your time is done.

Madame Papillon

[Translation]

**Ms. Annick Papillon (Québec, NDP):** Thank you very much, Mr. Chair.

First of all, will the department promise to provide the committee with a cost-benefit analysis of being an observer of the alliance.

**Ms. Kerry Buck:** Actually, I have included the analysis in my opening remarks. So that means that we have very strong ties with each member of the alliance.

**Ms. Annick Papillon:** If an analysis was done, there must surely be a written report or a document that outlines the costs and benefits and that provides an overview of everything. That might be very useful for our committee.

Is there a document like that?

[English]

**Ms. Kerry Buck:** Excuse me for reverting to English. My apologies.

**Ms. Annick Papillon:** It's okay.

**Ms. Kerry Buck:** At times my French gets stretched.

Observer status involves our enhancing our bilateral dialogue with the Pacific Alliance and attending a number of meetings, but a very limited number of meetings.

**Ms. Annick Papillon:** But don't you keep any record?

**Ms. Kerry Buck:** But there was no need for a detailed cost-benefit analysis. It's more at the foreign policy level that we made the analysis, that is, does it make sense to join the Pacific Alliance as observers, an alliance that consists of four of our closest like-minded partners in the region? The answer is pretty clear that, yes, the cost at this stage is the cost of attending some meetings and talking to partners that we're talking to anyway.

**Ms. Annick Papillon:** But concerning this analysis, you don't have any record, yes or no, about the costs and everything? Do you have anything that is written?

**Ms. Kerry Buck:** Of course, there are written records of our thinking on Pacific Alliance. That's a normal part of our analysis.

Sorry, I'm not trying to avoid your question. It's just that you're asking it in a way that is quite specific, as if there were one document with a cost-benefit analysis of observership. The cost of observership is very low; the benefit is very high. It wasn't a detailed technical analysis. It was a pretty easy point to come to.

**Ms. Annick Papillon:** Even if it's not a total record, even if it's only a few notes, would you agree to let us know so that we would be able to better know at committee what you are doing and what you have observed, so that we would be able to ask good questions when we have witnesses, for example? Anything would be acceptable to us. We know that you have a few notes. Is it possible, in one way or another, to get access to those notes?

**Ms. Kerry Buck:** I will take that back and see if there is something beyond what I told the committee at the beginning that would be useful on our move to observer status last October.

• (1655)

**Ms. Annick Papillon:** So you will agree, then, to let us know?

**Ms. Kerry Buck:** Well...

**The Chair:** If I'm reading it right, the information you gave in your opening remarks is—

**Ms. Kerry Buck:** That was it.

**The Chair:** —reflective of the analysis that you went on in the department. Is that right?

**Ms. Kerry Buck:** Yes.

I'm not being cagey here.

**Ms. Annick Papillon:** But that's not exactly what you do.

**Ms. Kerry Buck:** It's just very, very difficult to answer this because the cost is virtually nil—I just went through it in my intervention. It includes attending some meetings as observers. The benefit is clear and is attached to our relationships with those specific alliance members. That was the extent of the analysis, and I tried to set that out in my opening remarks.

**Ms. Annick Papillon:** But can't I get any notes from that analysis, or anything from it? Even if it's not perfect or complete or as exhaustive as it could be, just a few notes could help us do our work better and see where we should ask questions.

**The Chair:** Okay, if I can just comment here for a second, she's asking for information. I think the question would be: do you have any further information to what you gave us here? But the analysis you gave us here is pretty clear as to why you'd want to have observer status. I'm not trying to put words in your mouth, but I think that's what you said. Is that right?

**Ms. Kerry Buck:** Yes. Thank you.

**The Chair:** So what you're saying is that you don't have anything further to what you have here.

**Ms. Kerry Buck:** I will take this back and assess it, but right now the information that I've been giving you, from top of mind, is the same thought process we went through prior to announcing our observership. But I will check and see if there's something additional.

**The Chair:** Okay. And if you do, then perhaps you'd send it to the committee and we'd put it in our report.

**Hon. Wayne Easter:** Mr. Chair, just on this point, I think there's a misinterpretation, I really do.

**The Chair:** I don't think there is. I think we tried to clear it up.

**Hon. Wayne Easter:** No, Ms. Buck is talking about a cost-benefit analysis in terms of our being observers. What I asked for initially, in terms of a cost-benefit analysis, was a cost-benefit analysis on being a full member of the Pacific Alliance. There's a huge difference between the two.

**The Chair:** That's true, and I think the answer was that there isn't any such analysis on our moving forward at this stage to full membership. Is that right?

**Ms. Kerry Buck:** That's right.

Thank you.

**Mr. Don Davies:** Mr. Chairman, could I just clarify...?

I have a question about this subject.

**The Chair:** Okay. We'll try it, but very carefully.

**Mr. Don Davies:** I understood Mr. Easter's question, and I understood Ms. Buck's answer, if I understood her correctly, to be that there hadn't been a cost-benefit analysis done on joining as a full member, but there had been a cost-benefit analysis on becoming an observer.

All I want to be clear on is this. Madame Papillon was asking you to produce the cost-benefit analysis to become an observer.

The answer that I'm taking away, Ms. Buck, is that no such written document exists. Madame Papillon is asking you to provide this committee with the cost-benefit analysis, and I'm not clear if that exists or not.

**The Chair:** We've gone through that already.

**Mr. Don Davies:** Is the witness going to produce it or not?

**The Chair:** The information was what was in her report. She clarified to the committee—to me, at least—that she was going to go back and see if there was anything further to what was in there, and if so, she will bring it forward.

Is that right?

**Ms. Kerry Buck:** Yes.

**The Chair:** Mr. Holder, the floor is yours.

**Mr. Ed Holder:** Thank you, Chair.

I have appreciated your testimony today. It's helped me understand somewhat better the process you're going through—not unlike what we're going through as well, as we make our recommendations.

I was glad to hear Mr. Easter being more supportive of trade than I'd actually thought. That's very good.

What you've made clear, to me at least, is that trade is more than just numbers. I think Mr. MacKay talked about a rules-based system, obviously labour and environment agreements that are in place, and integrated economies in terms of Canada in association with other countries. I have a few very quick questions.

First, Ms. Buck, in your comments originally, you talked about Canadian assistance since 2008, that we've invested over \$2 billion for international development assistance and so on.

How much of that is Haiti, please? Would you know?

**Ms. Kerry Buck:** I would not know that off the top of my head, sir. I'll have to get back to you on the relative division.

**Mr. Ed Holder:** I'd appreciate that, if you could. Thank you very much for that.

Second, I got the sense, aside from the issue that visas were very much part of the process, that if Canada were to look beyond “dating”, in fact that would have to be on the table. I think you responded to that well, however, in terms of saying that Canada would not compromise its rules.



I got a sense from the Pacific Alliance that this was very much an alliance put together to counter, if you will, Brazil in that region, to become its own powerhouse. Do you have any opinions on that? That's just my sense, from having talked to them. I didn't get a direct response from the ambassadors, but that's my sense. Do you have one?

• (1700)

**Ms. Kerry Buck:** It's actually a very complicated question.

Brazil is its own powerhouse in the region, a member of the BRICs, as you know.

**Mr. Ed Holder:** Sure, and Mercosur.

**Ms. Kerry Buck:** Yes.

As a result of Brazil's ascendancy—and, to be frank, Mexico's ascendancy—you're seeing all sorts of different sub-regional groupings emerge. I wouldn't ascribe to Pacific Alliance the primary motivation of counterbalancing Brazil's economic weight, necessarily; I think that would be a question better asked of the PA members.

But it is true—

**Mr. Ed Holder:** I must admit that I didn't get great answers from them. I'm not sure if they were dancing on the head of a pin, to quote my Cape Breton mom.

Let me just ask you a third question. You're going through this process of review to determine what Canada's next step should be. In the same sense, we as a committee are doing this. We are going to be speaking with a number of witnesses going forward.

I don't mean to sound trite when I say “How can we help?”, but are there some things in terms of areas of focus that we can help clarify for you when we make some recommendations, ultimately, as a committee—because that's what we're trying to do—and that would help us as well? Can you give any direction that way?

I would have liked to ask this question before we had three of our four ambassadors in front of us, but is there any focus you can help give us that would help you as well?

**Ms. Kerry Buck:** It's a very, very good question. It takes a lot more policy analysis than I'm capable of doing right now, in the two seconds I have to think about it.

I think it's clear, or to us it's clear, that Canada brings a lot to the table to Pacific Alliance. That might be an interesting area for the committee to think about. We're not just *demandeurs* here. We're our own powerhouse. As I said, we're G-8, G-7, G-20, and we have a really broad Pacific network when the Pacific Alliance turns to bringing itself out into the Pacific—that second part of its mandate or objective, right?

So what Canada brings to the table would be an interesting analysis, for us. To us it seems clear.

In terms of what's inside the Pacific Alliance box, are there specific areas that the committee could helpfully focus on? That's a more difficult one, because some of the areas inside Pacific Alliance negotiations are so embryonic at this stage.

**Mr. Ed Holder:** Ms. Buck—

**The Chair:** Please be brief.

**Mr. Ed Holder:** Okay. You and your staff all seem very wise. Are there some things that we at our end could do to help support this process of coming to an understanding? Could I ask you to share that with us so that we all get wisdom?

**Ms. Kerry Buck:** Yes, Mr. MacKay?

**The Chair:** Go ahead, Mr. MacKay.

**Mr. Cameron MacKay:** I think we'll all be looking very carefully at the reaction of any private sector stakeholders you invite as witnesses, to see what their assessment is. There is a lot we don't know about the Pacific Alliance, and I think that's one reason why the members themselves haven't yet negotiated the final terms and conditions. They're still in that process, and you got a sense of that from the ambassadors. But the views of the Canadian private sector would also be interesting for us to know.

**The Chair:** Mr. Sandhu.

**Mr. Jasbir Sandhu (Surrey North, NDP):** Thank you for being here today.

I'm going to go back to a question that was asked earlier. It's my understanding that there was a cost-benefit analysis done to see if we wanted to join as an observer. Is there a document within DFAIT of this analysis?

**Ms. Kerry Buck:** Sorry, it's an iterative process when you're deciding what you do with a new alliance. There is no one document that I would call a cost-benefit analysis.

• (1705)

**Mr. Jasbir Sandhu:** Okay.

Is there more than one document?

**Ms. Kerry Buck:** There is an analysis that I set out in my opening remarks about the attraction of observership.

**Mr. Jasbir Sandhu:** Okay, I've heard that statement before.

**The Chair:** Hold on a second.

**Mr. Gerald Keddy:** I have a point of order.

What the opposition members are asking for is internal trade documents on research and development of ideas within the department. Those are not available to committee, and I think pursuing this line of questioning is a total waste of committee time.

**The Chair:** That may be, but he's asking the question, and I encourage the witnesses to keep answering the way they have, because I think they have done it the right way.

So go ahead. You can waste your time asking that question.

**Mr. Jasbir Sandhu:** This testimony that you presented today is based on some sort of documented research, a cost-benefit analysis that was done by the department. Would that be correct?

**Ms. Kerry Buck:** Since the Pacific Alliance was created in 2011, we have been engaged in analyzing what the Pacific Alliance is and what interest it holds for us. We have been engaged in discussions with Pacific Alliance members about what the Pacific Alliance is since 2011.

**Mr. Jasbir Sandhu:** Ms. Buck, I'm sorry, but I'm going to have you stop there. I'm going to ask my question.

**The Chair:** Well, you might or you might not.

Go ahead.

**Mr. Jasbir Sandhu:** Could you please just answer my question?

Do you have a cost-benefit analysis that you did with respect to observer status in the Pacific Alliance?

**The Chair:** I think that question has been answered, but I'll see if they have anything further to say.

**Ms. Kerry Buck:** There is no one document that I would call a cost-benefit analysis of observer status. There is a series of internal documents, conversations we have had, about what the Pacific Alliance is and what interest it holds for Canada, including Canada's observership, since the beginning of the Pacific Alliance.

**Mr. Jasbir Sandhu:** Would you produce those?

**Ms. Kerry Buck:** The analysis is not that complicated; it's the analysis—

**Mr. Jasbir Sandhu:** Ms. Buck, I'm sorry, I have to ask you a question.

**Ms. Kerry Buck:** No, I'm sorry—

**The Chair:** No, go ahead.

**Ms. Kerry Buck:** It's the analysis that I attempted to set out to you in my opening remarks, and that I attempted to answer previously. Namely, observership is something that has a very low cost, and the benefit is that it allows us greater access to Pacific Alliance members to ask those questions about what Pacific Alliance means, what it will mean as it gels over time, and what the interest will be to Canada. So of course there has been an internal analysis of what the Pacific Alliance is since 2011.

**Mr. Jasbir Sandhu:** Ms. Buck, you talked about there being some costs related to joining the Pacific Alliance, a low cost. Can you elaborate on those costs?

**Ms. Kerry Buck:** To date, it's been the cost of attending meetings as observers. When we talk to Pacific Alliance members, which is part of our normal business, it involves their travelling to Canada and our using our embassy network. It also involves me and Neil and the whole team travelling to Pacific Alliance member countries. In the context of a broader relationship, we'll bring up Pacific Alliance issues. We'll ask about it. Similarly, when ministers travel to the region, they ask about the Pacific Alliance. So the cost that is solely related to PA, as I've said, is attendance as observers at Pacific Alliance meetings. It's very minimal.

**Mr. Jasbir Sandhu:** Are those the only costs we're talking about here? Are there broader costs to our trade with those countries, in large part due to the kinds of products we're going to be exporting and the industries that could be hit here in Canada? Did we do any analysis along those lines?

**Ms. Kerry Buck:** That, sir, would be the analysis associated with moving to full membership, and as I said we're not yet at that stage, because the Pacific Alliance is not yet clear about what the full threshold for membership is. They're still in internal negotiations. To be frank, on many of the issues, they are going to be for a very long time to come regarding some other elements of their agenda, such as the cooperation agenda that I spoke about.

**Mr. Jasbir Sandhu:** Thank you.

We've talked about trade deficits. What I'm hearing from the department is that trade deficits are somehow good. Over the last 12 months we've had record trade deficits. We had, seven years ago when the Conservatives took over, a surplus of trade of \$25 billion, and now we have a trade deficit of about \$60 billion. That's almost \$85 billion in turnaround. That is quite a huge gap. Is the department saying that trade deficits are good?

• (1710)

**Ms. Kerry Buck:** I'll pass that to Mr. MacKay.

**Mr. Cameron MacKay:** My point really is that focusing on the trade surplus or deficit with individual trading partners, like Peru or Colombia, or with individual countries is not, frankly, that relevant. Our overall trade surplus or deficit with the world is driven not by individual free trade agreements with these countries but rather by the other much broader forces in the global economy which I mentioned before, including commodity-market prices, exchange-rate fluctuations, differences in productivity, etc., as well as by broader issues of Canadian government policy.

So we don't see any strong link between a trade balance with one country and the impact of an FTA on that.

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

Mr. Shory, go ahead for five minutes.

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

Mr. Sandhu has brought up what the Conservative government believes in, and I guess it is very clear that we are pro-trade. I don't want to say what their belief is. Everybody knows that the NDP is not pro-trade for sure; it's anti-trade. But I'll tell you about my belief in trade. I strongly believe more and more trade is better, and I also strongly believe that more and more involvement with our trading partners is also good for us.

When we say we are involved in TPP negotiations and we're thinking of getting involved in a Pacific Alliance partnership, the question is—and I'm sure the department will have some comment to make—whether involving ourselves simultaneously in negotiations with TPP and PA would be of any benefit or would be a waste of time.

**Ms. Kerry Buck:** Again, I'll answer briefly and then turn to my colleague Mr. MacKay to add to that.

The Pacific Alliance and TPP are separate initiatives. They're complementary. They have some shared objectives, but involvement in one does not preclude involvement in the other. The composition of the TPP is different from that of the Pacific Alliance. TPP trade negotiations are in advanced stages, having recently concluded the 16th round. The Pacific Alliance is a little newer than that.

I'll turn to Mr. MacKay to talk about how the two agreements are complementary and what the different elements are.

**Mr. Cameron MacKay:** Maybe just to build a little bit on that and on some of my comments earlier, they really are two very different initiatives. The TPP, frankly, is much larger and builds new trade rules, including those between partners that don't already have free trade agreements with each other. It's a much bigger grouping, and it's a much more ambitious grouping than is the Pacific Alliance. The Pacific Alliance involves these four countries that already have free trade agreements with one another, and they want to harmonize and build on that platform from there, so they have very different objectives.

With respect to being involved in one or the other, frankly, they're just two different initiatives, and the department, as you know from this and other briefings, is already engaged in many trade negotiations with different individual partners and groups of partners, so I don't see a conflict in that.

**Mr. Devinder Shory:** Let me ask this. For example, if we do not move further and other observer countries become part and parcel of this group of countries, is there any potential loss or disadvantage to Canada by not joining this group? If others, say Australia and New Zealand, joined this group and became full partners in this group, would we miss any opportunities, specifically in Asian countries?

**Ms. Kerry Buck:** Canada has a privileged relationship now with the Pacific Alliance members because of our web of FTAs and the extent to which we're in their markets already—and they're in ours, to be frank—and because of the richness of our bilateral relations with each of those member countries.

There would be a technical answer to your question once the Pacific Alliance is more advanced and we know what harmonization would be happening beyond our FTAs. That's a technical question that can't be answered until the Pacific Alliance is more advanced.

On the broader foreign policy level, right now we have that privileged relationship with Pacific Alliance countries. In the hypothetical situation where other countries outside our hemisphere are joining the Pacific Alliance and we're not, can I see them surpassing that privileged relationship we have with the Pacific Alliance member countries? It's possible, but that's on a broader foreign policy plane.

As I said, there's a technical answer to your question that can't be answered yet. Would we be missing something by not becoming full members? Quite feasibly, but we don't know yet what that might be, because it depends on how they surpass what we have in our FTAs.

• (1715)

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

Mr. Easter, for five minutes.

**Hon. Wayne Easter:** I have just one question, Mr. Chair. It won't take five minutes.

You mentioned, Mr. MacKay, in terms of the global value chains, how they add to GDP etc. when you are importing. I'd like you to answer how specifically that happens. I really believe that's an area we need to be looking at as a committee. That's why I've been pushing, and still will push, because I think this hearing is a waste of time—not with you folks, but I think the Pacific Alliance is something we're wasting our time on as a committee, when we should be looking at how to enhance.... How do we as a country take advantage of the trade agreements that we have in place and that are already being negotiated? Your point on global value chains is an important one, and we need to understand that as a committee. We should be meeting with some companies that are involved, that can tell us what more needs to be done from a policy perspective as a country to enhance those companies' interests. Our time would be better spent doing that. I still don't understand the Pacific Alliance; maybe I'm too thick. This, in my view, is busy work.

Perhaps you could explain just how that works in terms of global value chains, how even when you're importing it creates jobs and some economy and GDP within the country.

I might ask as well, does the department have any kind of analysis in its own right, I guess an economic analysis of how all that works that we could be provided?

**Mr. Cameron MacKay:** Mr. Chair, it's a very interesting question. Certainly, the emergence of global value chains and the strengthening of them in the last few years is something that the Canadian government and other governments around the world are grappling with and trying to analyze, and the Canadian business community is competing in that world every day now.

I don't have briefs in front of me to support a lot more than to say that clearly, in terms of the percentage of global trade of intermediate products for further processing in the next country that are then processed and re-exported to the next country, this kind of trade is growing in importance. The WTO and the OECD have done some interesting work just in the last few months on global value chains and so-called value-added trade, and how analyzing trade balances through the perspective of value-added can actually change the numbers that they produce in terms of surplus or deficit here or there.

I gave the example before of gold. There's the famous example of how iPods imported into the United States from China may appear to be, let's hypothesize, a \$300 import from China, when in fact, only about \$50 worth of the value is actually added in China and the rest is from components that are imported into China from the rest of the world. It's a very complicated question. It's a very important question, I agree. I think the chief economist's office is beginning to do some work here, and there are other policy institutes and think tanks in Canada, the C.D. Howe Institute and the Conference Board and others, that are looking at these questions.

• (1720)

**Hon. Wayne Easter:** Thank you, Mr. Chair.

**The Chair:** Thank you.

I think you'll get more answers as we go into the private sector part. We have three meetings scheduled on the Pacific Alliance that will give us some of those answers.

Mr. Keddy, you're the last questioner.

**Mr. Gerald Keddy:** Thank you, Mr. Chairman.

I just have a couple of points.

I appreciate, Ms. Buck, your intervention that Canada does exist in a global economy, that we actually do make things with other countries and that other countries make things with us. I'm sure that's news for some of my colleagues. But seriously, to me this is not a colossal waste of time; to me this is an opportunity. It may be simply because I'm an optimist and not a pessimist. It's not anything about being part of government. It's about a fledgling group—I think the word you used, Ms. Buck, was “embryonic”—that makes up the ninth largest economy in the world. Together we have an opportunity to look at this for very little cost. We're in at the ground floor. The very idea that somehow we wouldn't pursue this, I can't grasp the logic of. I challenge the opposition members to produce logic saying that we shouldn't look at this trading block, because there is no great cost and there's not liable to be for some period of time.

I brought up the comparison with the European Union early on for a reason. Sixty years ago they were shooting at one another in the European Union. The new member states from the Eastern bloc countries suffered under communist and socialist dictatorships. The newest country has only emerged in the last decade from a civil war and an occupation of its territory by neighbouring countries. The world's not a perfect spot. Either we're going to trade together and we're going to live together, and we're going to figure out that there's a benefit for all of us in that, or we'll become this little isolationist country that goes back to the previous government's record of free trade agreements, when yes, the economy was good and we were trading with the United States, with close \$2 billion worth of trade going across the border every day and the dollar was inflated at a buck forty. A whole bunch of negative things happened from that as well.

But my point is simple. You folks are trade people. Here's an opportunity to get in on the ground floor. This can go sideways, it can go nowhere, or it can go up. Why would we not want to participate?

**Ms. Kerry Buck:** Thank you.

As you put, sir, a little better than I've been able, there are some clear benefits to Canada from obtaining observer status. I'll set out three of them right now: one, it deepens our relationship with Pacific Alliance members, which is already good; two, it leverages our engagement with the Pacific Alliance to develop new links in the Asia-Pacific region; and three—and this is the one where we don't know where it will take us—it allows us to get in on the ground floor and participate in the alliance's meetings and discussions, including bilaterally, thereby allowing us to assess mutually beneficial opportunities for closer cooperation with a group of like-minded, open economies.

Where that latter analysis will take us is not yet clear, because it's not clear inside the Pacific Alliance yet. I think what is clear is that

Pacific Alliance members individually and jointly as an alliance are very important partners to us, both on the economic front and the broader foreign policy front.

Our observer status can't do anything but help us enhance those relationships that have already proven to be important to us.

Thank you.

• (1725)

**Mr. Gerald Keddy:** Thank you.

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

With that we'll conclude this part of the meeting. Not very much of the meeting is left, but we do have one quick motion to deal with. I want to thank the committee.

Before members get up—

**Mr. Gerald Keddy:** Do you want to deal with the motion first?

**The Chair:** Yes, let's just deal with the motion.

Mr. Holder.

**Mr. Gerald Keddy:** Is anybody against the motion?

**The Chair:** Members, just very quickly, let's deal with the motion right now.

**Mr. Gerald Keddy:** We're going to vote on the motion and then say goodbye.

**The Chair:** It's just a routine motion for the Pacific Alliance study. Does somebody want to move that motion?

**An hon. member:** So moved.

**The Chair:** Yes.

**Hon. Wayne Easter:** It's moved, I know. I will admit that very seldom do I vote against a budget request, but I am voting against this budget request because I believe this is a waste of time when we could be doing more important work that would benefit the country rather than dealing with some nebulous thing that we haven't even got a cost-benefit analysis of yet, for heaven's sake.

**The Chair:** Yes, but that's a different issue.

**Hon. Wayne Easter:** I have the floor, Mr. Chair, and it is my right to speak.

**The Chair:** Only if I give it to you, and you're pretty close to losing it.

**Hon. Wayne Easter:** Those are my reasons. To spend more money to bring witnesses on something that we still don't have a good explanation of and spend time on it at committee is wasting our time and the witnesses' time. There's more important work that this committee ought to be doing. I will be voting against it.

**The Chair:** Fair enough.

(Motion agreed to [See *Minutes of Proceedings*])

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

The meeting is adjourned.







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