



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

## **Standing Committee on International Trade**

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CIIT • NUMBER 076 • 1st SESSION • 41st PARLIAMENT

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**EVIDENCE**

**Monday, May 6, 2013**

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**Chair**

**The Honourable Rob Merrifield**



## Standing Committee on International Trade

Monday, May 6, 2013

• (1535)

[English]

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

We want to thank our minister and some of his department officials for being here to talk about the 2013-14 main estimates, vote 20, under Foreign Affairs and International Trade.

Mr. Minister, we are very pleased to have you here. It's been a while since you've been to our committee. We look forward to your presentation and then we'll open it up to questions and answers.

These are exciting times in Foreign Affairs and International Trade; the agenda is pretty intense.

Mr. Minister, the floor is yours.

**Hon. Ed Fast (Minister of International Trade):** Thank you, Mr. Chair.

It's good to be back again before committee. I'm also joined today by Nadir Patel, the department's chief financial officer, Marc Whittingham, the president and CEO of the Canadian Commercial Corporation, and our deputy minister, Simon Kennedy.

It's a pleasure for me to appear before you today and to discuss the importance of international trade to Canada. Simply put, we are a trading nation. The benefits of international trade are reflected across our great country, in our companies, in our cities, and of course in our standard of living.

**Hon. Wayne Easter (Malpeque, Lib.):** On a point of order, Mr. Chair, this is the minister and the full department. Do we have a copy of the speech that members could have while he goes through it?

**The Chair:** I don't think we have a copy of the speech.

Go ahead, Mr. Minister.

**Hon. Ed Fast:** Mr. Chair, these are my personal speaking notes. They're all marked up.

**The Chair:** That's fine. We'll all pay very good attention, and this is all recorded.

**Hon. Ed Fast:** All right, thank you.

Internationally, Canada has established a reputation as a leading world-class producer of cutting-edge products, innovation, and services. I can personally attest to this from my many trips around the world. We should all be proud of the strong brand Canada has established as a partner of choice in the world. In fact, I would note that in 2010, and I believe also in 2009, FutureBrand of New York

ranked Canada as the world's most respected country brand. We can be proud of that brand.

Our government understands the importance of international trade to Canada's economy. The Prime Minister has clearly indicated that trade is a priority for our government. International trade is an important piece of the government's economic action plan to create jobs, promote growth, and support long-term prosperity for Canadian workers and businesses.

In 2012 Canada's exports and imports of goods and services exceeded \$1.1 trillion, or \$32,000 for every person in Canada. That's approximately \$3 billion each and every day. Our international trade is equivalent to over 60% of Canada's gross domestic product, and one in five jobs depends on trade. It's difficult to overstate the importance of open markets to Canada, and it is equally clear why Canada must succeed in international markets. My job, and that of my department, is to seek out new global markets and opportunities for Canadian businesses.

In my opinion, one of the most effective ways to open new markets and increase prosperity is to pursue and practise free trade. Free and open trade is an excellent driver of economic growth, employment, and opportunity. In fact, I would suggest that trade and investment are the twin engines of economic growth for the world economy. That's what drives our government's pro-trade plan, the most ambitious plan of its kind in Canadian history.

The plan recognizes that, while the United States remains Canada's closest and most important trading partner, our future economic success and prosperity will also be dependent on our ability to seek out, compete for, and secure opportunities in other markets.

We also believe that trade is a shared global interest and responsibility, and we'll continue to call on our trading partners to promote open markets and to resist protectionism and other trade-restrictive measures. This is at the core of Canada's pro-trade plan. It is a plan with results.

In seven years, our government has concluded trade agreements with nine different countries, foreign investment protection and promotion agreements with 16 countries, and 51 air transport agreements covering 74 countries. But we're not resting on our laurels; instead, we're continuing to seek new agreements and partnerships with our trading partners.

For example, as we speak, we're pursuing trade and investment opportunities in one of the most dynamic regions of the world, that being Asia, including initiatives with Japan, India, South Korea, and the Trans-Pacific Partnership. We're actively working to conclude our comprehensive economic and trade agreement with the European Union. Canada is also deepening its engagement with the countries of the Pacific Alliance. These countries and trading blocs represent some of the highest growth markets in the world, and it's essential to Canada's continued economic competitiveness that we seek to negotiate preferential terms of access. This is important because I can assure you our competitors are trying to do the same thing.

While trade agreements are important in opening doors for Canadian companies, it's also important that we support these companies in moving through those doors. That's the central role of the Canadian Trade Commissioner Service. In more than 150 cities worldwide, five regional offices, and in a growing number of leading industry associations across Canada, you can find trade commissioners helping businesses, large and small, break into and expand into new markets.

Armed with market intelligence and expert advice, trade commissioners work closely with Canadian companies to reduce the risk and the cost of doing business internationally. They connect Canadian business people with the right decision-makers abroad so that they can grow their businesses and create jobs right here at home. Last year we served almost 14,000 Canadian firms, most of them small and medium-sized enterprises.

Your committee's March 2012 report on the Canadian Trade Commissioner Service was welcomed, and its support for the service is very much appreciated. The government has responded to that report and is working diligently to implement its recommendations so as to maintain the excellent service provided to Canadian clients, and to contribute to Canada's prosperity through global commerce, investment, and innovation.

Allow me to end with a few words on our global commerce strategy, launched in 2007, which allowed Canada to put in place a framework that emphasizes a whole-of-government approach and greater engagement of small and medium-sized enterprises.

In response to a changing global economic landscape, the government announced in 2012 that it would undertake steps to refresh the global commerce strategy, or the GCS, through extensive consultations with Canadians, again with SMEs being the focus.

We've heard from many stakeholders across the country in this undertaking. In addition to meeting with provincial and municipal governments, my officials have met with more than 400 industry and business leaders across Canada.

The consultation process has helped inform a refreshed GCS which will guide Canada's trade plan going forward. The updated global commerce strategy will better align the government's trade and investment resources with our objectives vis-à-vis markets that matter the most.

Through the GCS our objective is to help Canadian businesses, especially our SMEs and education service providers, to compete successfully in targeted emerging markets while maintaining our

efforts to strategically advance our commercial interest in important traditional markets.

Economic action plan 2013 reaffirmed the government's commitment to refresh the global commerce strategy and to announce it in the coming months. I will continue to look to this committee for advice and ideas as the government continues to create jobs and prosperity for Canadians through deeper trade and investment ties with our key global partners.

Thank you. I look forward to our discussion today.

• (1540)

**The Chair:** Thank you very much for those remarks. It's a broad agenda in international trade.

We'll start with our questions.

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

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

Thank you, Mr. Minister, for being with us. My notes indicate you were last at the committee on March 13, 2012. That's almost 14 months ago, so in my opinion, you're long overdue to be here. We thank you for making the time.

Mr. Minister, as you know, economic growth in 2012 failed to meet the Bank of Canada's projections. Bank of Canada Governor Mark Carney said that one of the greatest contributors to this failure was, in his words, "weak exports". In addition, in an analysis published last month, CIBC economist Benjamin Tal concluded, and I'll quote him as well: "Regardless of how you look at it, this was a lost decade for Canadian exports."

Mr. Minister, why has Canada's export performance been so disappointing?

**Hon. Ed Fast:** Thank you for the question.

As I'm sure you've taken notice, the world economy has undergone a dramatic change. We've gone through the worst economic crisis in half a century. Markets around the world have been challenged by that crisis. Even the emerging markets, the fastest growing markets around the world, have struggled to keep up with their traditional patterns and rates of growth.

Canada is not immune to the winds of economic change blowing around the globe. We do know for a fact that trade investment, more open and freer trade and investment going forward, is going to be one of the keys not in only unleashing Canada's economy but also in allowing the global economy to recover from what has been a very difficult last five to six years.

Even as recently as this past March, our trade figures, as you know, have bounced back to a surplus. It would be a mistake to focus on any given month or even year to get a broader picture of the opportunities that exist for Canada to expand its opportunities around the globe.

My job as trade minister is to provide new opportunities for Canadian companies to be successful all around the world in selling their goods, selling their services, and selling their expertise. I can tell you from personal experience, having travelled to many of our key trading partners, having also been involved at the World Trade Organization, within APEC, and at the OECD, that Canada has opportunities to work hard to remove tariff and non-tariff barriers to allow Canadians to really benefit from growth opportunities that are all around us.

**Mr. Don Davies:** I want to drill into a couple of those things.

You may be right to not look at any particular month or year, but I'm going to look at, say, the last six years, because I think the better part of a decade is a representative sample. Canada has gone from an \$18-billion current account surplus in 2006, when your government took power, to a deficit of \$67 billion this year. That's an \$85-billion swing in a little over six years. It's also a trend that has been getting worse. Qualitatively, our value-added exports as a percentage of overall exports have been declining, and we have a merchandise trade deficit approaching \$100 billion. That's on the gross numerical side.

In terms of your explanation of exports and referring to the global economy, Mr. Minister, we asked the Library of Parliament to look at 17 other countries around the world with economies of various sizes and approaches that have had to deal with exactly the same global challenges as Canada, including the U.K., Spain, Chile, Japan, Australia, the U.S., Germany, Mexico, etc., for the same time period as we have statistics for your government, 2006 to 2012.

World Bank statistics, which is where we got the numbers from, show that over that time eight countries have been running current account surpluses, five countries have been running deficits, but those deficits have been improving, and five countries have been running deficits that have been deteriorating. Canada was in dead-last place at the 18th spot with the worst performance over those countries, and they're dealing with exactly the same global conditions, commodity prices, currency fluctuations, and the global recession.

What would account, Mr. Minister, for Canada's trade performance? Why is it so poor relative to that of our competitors?

• (1545)

**Hon. Ed Fast:** I'm glad you mentioned the current account balance. As you know, the current account balance is not only reflective of trade balances, but it's also reflective of investment flows into and out of Canada. It's reflective of revenues generated by investment. I don't know if you're aware of this, but it's also reflective of foreign aid flows out of Canada. Last year those alone were somewhere in the order of between \$4 billion and \$5 billion. When you take that into account, if you were using the current account balances as your only indicator of economic success, you might have made a case, but it would be a big mistake to do that. Most economists would agree with me that it is only one of many different indicators.

The indicator I would direct you to is one which I believe determines the issue. What has Canada done in terms of economic performance, especially when it comes to job creation? As you know, since the depths of the recession in July 2009, the Canadian

economy has created 900,000 new jobs. We lead the G-7 in job creation performance. I'm very proud of that record. I won't make any apologies for that record. I'm absolutely confident that as time goes on we'll continue to see very significant job creation from our government, from our economy, I should add, and also a continued focus by our government on the most fundamental issues, which allow our economy to stay healthy, such as low taxes and a highly educated workforce, making sure we're an attractive place for foreign investment.

**Mr. Don Davies:** With respect, Mr. Minister, your portfolio is trade, not employment, not jobs.

**The Chair:** A very quick question, a very quick answer.

**Mr. Don Davies:** Again I come back to the fact that the Bank of Canada says that the greatest contributor to failing to meet their projections is weak exports, and that's what I'm talking about. Of the six trade agreements this government has signed, none of them has been with a major export market: Panama, Peru, Colombia, Jordan, Honduras. None of them are even in our top 25 export markets. None of them are major emerging economies. When it comes to markets for exports, Canada was 89th, and Honduras is 104th.

Mr. Minister, why does the government spend so much time pursuing agreements with countries that don't offer first-order export opportunities for Canada—

**The Chair:** That's it. I'll allow a very quick answer.

**Hon. Ed Fast:** Mr. Davies, I'll challenge you on one point. You suggested that job creation isn't the responsibility of the trade minister. You're dead wrong, dead wrong. Both investment and trade fall under my portfolio. Trade facilitation falls under my portfolio. Providing the kinds of support for Canadian businesses, even access to capital, falls under my portfolio, and it's all related to our objectives on job creation. If you look at that indicator, clearly we're having success.

I would suggest to you that our government is getting it done. We're considered to be the best place to do business in the world over the next five years. The world has taken notice of our economic performance, and I can assure you that the investments we're making right now in terms of crafting economic framework agreements—yes, with smaller countries, as well as with larger countries like the European Union, a market of 500 million consumers; a market like Japan, a market within the Trans-Pacific Partnership, representing 785 million consumers—those are going to drive job creation, and they're going to drive long-term economic prosperity in Canada for many years to come.

• (1550)

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

Mr. Keddy, you have seven minutes.

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

Minister Fast, we welcome you and your deputy and staff.

Minister, there has been a lot of discussion about the Doha Round, the failure of that multilateral forum, and the challenge of seeking bilateral agreements and arrangements to make up for the impasse at Doha. There are a number of challenges within that. I've heard you speak on it before, on the importance of multilateral trade and rules-based trade. Could you enlarge on where we go with the impasse at the WTO?

**Hon. Ed Fast:** Canada has made it clear on many different occasions within international fora that we believe the World Trade Organization should remain the preeminent forum within which rules-based trading takes place around the world. Sadly, the Doha Round is stalled very badly.

There are very significant efforts being brought to bear to try to come up with a meaningful outcome at MC9 in Bali, which is coming up in December. I'm part of that effort, as are many of my counterpart colleagues from around the world. In the absence of significant progress in the Doha Round, Canada has no option but to look at opportunities to remove tariff and non-tariff barriers through other means. We're talking about bilateral agreements, which I just discussed with Mr. Davies. We're talking about regional agreements, like the Trans-Pacific Partnership. I wouldn't want to forget plurilateral agreements. For example, Canada has recently joined in an international services agreement which is looking to liberalize the trade in services internationally. I believe there are 20 or 21 partners involved in that, including the EU, the U.S., and Japan.

The reason I am so excited about that initiative is that Canada is one of the world leaders in the sale of services. We're the fourth largest exporter of engineering services in the world. We're only a population of 34 million in a world population of 7 billion, and we're the fourth largest exporter of engineering expertise in the world. We're that way across many other sectors of the services market. However, we're prevented from taking maximum advantage of those opportunities because of non-tariff barriers in many parts of the world. We're hoping to eliminate, or certainly reduce, those barriers because we know Canada can really benefit from it going forward.

Finding ways to refresh the WTO is a significant challenge for the world's economy. When the Uruguay Round was finalized, there was great optimism that the next round, which was the Doha Round, would lead to a very significant step forward in further trade liberalization around the world. Sadly, what we've seen from many of the key players in the global economy is that there has been a lack of flexibility. These are my own words. This is my own assessment. There's a lack of flexibility in moving forward, because we have different groupings. We have least developed countries looking for outcomes that will serve their interests. There are developing economies looking for certain outcomes. There are the developed economies like Canada, the U.S., the EU, and Japan, which also are looking for certain outcomes.

As we look toward Bali, one of the key things we can do to facilitate trade around the world is to agree on a set of measures under trade facilitation that would remove things such as barriers within customs measures. That would allow us to leverage the strengths of economies by eliminating the barriers we have at the border. Many of those are artificial. Many of them, quite frankly, are essentially there to prevent trade from happening and to protect local economies. We in Canada have been a very strong voice against

protectionism in the global economy. We believe protectionism is toxic to the economic recovery that all of us are hoping for in the global economy.

I hope that helps you to divine what our government is hoping to achieve within the larger multilateral context.

• (1555)

**Mr. Gerald Keddy:** I appreciate that answer, and it leads me into my next question.

On non-tariff barriers and impediments to trade, we have a situation with our largest trading partner, the United States, where there is some discussion by the Americans that they are thinking of implementing fees at the border. Quite often when they start thinking something, it comes to fruition unfortunately, so we have a challenge with our largest trading partner. We want to facilitate trade. We want to hear them in a reasonable manner. At the same time, we don't want to put up with non-tariff barriers or increased fees at the border.

Do you have some suggestions on how to handle that, or what action we can take against those?

**Hon. Ed Fast:** I will say it has been frustrating for us as a government to see from time to time measures taken by our American cousins that appear to fly in the face of the spirit in which Canada and the United States have collaborated.

As you know, not long ago we agreed upon a set of measures under our border vision initiative as well as our Regulatory Cooperation Council initiative, all intended to do the following: to move security to the perimeter of our two countries, to thin out the border, and to collaborate and cooperate on how we do business so we can do it more cost-efficiently. Again, it's about trade facilitation.

When you see new fees being proposed at the border, those who are promoting them clearly see them as a quick fix for some immediate fiscal challenges. We have impressed upon our counterparts in the United States that the best job creator is free and uninhibited trade between Canada and the United States. There's no better job creator than trade between our two countries.

The more we can do to allow that trade to happen in an unencumbered way, the more we're going to drive prosperity on both sides of our border. When a fee is imposed on the American side of the border, it impacts jobs and businesses not only on our side of the border, but also on the American side of the border because of the highly integrated nature of our two economies.

Parts flow across our border many times before a final product has been assembled. Whatever we can do to remove barriers is a very significant step forward to achieving greater levels of trade and doing so more efficiently.

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

We'll now move to Mr. Easter for seven minutes.

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

Welcome, Minister, and the folks you have with you.

I might say, Mr. Chair, I'm a little puzzled by that line of questioning to the minister by his parliamentary secretary. I kind of thought there would be issues. After all, the parliamentary secretary is the junior minister to answer questions in the House, so I kind of thought they would talk about this stuff over coffee.

**The Chair:** The question wouldn't be to him. Just ask the minister your question.

**Hon. Wayne Easter:** However, it does seem remarkably strange to me.

I have one point for the Library of Parliament first, Mr. Chair. We have the estimates here, which are virtually useless because they give only a one-year comparison. I'm wondering if the Library of Parliament might make, say, a five-year comparison of the estimates going back.

Mr. Minister, again welcome.

You mentioned the Trans-Pacific Partnership. I expect your department has prepared an economic impact analysis of the negotiations to date on what we expect to gain and what we expect to lose. We know we didn't come in until I think it was the 14th or 15th round. We don't know what was discussed in the previous rounds.

I wonder if your department has done that analysis and if you're prepared to table it with the committee.

**Hon. Ed Fast:** I can certainly assure you that we have done a comprehensive analysis of what Canada can expect to gain from being a member of the Trans-Pacific Partnership and what the expectations would be of our membership within that group of trading nations.

As you know, these assessments are done by officials within my department. They are also done by my team within the department. We, of course, were able to determine that there was a very significant benefit to Canada being at the table.

We had discussions with all of the existing partners. They obviously wanted to determine the level of ambition that Canada would bring to the table in terms of trade liberalization. I did remind them, Mr. Easter, that Canada is one of the most liberalized economies in the world and that they could expect Canada to be a very productive and helpful partner at the negotiating table.

I can tell you that in the last two rounds in which we have engaged, even the nine partners that were there very much appreciated how well prepared Canadian negotiators were and how easily they integrated into the process.

•(1600)

**Hon. Wayne Easter:** Mr. Minister, that's all well and nice and we're glad to hear that, but are you prepared to table that analysis with this committee so maybe we can offer some constructive advice?

I've been trying at this committee ever since I've been here.... We want to give you advice. We want to help you out. I've been suggesting we have value to add to our trade agreements within Canada and that there would be a net benefit to Canada. We can't get your colleagues to agree to that kind of a study.

Are you prepared to table with this committee the analysis you have done?

**Hon. Ed Fast:** As you know, those are confidential reviews—

**Hon. Wayne Easter:** Okay, so the answer is no.

**Hon. Ed Fast:** —and evaluations that cover a wide range of issues, and the scope of that assessment is broad. We want to make sure we get it right for Canadians. We want to make sure there is value in any trade agreement we enter into.

**Hon. Wayne Easter:** Let me turn, Mr. Chair.... You said in your remarks, Minister, that for the Prime Minister trade is a priority. Based on results, Mr. Minister, I would have to say heaven help us if the Prime Minister makes some other issues a priority, because the results are not there in terms of trade. Mr. Davies, using a Library of Parliament analysis, clearly showed the results are not there. You outlined a number of discussions, but the fact of the matter is that in 39 of the last 52 months, we had a trade deficit. That's not really very successful.

If I could, I want to come to the Canada-South Korea negotiation. In regard to this one, we're not gaining results; we're losing results. You will know that negotiations started under the previous government in 2005. It's currently a billion-dollar market—or was, not now—for Canadian beef and hogs. I happened to be in the United States at a meeting which Secretary of Agriculture Vilsack was at. All he could talk about was—blowing up and down—how the beef industry in the United States was taking markets from Canada in the South Korean market.

If I go to your plans and priorities, what it states for this year is, “advance free trade negotiations with Japan and South Korea”. Mr. Minister, advancing is not enough. Why is the government not concluding a deal with South Korea? Since the Americans have their agreement, we're falling behind.

Second to that, I would add you indicated previously on the Canada-European trade agreement that it would be done in December. Now we're in the same position on CETA vis-à-vis the United States as we were in South Korea. They're into negotiations. It seems to me we're playing second fiddle to the United States on CETA.

When can we expect CETA to be signed? When are your negotiators going to conclude a South Korea agreement so that we're not falling behind the U.S.?

**The Chair:** We'll get an answer now.

**Hon. Ed Fast:** Let me answer your first question, and that is on CETA. As we speak, our negotiators remain engaged in Brussels bridging the remaining very small handful of issues. These are difficult discussions, but our negotiators are finding creative ways of bridging the outstanding gaps.

However, I want to be very clear on this, Mr. Easter. Our conclusion of these negotiations will not be driven primarily by a calendar or a timetable. It will be driven by the quality of the deal. We have made it clear to Canadians throughout our negotiations that we will only conclude negotiations if we can say to Canadians that it is in Canada's best interests. That is the standard our government has set. It is the standard we will meet. That is the standard that also applies to South Korea.

You were quite correct in stating that those negotiations were started back in 2005. By 2007, as you know, the whole BSE crisis was in full bloom. Korea had closed its market to our beef, and they were not moving. It took this government to actually solve that issue, which we were able to resolve about a year and a half ago with the Koreans. We now have full access to their market. Until we were able to resolve that issue, it was very difficult to move forward in trying to find additional ways of deepening our trade relationship.

As you know, since that time we've had ongoing discussions with the Korean leadership as to how we might be able to continue to deepen that trade and investment relationship. They've gone through a transition of government over the last number of months. They've actually completely retooled their trade portfolio. They've included a number of other disciplines in that portfolio. It's taking some time to even find out who would be my counterpart who can actually receive instructions, or provide instructions to negotiators in terms of what can be achieved within a trade agreement negotiation with Canada.

I'm confident that we'll be able to find a way of securing the kind of outcome Canadians expect us to get. Canadians will not accept us selling out Canada's economy. You know that. I would also remind you, Mr. Easter, that over the 13 years your government was in place, you were able to secure only three free trade agreements, and they were all tiny ones—

•(1605)

**Hon. Wayne Easter:** And I believe we had a surplus the whole time.

**Hon. Ed Fast:** —and we're now engaged in very significant negotiations with Japan, the EU, and TPP.

**Hon. Wayne Easter:** That's when we had a surplus.

**The Chair:** Very good.

We will now move on.

Mr. Cannan, you have seven minutes.

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

Thank you, Minister Fast, and thanks to your officials.

Mr. Kennedy, congratulations on your recent addition. We had a good working relationship with Canada-U.S. and regulatory reform. We thank you for your work there. It's very important for trade for Canada, for both countries for that matter, and for harmonization.

I thank you, Minister Fast, for your great work and your recent successful trip to Japan and China, working to promote Canadian companies, specifically in the information and communications technology sectors.

I know it's important to sign new trade agreements and expand new markets that way, but we can't forget about existing companies that are doing business and want to grow deeper and more extensive in their relationships and their trading opportunities. Maybe you could enlighten the committee as far as what you are doing to help businesses abroad or Canadian exporters to expand not only to new markets, but in existing markets.

**Hon. Ed Fast:** Thank you for that question.

A lot of people whom I meet assume that the trade minister is engaged in trade policy and trade framework agreement negotiations and that's it. In fact, trade is much bigger than that. I would mention trade promotion.

In my opening remarks I mentioned the Canadian Trade Commissioner Service, which I referred to as one of Canada's best kept secrets, because many Canadian businesses, especially small and medium-size enterprises, don't yet know the value that the trade commissioner represents in providing support to Canadian businesses that want to penetrate new markets around the world.

As you know, through your study of the Canadian Trade Commissioner Service, our trade commissioners on the ground in many of those new and emerging markets can provide our Canadian businesses with intelligence on the regulatory context in which they'll be doing business, the legal framework, and the business environment. They can point Canadian businesses to a roster of trustworthy partners which they may want to partner with to improve their prospects of success. The Canadian Trade Commissioner Service is part of our trade promotion tool kit.

I should also mention that one of the biggest challenges Canadian businesses have is access to capital for them to expand into new markets. That's where Export Development Canada comes in. This is an organization, an agency of the government, that provides support for Canadian companies that are looking for financial support, especially where there are gaps in the traditional private sector, for example, the private banks. Often EDC can step into that gap and provide the kind of financial and insurance support that our Canadian companies need to do that.

I should also mention our Canadian Commercial Corporation, which focuses on government-to-government procurement relationships. This is also a tool that we use to allow Canadian companies to explore new markets around the world.

For example, if you have a Canadian company that hasn't yet exported a defence product to a foreign government, that foreign government may say they don't know this company and don't yet have the assurance that they can deliver under their contract. So the CCC steps in, and because they're essentially an agency of the government, the purchaser has the confidence that the goods will be delivered as stipulated under the contract. Again, we're able to facilitate and expand opportunities for Canadian businesses to be successful around the world.

I would be remiss if I didn't mention trade missions. I think all of you are aware that I, as well as some of my parliamentary colleagues, lead trade missions around the world. These are our key markets, the ones we want to see our Canadian companies engaged in. We'll take a number of companies along, often 20 to 30, and these trade missions have a sector-specific focus. We don't want 10 to 15 different sectors represented, where we don't have the scale to be able to make a difference in that foreign market.

Our trade commissioners on the ground will arrange face-to-face meetings with prospective partners in that new market. They can also help to open doors to key decision-makers in that market. I think if you check with those who have taken advantage of our trade missions around the world, you'll find an overwhelmingly positive response has come back. We provide this valuable service, teaming up the services of our Trade Commissioner Service with some of us who are elected officials, to lead these trade missions where Canadian companies can experience what it's like to be on the ground and forge new trade opportunities.

Finally, I'll talk about trade facilitation. This is another thing that I do, more at the multilateral or plurilateral level. I'm engaged at the World Trade Organization and other plurilateral forums, such as APEC and the OECD, where we have regular discussions about how we can get rid of red tape, paperwork that is an artificial means of inhibiting trade, which would serve countries around the world. Some of the work that has been done shows that trade facilitation, the elimination of many of these barriers, would benefit the least developed countries in the world the most.

• (1610)

These are some opportunities we have to go beyond just trade policy and do some real things for Canadian businesses and grow prosperity here at home.

**Hon. Ron Cannan:** I think it's very important to inform all of us of the hard work you're doing. As you said, oftentimes people are under the impression you're opening new markets through trade agreements, but it's all those other issues. As you said, eliminating red tape or regulatory reform is very important. It's hard to believe that some people still don't understand how integrated trade and job growth are, as one in five jobs are based on trade—

**The Chair:** Very quickly.

**Hon. Ron Cannan:** —almost two-thirds of our GDP.

Could you elaborate exactly what you meant when you said that you won't sign an agreement unless it's in the best interests of Canadians?

**Hon. Ed Fast:** When we're looking at what's in Canada's best interest, we're looking at a number of different things. First of all, are we opening up new opportunities across all sectors of our economy? Are we opening up opportunities across all regions of our economy?

We want to make sure that our core values and our core interests are not in any way compromised when we forge new investment and trade agreements around the world.

We want to make sure that, at the end of the day, the tools that we're adopting and putting into place are actually driving economic prosperity long term in Canada.

These aren't quick fixes. Mr. Easter mentioned that he felt that trade wasn't being generated by the initiatives we've undertaken. The reality is these initiatives take 5, 10, 15, 20 years to actually take root and bear fruit.

• (1615)

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

Mr. Davies, we're into the second round. You have five minutes.

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

Mr. Minister, the media reported this week that DFAIT has set up a special insider group that'll be consulted on the TPP negotiations and updated regularly on Canada's position.

Can you confirm whether the TPP consultation group, or something like that, exists? Will you provide this committee with a list of who is part of that group? Can this committee, elected officials sent here to Parliament to represent Canadians, expect to receive the same level of information as those industry groups, if in fact they are receiving this information?

**Hon. Ed Fast:** I can tell you that we don't have an insider group, as you've insinuated. Of course, our officials collaborate. They meet regularly with stakeholders across all sectors of our economy. They also meet regularly with provincial, territorial, and municipal governments.

As you know, we have a good working relationship with the Federation of Canadian Municipalities, which strongly supports our trade plan, our efforts to open up new opportunities around the world for trade and investment, but we also seek the advice of stakeholders on a very regular basis. There's no stakeholder who is told that they can't have input into the process.

Obviously, we let stakeholders know the minister and his officials are prepared to hear what they have to say, because we want their concerns to inform the actual outcomes in those tools that I talked about. When we're talking about investment agreements, trade agreements, double taxation agreements, or nuclear cooperation agreements, we want our stakeholders to share with us what it is they need to open up new markets.

I seriously challenge your insinuation that there's this insider group, but I make no apologies for meeting regularly across a broad, diverse cross-section of stakeholders to seek their input. We'll continue to do that.

**Mr. Don Davies:** Well, I encourage you, Mr. Minister, then, to meet broadly with stakeholders and to meet with this committee more than once every 14 months, because we represent stakeholders as well. I think that seeking the input of this group might be just as valuable to you as seeking the input of industry groups.

More than one member of Parliament, Mr. Minister, has commented that it's strange to get more information about the state of negotiations on CETA with the European Union from the Europeans than we get from our own government, including members of your own caucus, might I add.

I'm going to turn to something else. In 2006, Prime Minister Harper said:

I think Canadians want us to promote our trade relations worldwide, and we do that, but I don't think Canadians want us to sell out important Canadian values... They don't want us to sell that out to the almighty dollar.

Your government recently concluded a FIPA with China. Article 28 of that agreement allows China to hold hearings in private at its discretion, something that looks to me, as a lawyer, like a sellout of our Canadian values of an open court system. I know you're a lawyer, too, so you'd be familiar with that concept.

For a FIPA that gives substantial rights to China's investors in Canada, can you tell us if any human rights commitments were received from the Chinese government in exchange?

**Hon. Ed Fast:** First of all, let me talk about the last point.

**Mr. Don Davies:** I'd like you to answer my question.

**Hon. Ed Fast:** I want to tell you very specifically that when I meet with my counterparts around the world, my Chinese counterparts included, I regularly raise the issue of human rights with them. I know for an absolute fact that the Prime Minister does too. Any suggestion that we don't is wrong.

**Mr. Don Davies:** No, I asked if you got any commitments.

**Hon. Ed Fast:** I can tell you we believe that as time moves on, it is our engagement with these countries that will make the difference.

In terms of the Canada-China Foreign Investment Promotion and Protection Agreement, this agreement is really focused on providing Canadian investors with protection that Chinese investors already have when they invest in Canada.

**Mr. Don Davies:** Well, they don't get national treatment.

**Hon. Ed Fast:** Listen—

• (1620)

**Mr. Don Davies:** They don't get national treatment—

**Hon. Ed Fast:** The reason for that, Mr. Davies, is that when Chinese companies invest in Canada, we don't discriminate against them. We treat them fairly. That is the Canadian way.

**Mr. Don Davies:** But we don't give them national treatment.

**Hon. Ed Fast:** Canadian companies, as you know, have shared with us on a regular basis that when they invest in China, they don't feel treated in quite the same way. The whole purpose of this bilateral investment treaty is to actually provide Canadian companies with the same kind of investment protection—

**Mr. Don Davies:** Yes, but my question was about human rights, not on an exhortation on FIPA.

I want to move quickly to—

**The Chair:** No—

**Mr. Don Davies:** I have time. I can move to whatever I want to.

**The Chair:** No, you don't have any time. Your time is gone, and we'll now move to Mr. Holder.

**Mr. Don Davies:** How much time...? Could I see the clock, please?

**The Chair:** You have six seconds.

**Mr. Don Davies:** Well, I have time.

**The Chair:** No, you don't.

Mr. Holder.

**Mr. Don Davies:** You closed the consulate in Osaka—

**The Chair:** Mr. Davies, I just said you don't have any more time.

Could you shut his microphone off, please.

Mr. Holder, for five minutes.

**Mr. Don Davies:** Mr. Chair, your unfairness [*Inaudible—Editor*]

**An hon. member:** You were over a minute with the first time.

**Mr. Ed Holder (London West, CPC):** I'd like to thank our guests for being here today, particularly for you, Minister, to be here.

There have been a lot of questions—

Sorry, but can I get the side comments down, from all sides, please?

Thank you.

**The Chair:** You have our undivided attention, Mr. Holder. Go ahead.

**Mr. Ed Holder:** I appreciate it. Thank you.

One of the things that has come up regularly, Minister, has been the question about the free trade agreements that we've signed in Canada in the last several years. We've signed a number of them. There has been one member, and it's been implied by other members opposite, who certainly has said, I think relatively explicitly, that with the number of free trade agreements signed, it doesn't seem to have had a positive impact on Canada's economy. On the one hand I hear that, yet it was interesting to hear a colleague ask what you are doing about South Korea, because they really think that's important. It seems that they're sucking and blowing at the same time, and I'm not sure how well I could do that.

**Some hon. members:** Oh, oh!

**Mr. Ed. Holder:** Here's what I'm trying to understand. I heard the talk about trade deficits and surpluses, and we've had some dialogue around the Pacific Alliance fairly recently. I was putting some attention toward the four countries—Mexico, Chile, Peru, Colombia—where we are engaged in that dialogue. There may be some deficit areas in some ways, but what I was particularly struck by was that over the years from, let's say several years ago to today, there has been significant growth. In terms of Canadian merchandise, trade exports, and service exports there has been an increase in some cases extremely dramatically with those countries. What I'm trying to understand regards the issue that we've heard on a constant basis from some, that in some of our agreements, or a number of them, there may be deficits. Is the issue one of surplus versus deficit, or is it an issue of net growth from a Canadian perspective in terms of its export scenarios?

I really would be grateful for an answer and clarity around this, because I think it's an important point.

**Hon. Ed Fast:** That is a very good question. I'm glad you put that question to me.

The old math, the old belief, that exports are good and imports are bad is archaic. When you actually work within the multilateral trading system and you chat with economists, you understand that for Canada to be competitive in manufacturing, we have to also have access to competitively priced high-quality imports, because those become the inputs to the ultimate product that gets exported out of Canada.

There's some excellent work that has been done by the OECD and the World Trade Organization in partnership. They've looked at trade through a whole new lens in terms of the actual impact that imports have and the actual impact that services have. They've been able to parse out those different considerations. It puts a whole new colour on what trade is all about.

Trade is beyond just exports and imports. It's beyond the old math. It's about investments. It's about driving prosperity through high value. Where is much of that high value today? It's going to be in services. Fifteen per cent of Canada's exports are already represented by services. We would like to grow that because that's where much of the high value is.

I talked earlier about engineering expertise and Canada being the fourth largest exporter of engineering services. That adds value to our Canadian economy. We're dealing with this whole notion of trade surpluses and trade deficits. I would agree with those who say persistent long-term structural trade deficits should be avoided, but to look at it in terms of a short timeframe misleads the public and improperly informs it of the kinds of steps that should be taken to continue to drive economic growth within Canada.

• (1625)

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

I'm trying to make the connection between trade and economic prosperity. I noted that no one jumped on the news that some 900,000 jobs have been created, after the worst worldwide recession in our lifetime.

**The Chair:** Let's keep it brief.

**Mr. Ed Holder:** The alternative that I'm hearing from the other side seems to be that we shouldn't trade for fear Canada might be in deficit versus surplus, in some scenarios.

Could you respond to the implications of not trading? I'm just trying to get a sense of that.

**The Chair:** We only have time for a brief answer, Minister.

**Hon. Ed Fast:** Let me point to the North American Free Trade Agreement. Our trade levels have tripled since it came in. Our trade levels with Mexico have more than sextupled since that agreement was signed. Keep in mind that those growth rates were achieved over a longer period of time, 10 to 15 years. You have to allow these trade agreements to take root to really see the fruit that will be borne by those agreements.

By the way, it's not only about trade. It's also about investment, both foreign direct investment in Canada, which I'm responsible for attracting, as well as encouraging Canadian companies to look at investments all around the world. We have significant investment interests in places like Africa, where we're hoping to protect Canadian companies by putting in place bilateral investment treaties.

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

Minister, we started the meeting a little bit late. Do you have five minutes more?

**Hon. Ed Fast:** Yes.

**The Chair:** Fine. We have two questioners left: Mr. Davies, for two and a half minutes, and then we'll go to Mr. Shory.

**Mr. Don Davies:** Thanks, Mr. Chairman.

As lawyers, when you don't have the facts, you argue the law, and when you don't have the law, you argue the facts. I think in trade if you don't have the numbers, you argue the policy. The numbers are a persistent problem, Mr. Minister. I'm a little concerned that I hear you writing off a \$100-billion merchandise trade deficit, or a \$67-billion trade deficit, which includes services, goods, and investment, as not much to worry about.

I want to turn to CETA. In its negotiations with India, the EU has announced that it is abandoning its demands for changes to intellectual property rights. The changes demanded by the EU could increase drug costs in Canada. Some estimates are as high as \$3 billion a year, and some are lower. Your own department, I believe, has estimated costs of up to \$2 billion a year, I believe. Will your government commit to holding firm on intellectual property rights as the Indian government has done and insist on a CETA deal that won't increase drug costs for seniors?

**Hon. Ed Fast:** First of all, I would caution you against comparing the CETA negotiations with India to the negotiations the EU has with Canada. Those are very different trade relationships, very different investment relationships.

What I will say is that when it comes to intellectual property, our government is looking to find a balanced outcome. I think there is general agreement that protecting our innovators, our knowledge, is absolutely critical to driving high value in our Canadian economy. We're among the very best educated in the world. We are innovators, but if we don't protect innovation, we're going to lose that innovation elsewhere.

**Mr. Don Davies:** Can I move on to Africa now? I only have 30 seconds.

**Hon. Ed Fast:** Let me just follow up. I'm talking about the balance. I talked about protecting innovators.

On the other side, we want to make sure that Canadians continue to have full access to affordable medicines, and we are committed to that. That is why we're seeking a balanced outcome, and I believe Canadians will recognize that once negotiations are completed.

**Mr. Don Davies:** On agriculture, is the government going to defend the long-held position of supply-managed sectors, zero change in tariffs and zero change in quotas? Will the government defend that position at the CETA table, Mr. Minister?

**Hon. Ed Fast:** What we have made very clear is that we are prepared to discuss all issues at the negotiating table. But as all of our negotiating partners do in all of our trade agreement negotiations, we vigorously defend and promote Canadian interests. We've made it very clear that we will continue to support supply management in Canada.

**The Chair:** Okay, thank you very much.

Mr. Shory, you have two and a half minutes.

**Mr. Devinder Shory (Calgary Northeast, CPC):** Thank you, Mr. Chair, and Minister, and all the team. Thank you very much for being available today.

Mr. Chair will cut me off so I have a short question, Minister.

I noticed specifically on the India file in the last couple of years we have increased our trade commissioner services there, the numbers specifically. You talked about the.... You are very fond of saying all the time that trade is at the kitchen table, and I definitely agree with you on that.

How do you tie all this trade increase globally with your global commerce strategy?

• (1630)

**Hon. Ed Fast:** How do we tie them all together? How many hours do you have?

**The Chair:** It's minutes, and not many of them.

**Voices:** Oh, oh!

**Hon. Wayne Easter:** If you have all night, we have all night.

**Hon. Ed Fast:** What I will say is that India will soon be the most populous country in the world. We have to explore ways of deepening our trade with India.

Our current bilateral trade is somewhere in the order of \$5.2 billion a year. That is modest compared to the potential that is there, which is why we're continuing to negotiate with India. We've completed seven rounds of negotiations.

Thank you for mentioning some of the work we're doing in placing trade commissioner services in the key emerging markets of the world. You're absolutely right. We've placed more resources in India. We've also placed more resources in Brazil. We've also placed more trade commissioner service resources in China. We've done that because those are rapidly growing economies.

They've also been impacted by the global economic crisis. Growth rates have moderated in those countries. But going forward, with the growth in their populations and the growth in the size of their middle class, we'd be crazy not to pay attention to them and look to put in place the kinds of tools that are going to allow Canadian investors and exporters to do business with those regions of the world.

• (1635)

**The Chair:** Thank you very much, Minister Fast. Thank you for coming to our committee and for being so informative on the entire trade agenda, which is actually very broad and very important to our country.

With that, we will suspend for a few moments as you leave, but I understand your department officials will stay behind and we will continue some of the questioning.

• (1630)

\_\_\_\_\_ (Pause) \_\_\_\_\_

• (1635)

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

We have the department officials continuing with us here to answer the technical questions on vote 20.

We'll continue in order with the questioning.

Mr. Davies, you have a quick question.

**Mr. Don Davies:** Yes, Mr. Chairman, I would like to move my motion. It reads:

That the Standing Committee on International Trade invite the Minister of International Trade to provide a comprehensive briefing on the outcome of the 16th round of negotiations of the Trans-Pacific Partnership which took place from March 4-13, 2013 in Singapore.

**The Chair:** There's just a clarification on which motion.

**Hon. Ron Cannan:** Is that the one we just got?

**The Chair:** This is the April 22 motion, right?

**Mr. Don Davies:** It is from April 22, yes.

Again, this is to invite the Minister of International Trade to provide a comprehensive briefing on the outcome of the 16th round of negotiations of the Trans-Pacific Partnership which took place from March 4 to 13, 2013 in Singapore. The reason we'd like this passed, Mr. Chairman, is that the government has repeatedly stated it's involved in high stakes negotiations. We have CETA, TPP, Japan, and India.

I would point out that we haven't to date been able to close any of those agreements, but they are identified as very important major agreements, and yet we have not received briefings.

I tried to ask the minister some questions about his consultation process. He acknowledged that he does consult with provinces. He consults with stakeholders, industry stakeholders. I believe he should consult with this group, not only consult, but brief this group.

To date, we have not received a briefing on the TPP from the minister nor from the chief negotiator. It is important that committee members as representatives of Canadians from coast to coast have that input.

I would second what Mr. Easter said. He made an excellent point when he pointed out that this committee can be a source of value added. It seems incongruous to me that there is this consultation with all sorts of groups, except for the members of the Standing Committee on International Trade, particularly when we have regional representation. We have representation from a number of different perspectives. I think it would assist the government in getting a wide variety of perspectives. As well, I'll be blunt: I believe members of this committee have a right to know what is going on at those talks and to have a briefing periodically on how the issues are progressing.

I would urge all members of the committee to support this motion. Let's receive a briefing on the negotiations that just took place in March in Singapore.

**The Chair:** We have a motion on the floor.

Mr. Keddy.

**Mr. Gerald Keddy:** Mr. Chairman, it's disappointing that while we have officials here to answer substantive questions and talk about issues facing trade and facing the country, we're going to discuss a motion. If you want to discuss the motion, let's go in camera and discuss the motion.

I move that we go in camera.

• (1640)

**The Chair:** We have a non-amendable, non-debatable motion to go in camera.

All in favour?

**Hon. Wayne Easter:** Can we have a recorded vote, Mr. Chair?      [*Proceedings continue in camera*]

**The Chair:** The motion is carried.

(Motion agreed to: yeas 6; nays 5)

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