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## **Standing Committee on International Trade**

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**EVIDENCE**

**Thursday, May 29, 2014**

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**Chair**

**The Honourable Rob Merrifield**



## Standing Committee on International Trade

Thursday, May 29, 2014

• (1100)

[English]

**The Chair (Hon. Rob Merrifield (Yellowhead, CPC)):** I'd like to call the meeting to order. We have the privilege of having the minister with us this morning, and we want to thank the committee for being here. We have the potential of being interrupted as we move into this meeting, but we will deal with that in due course. We are here on Standing Order 108(2), a study on the positive effects of the global markets action plan. We have the minister here to answer any questions you might have. We'll lead off with his presentation to the committee and then we'll get into questions and answers.

Welcome, Minister.

**Hon. Ed Fast (Minister of International Trade):** Thank you, Mr. Chair. Good morning, everyone. *Bonjour, chers amis.* Thank you for the invitation to appear before you today. I am joined by Susan Bincoletto, who is our chief trade commissioner for Canada. I'm delighted that the committee has chosen to undertake a review of our government's global markets action plan. This morning I would like to provide you with some background on this landmark plan and also fill in a few details.

It's no secret to anyone here that Canada has been and remains a nation built on trade. We are one of the great free-trading nations of the world. Trade is equivalent in size to some 60% of Canada's gross domestic product, and one out of every five Canadian jobs is related to exports.

One of the first initiatives our government undertook to expand international trade for Canadian businesses was the global commerce strategy. It was a comprehensive plan for expanding Canada's trade network, strengthening our competitive position in our traditional markets, and extending our reach to new, emerging markets. The strategy generated significant success, helping to pave the way for our government to sign numerous trade agreements.

But in a fiercely competitive global economy, Canada must remain nimble and agile. We must keep challenging ourselves. To do just that, our government's economic action plan 2012 committed to building on the success of the global commerce strategy by consulting extensively with Canada's business community to identify new markets, new strengths, and new opportunities.

The result of our consultations is the global markets action plan, or GMAP as we call it. This plan, which I released at the end of last year, is Canada's new blueprint for creating jobs, economic growth, and opportunities for Canadians through international trade and investment.

Under the GMAP, the Government of Canada will concentrate its efforts on the markets that hold the greatest promise for Canadian business, and focus on the sectors of our economy that hold the greatest promise for export growth. We will do this through vigorous trade promotion and effective trade policy.

As we concentrate on priority markets and sectors, the global markets action plan will also entrench the concept of economic diplomacy as a driving force behind the Government of Canada's trade promotion activities throughout its international diplomatic network.

Let me be clear. Placing economic diplomacy at the heart of our broader foreign policy plan is not in any way intended to undermine or compromise Canada's robust development and humanitarian programs, or our peace and global security initiatives.

We do expect our government representatives abroad to promote all of Canada's values and interests, including our economic interests. At the forefront of these efforts is Canada's trade commissioner service. These are Canada's trade professionals, posted across Canada and all around the world, executing the trade and investment promotion activities of the GMAP as a core component of our broader foreign policy plan. Our trade commissioners provide market intelligence, on-the-ground support, and act as troubleshooters in markets that Canadian companies are interested in exporting to.

I recently announced that more than 25 trade commissioners will be embedded in industry associations across our country. Their role is to inform Canadian companies about the tools that our Canadian government has made available to them as they explore export interests around the world. Our embedded trade commissioners will also act as a bridge between businesses and government programs, policies, and agencies such as Export Development Canada, the Canadian Commercial Corporation, and the Business Development Bank of Canada.

Our embedded trade commissioners will also gain better insight into the evolving export needs of Canadian industries and ensure these needs are reflected in the services they provide to our businesses.

Another trade promotion tool I want to touch on is the wide array of trade missions that our government leads to our priority markets.

Sector-focused trade missions are one of the many ways our government supports Canadian companies, particularly SMEs, to explore and succeed in foreign markets. Trade missions are about opening doors, about finding partners, engaging with key decision-makers, fostering long-term relationships, and identifying new trade and investment opportunities.

In fact, I just completed a trade mission to China this last week.

• (1105)

The mission was focused on the sustainable technologies industry, one of the priority sectors under the global markets action plan. During that mission, I announced that we will open another four Canadian trade offices in China, bringing to 15 the total number of points of service Canada offers to Canadian exporters and investors in our second-largest trading partner, China. Over 100 of Canada's trade commissioners will be deployed throughout China. In short, we are committed to aligning Canada's resources with our priority markets. Next month, I'll be leading a trade mission to South Africa and Tanzania with a special focus on the extractive sector, infrastructure, and renewable energy and power.

Equally important to our trade strategy are incoming trade missions. This Sunday I will be welcoming in Vancouver a delegation of my ASEAN ministerial counterparts and senior officials. We're very much looking forward to deepening our trade ties with our ASEAN friends—those will be countries in Southeast Asia such as Cambodia, Vietnam, Indonesia, the Philippines, and Malaysia—and we're looking forward to showcasing the very best of what Canada has to offer. I'm also pleased that business delegates from Turkey will be here in Canada next week. As you know, Turkey is also a priority market under the global markets action plan.

Now, those incoming trade missions to Canada are among the tools we use to connect our SMEs to global markets. I would just note, with regard to small and medium-sized enterprises or SMEs, that the GMAP recognizes that SMEs are the backbone of Canada's economy. We currently have somewhere in the order of one million SMEs in Canada. Many of them have the capacity to export, but only about 40,000 of that one million do so. The number that export beyond North America is even smaller, much smaller. So, our goal under GMAP is to increase the number of SMEs that export into emerging markets from 11,000 to 21,000 companies. I know that's a tall order, but these are the markets that today offer the greatest growth opportunities, and it is critical to our long-term prosperity that our SMEs step up to the plate and now begin to explore export opportunities beyond North America.

The last pillar of the GMAP that I wanted to mention is our commitment to negotiating trade agreements and investment agreements with other countries, which will free up trade between us and our key trading partners and provide more security and assurance for those in Canada who want to invest abroad.

When our government first took office in 2006, Canada had concluded free trade agreements with only five countries. That was a short eight years ago. Today we're approaching concluded trade agreements with 43 different countries, and there are many more to come. Last October we signed the agreement in principle for our free trade agreement with the European Union. When that agreement comes into force, it will mean that Canadian exporters have

preferential access to more than half of the entire global marketplace. As the world's largest trading bloc, the EU represents over \$17 trillion in economic activity every year. The value of the EU's annual imports—imports alone—exceeds Canada's total annual economic output.

In March we also announced the successful conclusion of a free trade agreement with South Korea, Canada's first free trade agreement in Asia. This agreement will boost Canada's economy by \$1.7 billion a year, and just as importantly, Canadian businesses will now be able to use Korea as a gateway to the larger, rapidly growing markets of Asia, where we're also pursuing free trade agreements with India and Japan and within the Trans-Pacific Partnership.

Investment protection agreements are also important as they provide Canadian businesses with greater confidence and assurance when they invest abroad. Two days ago I announced the coming into force of the Canada-Benin Foreign Investment Promotion and Protection Agreement, which is Canada's third in Africa. That brings to 27 the number of bilateral investment treaties Canada has in force around the world.

• (1110)

In closing, I want to state that our government's ultimate goal is a world in which all can share in the prosperity, opportunity, and choice that international trade and investment deliver. The GMAP is Canada's contribution as we all work toward that goal.

Thank you. I welcome your questions, Mr. Chair.

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

You sound like you've been flying high and been very busy. It's very good and impressive.

Mr. Davies, the floor is yours as we open up questions.

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

Thank you, Mr. Minister, for being with us today. Again, welcome to the committee.

Minister, I want to commend you for your recent efforts to increase our trade presence in China. While we know that trade agreements can provide the framework opportunities to increase economic activities, as you have pointed out today, trade commission offices provide the real, on-the-ground services that help Canadian businesses realize that potential and actually often make the sales.

However, there are an increasing number of commentators, including the Canadian Chamber of Commerce, who point out that our trade commissioner's staff have been under-resourced over the past eight years. Cam Vidler, the director of international policy for the Canadian Chamber of Commerce told this committee two weeks ago, and I'll quote him:

The trade commissioner service is at the heart of Canada's economic diplomacy, and they need to have the resources and skills set to get the job done right. Despite rising service requests, budgets and staffing are at the same level as they were in 2007 and are set to stay flat for the foreseeable future.

Given the vital role that trade commissioners play in realizing our trade ambitions, Mr. Minister, can you tell this committee why they're not receiving increased resources from your government?

**Hon. Ed Fast:** That's a good question, Mr. Davies. Let me answer that in two ways.

First, our government has made a very clear commitment to Canadians that we will return to balanced budgets. We are tracking to do that. That requires discipline, and we've been able to do that within a low-tax environment. We made a commitment to return to balanced budgets without increasing taxes on Canadians. We believe we are well on our way to achieving that.

Within those constraints, we're of course looking to do more with less. In other words, we're trying to become more efficient and deploy our resources to those areas of the world where we get the biggest bang for the buck. Obviously, as required and as warranted going forward, we will always be looking forward to new opportunities to place additional resources in the markets that matter, so that we can address the sectors that matter to the Canadian economy, but I can assure you that we are doing our very best within the current constraints that we have to honour the commitments we've made to Canadians to make sure that we deploy our trade commissioner resources in the most effective manner.

•(1115)

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

Now, Minister, of course Canada is in a competitive world, and many other countries are seeking to tap the very same markets that we are. So it's instructive, I think, to compare our investments and trade assets with our competitors'.

I'll quote the Canadian Chamber of Commerce again. Two weeks ago, they told our committee, "As a share of GDP, the United Kingdom now spends twice as much as Canada on its trade diplomats."

They pointed out that Australia dedicates 50% more resources and trade promotion than does Canada. The demand is clearly there. The recent Chamber of Commerce report elaborates and states, and I'll quote again:

Recent developments suggest that resources are increasingly being spread thin... Much of this demand has come from emerging markets,

—the markets you referred to, Mr. Minister—

where trade commissioner requests grew by 15 per cent over the past year. In China and India, they increased by 37 per cent and 25 per cent, respectively. The target in the Global Markets Action Plan to double the presence of small- and medium-sized businesses in these markets by 2018 will only add to this pressure.

So, again, logically the demand in our trade commissioner services, in their view and ours, should be met with increased resources in order to ensure success. So are there any plans that you have to try to meet that increased demand with the increased trade commissioner presence to realize that potential?

**Hon. Ed Fast:** I think I just answered that question, Mr. Davies, but what I will say is this. It's not just about how much money you spend; it's about how you utilize those resources. As I've travelled around the world, I've visited dozens and dozens of our key trading partners and I've had a chance to meet our trade commissioners on the ground. I've also had a chance to meet thousands of their clients over the last three years. I can tell you that the trade commissioner service of Canada is admired all around the world.

I believe it's the best tool of its kind in the world. We have received kudos for the work that our trade commissioners do in the field and for the services they deliver to Canadian companies on the ground. Is there more we can do? Of course there is. As time goes by, we're going to make sure that we put the resources in the field that are required to maximize Canada's potential in terms of its export interests.

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

Now, I just want to turn to SMEs for a moment if I may, Mr. Minister.

The Chamber of Commerce also pointed out, in their report, the shutting down of the virtual trade commissioner service, which was an online, streamlined, one-stop shop for the trade commissioner service.

I also have spoken to many businesses and exporters, who tell us that it's very helpful for them to have a one-stop shop, particularly for SMEs who don't have big departments. They don't have the staff, the time, or the resources to have a presence in other markets. They want our government to provide them with a streamlined location, preferably online, where they can get the information they need to access those markets. They say that this service, the virtual trade commissioner service, was crucial for SMEs, who find it "difficult to navigate the trade promotion ecosystem."

The report of the Canadian Chamber went on to say:

Often, they have to visit multiple websites, and speak with several representatives in different departments, before finding the relative solution to their problem. This can be enough to deter them from seeking services in the future.

Can you give us a brief explanation, Mr. Minister, of why the virtual trade commissioner service was closed, if we really want to help SMEs to tap into export markets?

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

The global markets action plan has provided us with the perfect opportunity to re-evaluate the programs we have and re-evaluate the resources we have. It gives us an opportunity to redeploy resources in a manner that drives a bigger bang for the buck when taxpayers invest.

I'm going to pass it on to Ms. Bincoletto to explain to you the rationale behind the virtual trade commissioner service and what we're doing.

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

**Ms. Susan Bincoletto (Assistant Deputy Minister, International Business, Chief Trade Commissioner, Department of Foreign Affairs and International Trade):** Thank you, Minister.

I should say that what we're trying to do is modernize the way we access SMEs. We are currently leveraging other government departments and organizations like EDC, CCC and BDC, as well as NRC. They all dabble in the same space of working with small and medium-sized companies. They have various websites and digital tools to connect with SMEs.

What we're doing through various MOUs is trying to develop another frame, so that we can provide a single or more comprehensive window to track what the needs are for SMEs. There's a life cycle. Some need financing. Some need contracting. Some need contacts. By working better together, which is also something that the Chamber of Commerce has said—better coordination among government institutions—we're trying to work to have a better, easier, seamless face to help SMEs. That's why it's kind of the next phase to improve government resources for the benefit of SMEs.

• (1120)

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

Mr. O'Toole, the floor is yours for seven minutes.

**Mr. Erin O'Toole (Durham, CPC):** Thank you very much, Mr. Chair.

Thank you, Mr. Minister and Ms. Bincoletto, for joining us this morning. We appreciate your remarks, and we appreciate your efforts, globally.

Minister, I want to seize first on your great breakdown of our government's focus on SMEs, small to medium-sized enterprises: one million, but only 40,000 exporting, and a vast majority of those only looking to the U.S.

We heard, a couple of weeks ago, from Dr. Head, from the University of British Columbia, and Dr. Wright, from York University, who suggested that the growth of SMEs and their export opportunities was critical, and how the focus on SMEs as part of the global markets action plan was a profound departure from the past, where there was more of a scattergun approach taken to trade missions.

Would you care to comment on how SMEs are particularly a part of the global markets action plan?

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

We have quickly realized that our large Canadian companies, the multinationals, have the resources to penetrate new markets and have the resources to expand their presence in markets that matter. What we realize is that our Canadian small and medium-sized enterprises are woefully unaware of the tools that their federal government has made and continues to make available to them to be successful, as they look for export opportunities outside of Canada and outside of North America.

The global markets action plan recognizes that, and that's why there's such a special place in the GMAP for SMEs. They are going to drive much of our future export growth around the world. That's

why we want to make sure that we also develop a plan, which we're in the process of doing, to promote the tools that the federal government, and by the way, the provincial governments as well, make available to SMEs, so that they can safely start to explore those new markets they probably should have explored many years ago.

I've long ago come to the conclusion that Canadian companies are highly risk averse. They're very cautious, probably more so than companies in some of our key trading partners, and it takes quite something to push them over the line to where they say, "Okay, we're going to actually take that next step and start to explore these new markets and start to develop our export potential".

I believe the global markets action plan is a very significant step in the right direction to do that, but it's not going to be only me as international trade minister and my ministerial colleagues and our MP colleagues who will be responsible for promoting those opportunities for SMEs. We're also going to work with the industry associations across Canada, to make it very clear to them that we want them to be our partners as we communicate with our SMEs this incredible world of opportunity out there that they haven't yet tapped into.

**Mr. Erin O'Toole:** Thank you.

Coming from business as I do, one thing I like about the global markets action plan is the prioritization, so that the priority, as you said, Minister, is to have a bigger bang for your buck. When you set priorities on countries and sectors and opportunities, whether it's a for-profit or a non-profit, priorities and a strategic plan are critical.

The same witnesses I quoted also said that with the previous approach, there was very little follow-up and very little long-term impact from just a mission with a number of politicians and that sort of thing on it.

Can you talk about how this allows a prioritization of economic, diplomatic, and trade commissioner resources—like in China, as you said, with the 15 trade offices now there—how that helps focus our spending and our priorities?

• (1125)

**Hon. Ed Fast:** In the consultations that led up to our formulating the new global markets action plan, we were able to consult with virtually every industry association across Canada. We were able to consult directly with companies that had expressed an interest in exporting, that are presently exporting, and with some that haven't yet exported. It very quickly became apparent that Canada's resources were being spread too thin. We needed to prioritize and we did that in two key areas.

First, we prioritized the markets that matter the most to Canada. If we are expecting to be engaged fully in every country in the world, we just don't have the resources to do that and we won't achieve success. So we've narrowed down the number of countries on our list of priorities. Typically, they are countries in which Canadian companies have already experienced success; countries whose economies are emerging, that are growing rapidly; or they may be countries to which we haven't had access but represent large markets, like the European Union. We have now negotiated an agreement that for the first time will provide real access to Canadian companies that so far have been shut out of that market.

We have done the same thing also in terms of the industry sectors. We want to make sure that we focus on the sectors in which Canada has real strength. We've limited that number to 22 key sectors, and that's where trade promotion activities will be focused.

**Mr. Erin O'Toole:** Thank you, Minister.

My final question is this. You're the last of 12 witnesses we've heard from specifically on the global markets action plan. We've heard from dozens in the last few months on CETA, on TPP, and others. I'm looking here at an invitation to an event called the Panel, which next week will explore economic diplomacy and Canada's global markets action plan.

The only MP on the panel is Ms. Freeland, the Liberal trade critic I understand, who has never attended a trade committee meeting, including our last few weeks on the global markets action plan. We very much appreciate the participation from our friend Mr. Pacetti, but has Ms. Freeland, as the trade critic for the Liberal Party, inquired or written your office with respect to the global markets action plan? She's appearing on a panel and talking about it, but I haven't heard...or she hasn't been hearing from Canadians on the plan itself.

**Hon. Ed Fast:** Mr. O'Toole, I do note that Mr. Pacetti is a member of this committee. From everything I've heard, he's been a very productive participant on this committee and his input is valued. But you are correct that my trade critic actually has been notably absent, and not only from this committee. I have never once received a question from her, in the House of Commons, on trade—not once. I don't know why that is.

I can tell you that in terms of our government, we consider trade and investment to be the twin engines of economic growth for Canada. This will drive our long-term prosperity, which is why this government, for the last eight years, has made trade such a priority for Canadians.

**The Chair:** Thank you.

I think you're about to get questioning from Mr. Pacetti—

**Mr. Don Davies:** Mr. Chairman, I have a point of order, just briefly.

**The Chair:** It had better be brief.

**Mr. Don Davies:** The minister just said “my” trade critic. I think he meant to say “the Liberal” trade critic.

**Voices:** Oh, oh!

**The Chair:** Okay.

Go ahead, Mr. Pacetti. The floor is yours for five minutes.

**Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.):** Thank you, Mr. Chair.

What a segue. Yes, I am the Liberal member on this committee.

Your colleagues around the table have decided that I have only five minutes, so perhaps you could try to keep your answers limited. I have a couple of questions.

Thank you for coming, by the way, Mr. Fast. It is appreciated.

I want to ask a question on the SMEs. I totally agree with regard to the SMEs not being able to have the opportunity to export, for various reasons. I have friends in accounting practices who have a lot of connections with small businesses, and the challenge is always the resources, financial and human.

Ms. Bincoletto, you spoke about EDC and BDC working together. My feeling is that as long as BDC is charging 4% or 5% extra for loans, and EDC is asking for extra paperwork, and BDC is asking for extra paperwork, small businesses will not start exporting. It just means more resources they'll have to put out before they get even one dollar back in profit or investment.

Do you have any comment, Mr. Fast?

• (1130)

**Hon. Ed Fast:** I'm glad you mentioned not only SMEs but SMEs in the context of what Export Development Canada delivers. Many of our Canadian SMEs aren't even familiar with EDC. They're not familiar with the fact that we have an agency of government, an arm's-length agency of government, that actually delivers financing solutions for their exports, that delivers risk insurance, that delivers receivables insurance—

**Mr. Massimo Pacetti:** Well, there are some who are. The banking institutions will refer EDC or BDC to them. But then when they start doing business with EDC or BDC, there is way too much paperwork and they give up.

**Hon. Ed Fast:** Actually, I haven't heard that, Mr. Pacetti. This is the first time I've heard that. In fact, what I hear more often than not from SMEs is that they value what the EDC brings to the table.

**Mr. Massimo Pacetti:** Oh, absolutely—

**Hon. Ed Fast:** Let me finish; as you know, the EDC actually fills gaps that are left behind by the private sector banks and their financing solutions.

**Mr. Massimo Pacetti:** Absolutely.

**Hon. Ed Fast:** To have the EDC there actually plugging those gaps, and supporting our SMEs, is a real bonus.

By the way, the EDC is well known around the world as perhaps the best agency and financing facility of its kind in the world.

**Mr. Massimo Pacetti:** Absolutely. It's not a criticism of EDC or BDC—I'm a great fan—but I'm just saying that if you want to increase your level of involvement from the SME market, you have to reduce some of the paperwork and infrastructure that's involved there.

On another note, you spoke about trade being linked to investment, and obviously goods, but I didn't hear anything about human rights. We had a bit of conflicting points of view when it came to human rights when we were studying the Honduras free trade agreement. You didn't really mention anything about environmental issues before beginning discussions in signing a free trade agreement with a country.

What's your viewpoint on those two items?

**Hon. Ed Fast:** As you know, Mr. Pacetti, our standard trade agreements include quite robust provisions on labour and environment. One of the things we have very much focused on is engaging with countries that are coming out of very troubled histories. You mentioned Honduras. That's a great example, and so is Colombia.

By the way, Chile is also a great example of a country that has come a long way since the Pinochet years, when it was a dictatorship. It might surprise you to know that Canada's approach of actually engaging rather than isolating Chile caused Canada to be the first country to sign a free trade agreement with Chile, back in 1997. Today they have more free trade agreements than any other country in the world. Canada was on the ground engaging with them not only on economic issues, not only on trying to improve their prosperity, which has actually happened, but also engaging on issues like human rights, democracy, security, and capacity building.

That's exactly the approach we've taken in countries like Colombia, like Peru, and also Honduras, all of which have troubled histories. We are part of the solution to that.

**Mr. Massimo Pacetti:** We've seen criticism of GMAP anywhere from there are too many countries in it to not enough countries. Experts or witnesses have been all over the map, I think, on how they feel about the GMAP.

My question to you is this. You've just been to China. China seems to be a priority, but when it comes to human rights where do you balance your relationship or your future trading relationship with China?

**Hon. Ed Fast:** I can assure you, Mr. Pacetti, that when I visit China, and I visit China regularly, I engage with my counterparts not just on economic issues. We raise issues of human rights. I know every minister of your government who travels abroad regularly raises issues of human rights in countries where human rights violations are going on.

At the same time, I will again say this. We have made the decision to engage with countries like China, like Chile, like Colombia and Peru and Honduras because we believe we have many of the solutions. As we engage with them, we're able to share with them best practices in areas such as human rights, labour rights, the environment. In those countries that are impoverished, we also have the solutions to raise the economic outcomes of the citizens of those countries by using trade and investment, and raise more of them out of poverty and into the middle class. That's what engagement is

about, and I believe that we, as the Canadian government, do that effectively and will continue to do so.

● (1135)

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

Mr. Cannan.

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

Thanks, Minister Fast and Ms. Bincoletto, for appearing at our committee this morning.

As you alluded in your opening comments, Minister Fast, we're talking about the global markets action plan, or as you mentioned, a landmark plan to help Canadian businesses to expand beyond the United States where we've obviously been concentrating for a number of years. They will continue to be our best trading partner and ally, but we need to find ways to expand.

With one of these initiatives I had the pleasure, and I think the opportunity, to travel to Korea with the Prime Minister for the signing of the free trade agreement, opening the Asian market to about another 50 million potential customers. One of the things I heard from investors on the trip, and we've heard in the committee and from my constituents, is the protection of their investments. You alluded to the Foreign Investment Promotion and Protection Agreement that you recently signed with Benin, a record amount. One of the concerns of Canadian investors going into China, which is number two after the United States and continues to expand, is to ensure their investments are protected.

Can you share with the committee the importance of the Canada-China FIPA, and how that'll protect Canadian investors?

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

Let me start off by saying that investment and trade are two sides of the same coin. Both of them drive economic prosperity here at home. When a Canadian company invests abroad, that also creates jobs here at home. When we attract foreign investment from another country into Canada, that also creates jobs here at home. So investment is very much part of our government's broader economic agenda. The reason we are negotiating bilateral investment treaties is because in many parts of the world investors don't have the protection of the rule of law. They don't have regulatory certainty. They don't have transparency, the way we do in Canada.

I'll make a comment about Canada. When a foreign investor invests in Canada, once they are invested we don't discriminate against them. We don't say because you're a foreign company investing in Canada we're going to treat you differently from Canadian companies. We treat them fairly. We treat them free of discrimination.

That is not the case with many of our trading partners, which is why we negotiate bilateral investment treaties that set out a clear set of rules under which these investments will be treated once they have been made, and these investment treaties also set out a clear set of rules under which investment disputes are resolved.

Suppose Canada has a company that invests in another country. The investment is made, and now the government of that country discriminates against the Canadian company. If we have no investment treaty in place, there really is no protection. That company is at the whim of the domestic courts in that foreign country. But when we have a bilateral investment treaty in place, the Canadian company's dispute with that government is elevated out of the domestic context and into the international arbitration arena where there is the rule of law, where there are clear rules, where there is fairness, and where you have independent, impartial adjudicators who decide on that dispute.

That's why we're anxious to negotiate more of these agreements. They are in Canada's own self-interest. We need to have them in place to protect Canadian investors, and quite frankly, Mr. Cannan, Canadian investors in Canada have been calling for these agreements, including the one with China, for a very long time, and now we're delivering.

**Hon. Ron Cannan:** Thanks for that clarity on the importance of the FIPAs around the world.

One other area I'd like to talk about is something I'm passionate about, and that is education. My colleague, Randy Hoback, as the chair of the ParlAmericas committee, and some of us on the trade committee, have recently had an opportunity to go to Peru.

Mr. Pacetti talked about environmental issues, human rights. Canada is leading the way on corporate social responsibility in the mining sector and some of these other areas in other countries we've gone to and heard about first-hand. One of the ways is through reciprocal education.

I know that within the GMAP, the global markets action plan, education is an important portion of the GMAP plan. I know the government understands the importance of the economy. I think of my riding in the Kelowna—Lake Country, and of Okanagan College and UBC Okanagan, which have several international students. It has created a real diversity and ambience in our community that has helped from a cultural perspective in a reciprocal way.

Could you maybe elaborate a little bit as far as how education equals peace and opportunity, and the importance of GMAP and trade and commerce to Canada and international partners?

• (1140)

**Hon. Ed Fast:** That's a great question. I'm glad you brought up international education. This is a priority sector for Canada. It's one of the 22 priority sectors identified under the global markets action plan.

Beneath that plan, the umbrella of the global markets action plan, we've actually also released the international education strategy under which we have set the goal of doubling the number of students from abroad who will study in Canada over the next 10 years. Why is that important? It is because when international students come to Canada they, of course, enrich Canadian students because they are

doing research in universities, they are working together, and they are studying together. Of course, when these students go back home, they become some of Canada's best ambassadors.

I would be remiss if I didn't mention that the international education strategy goes far beyond simply attracting foreign students to Canada. It's also about internationalizing the education of Canadian students. This strategy will have a focus on making sure that Canadian students, say at universities and colleges, spend at least one or two semesters abroad acquiring the language skills, the cultural skills, and the business skills, that will make them more valuable to their future employers. If they do become entrepreneurs and businesspeople, it will make them much more effective and successful within a globalized marketplace.

The reality is that we live in a global economy and we're going to be more effective, our Canadian students will be more effective, if they actually diversify their educational experiences beyond Canada. This is a two-way street and I'm pretty excited about delivering on this strategy.

**Hon. Ron Cannan:** I have a daughter graduating who had the opportunity to spend a semester abroad. I think the reciprocity is great.

Thank you.

**The Chair:** We're going to go into our second round of questioning, but let me say before we do so that my information is that the bells will likely start very soon. I need unanimous consent to continue with the minister for a few extra minutes to get in the second round.

**An hon. member:** Do we have enough time for a second round?

**The Chair:** It depends how long we go, but I rather doubt it. But we need unanimous consent for this. Do we have it?

**Some hon. members:** Agreed.

**The Chair:** Very good.

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

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

Mr. Minister, China and the EU are clearly two extremely large and important markets for Canadian exporters. I'd like to deal with each in turn, if I may.

Respecting China, two years ago your government concluded a FIPA with China and laid it on the table in the House in October 2012. Despite the fact that it's been eligible for your cabinet to ratify since November 2012, your government has declined to do so to date.

I understand that China has ratified this agreement, and we know that the Chinese government is very concerned about Canada's inability or refusal to do so. Could you explain to us why, after one and a half years, your government has failed to ratify the FIPA?

**Hon. Ed Fast:** Mr. Davies, I'm very surprised at your question. It was your party that opposed this agreement, and now you're asking us to rush to bring it into force.

**Mr. Don Davies:** No, we have concerns about it, but I'm asking why you haven't done it, because you're in favour of it. So why haven't you? That's my question.

**Hon. Ed Fast:** I think you know very well that presently there is litigation ongoing with respect to that agreement. I'm not going to comment on the litigation itself, because it's a matter before the courts, and I don't comment on matters before the courts.

However, I will say this. Our government is fully committed to bringing this agreement into force.

Again, I'm surprised that you would now be anxious to bring it into force, when in fact it was your party that opposed this agreement.

• (1145)

**Mr. Don Davies:** Thanks, Mr. Minister. Again, we have concerns about the agreement. My question is just to try to find out why the government hasn't done it.

The Hupacasath First Nation, we know, have challenged the FIPA on the grounds that it could affect their rights and that there was no prior consultation in accordance with their constitutional rights. You've just confirmed that this is the reason your government is unable to proceed with it. It is holding up the deal.

So I want to turn to CETA. Considering that CETA is far larger than FIPA and has been called—I think you've called it—the most ambitious next-generation economic agreement ever negotiated by Canada, I'd like to know whether you have consulted first nations on CETA to ensure that it also won't be delayed and tied up for years in our court system.

Have those consultations taken place?

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

First, let me respond to the point that CETA is so much bigger than FIPA. They're two very different instruments. The FIPA is a bilateral investment treaty; it is not a market access agreement. Of course, CETA is a market access agreement in many different respects, and it goes far beyond that.

In fact, you are correct in saying that it is a very large agreement. It is the most comprehensive trade agreement that Canada has ever signed, that the EU has ever signed. In fact, I would go so far as to say that this is the most comprehensive trade agreement anyone in the world has ever signed. It really does set the benchmark for the 21st century.

In terms of consultations, as I've said in the House before, the negotiations for a trade agreement with the EU have been the most collaborative, the most transparent negotiations we have ever undertaken. There were broad consultations, which went on for many years as this agreement was being negotiated. There were opportunities for anyone—

**Mr. Don Davies:** Were the first nations consulted, Minister?

**Hon. Ed Fast:** —in Canada to provide input. In fact, thousands of Canadians and organizations did provide input into our negotiations and informed the negotiations.

**Mr. Don Davies:** Minister, I have limited time. The question is whether there were negotiations with first nations. It's a narrow question.

**Hon. Ed Fast:** Yes, and I'm telling you, first nations, like all other Canadians—

**Mr. Don Davies:** Have been consulted?

**Hon. Ed Fast:** —had full opportunity to provide their input into these negotiations.

**Mr. Don Davies:** Thanks.

On CETA, Mr. Minister, you've talked before about how committed you are to transparency. What are the outstanding issues between Canada and the European Union currently, which remain outstanding and are holding up the conclusion of CETA right now? What are those issues?

**Hon. Ed Fast:** Mr. Davies, what is happening right now is that we are taking the agreement in principle that was signed in Brussels in October and we are converting it into a legal text. That legal text is expected to comprise at least 1,000 pages. That's just the English text. Of course it will be translated into other languages, including our other official language—

**Mr. Don Davies:** Can I just clarify something, Minister? It's my understanding that there are still some substantive issues that are outstanding. It's not just at the text level that some beef quotas and pork quotas, and some rules of origin issues still remain to be discussed. Am I incorrect in that or are you saying that everything has been agreed and you're converting to legal text?

**The Chair:** We'll let the minister answer.

**Mr. Don Davies:** Thanks. I'm sorry to interrupt.

**Hon. Ed Fast:** Mr. Davies, all of the substantive issues have been resolved between Canada and the EU. What we are now doing is the technical work required to translate the agreement in principle into 1,000 pages of text.

Now, you're a lawyer. You know that this doesn't happen overnight and it has to be done carefully. You don't do this on the back of a napkin. You don't do it in the corner of a bar. You put in the time to get it done properly so that it reflects the agreement you made. We made an agreement in October. The substantive issues were all dealt with there. Now we're trying to put it into a legal text that actually reflects that agreement.

**The Chair:** Very good.

Mr. Hoback, please.

The bells are ringing, so we'll close in a few minutes.

**Mr. Randy Hoback (Prince Albert, CPC):** Thank you, Chair.

Thank you, Minister, for being here.

Minister, I want to compliment you. It's nice to see your enthusiasm and your passion for the job. It really shows in how you go about conducting yourself in the work you do, and I definitely hear that in talking to the business community and to people who have worked with you. I'd like to compliment you on that and wish you to keep it up, because you're doing a great job.

One thing that I think this committee has been lucky about was to be able to go to Peru—not as a committee but through ParlAmericas—where we toured a Canadian gold mine and saw exactly how they operate in the field. We learned about some of the issues around Peru and some of the human rights and growth issues they're facing.

What really was unfortunate was that this committee wanted to do a study on the Pacific Alliance and wanted to travel to the Pacific Alliance countries, and because of partisan NDP games in the House, they basically... I'm not sure if it's because of the things that were going on in the House or in fact that they didn't want to hear the evidence of things that are happening in countries like Colombia because of trade agreements, but of course we couldn't travel.

I wonder if you could give us an overview of the Pacific Alliance, of exactly how we're interacting there and just what it means for the region, and why we need to be engaged, or, for sure, at least be at the table observing.

• (1150)

**Hon. Ed Fast:** I'll give you a short answer on the Pacific Alliance. The Pacific Alliance, of course, is a group of four countries—Chile, Peru, Colombia, and Mexico—that have established a strategic trading agreement and trading alliance, whereby essentially they have free trade among themselves. That is to be applauded, because Canada believes in trade liberalization.

We have strongly supported those efforts, and Canada is actually an observer at the Pacific Alliance table. We engage regularly with the Pacific Alliance. These are essentially our most trusted partners in Central and South America, so we work with them very closely.

I did want to talk about Peru. Peru is one of those countries, since you've mentioned it, that comes out of a difficult history. There were human rights abuses. It was a very poor country and still is fairly poor. Canada chose to engage. We negotiated a trade agreement with Peru several years ago. We've seen Peru make very significant strides, not only economically and in terms of trade flows and improving the prosperity of their citizens but also in the area of democracy and capacity building in terms of security. By the way, Canada continues to be a strategic partner with Peru in all of those areas.

I do note that the NDP opposed that trade agreement, yet when we see the tremendous progress that has been made since that agreement came into force, it is just more evidence that Canada's trade plan is working as we engage with countries like that.

I know that Minister Davies, or—

**The Vice-Chair (Mr. Don Davies):** Thank you.

**Voices:** Oh, oh!

**A voice:** We're all allowed one mistake, Minister.

**Hon. Ed Fast:** Yes.

I know that Mr. Davies has visited Peru recently, and I believe, came back with positive impressions. Again, it's an indicator that when we do trade right—when we do it right—and we focus on it being a true partnership, where we elevate our trading partner and we help them improve their economic outcomes, their democratic outcomes, and their human rights outcomes, everybody wins. Peru is just one example of that. There are many others I could mention.

**Mr. Randy Hoback:** That's the spirit you take into every trade deal, is it not? It's not one of just business; it's one of actually improving the lives of individual citizens in each of the countries. Is that fair to say?

**Hon. Ed Fast:** That's true.

**Mr. Randy Hoback:** When we look at Colombia and what's happening there, I think that's another example you could look at where we've done a trade deal and the growth of the middle class and the numbers are very strong and reflective.

Would you comment more on how we engage and how we get Canadian companies to really look at these markets and actually get them engaged?

**Hon. Ed Fast:** That is the challenge that I referenced earlier on in my comments.

Canadian small and medium-sized enterprises are really our target now because the big companies know what to do. They have the resources to do it. It's our SMEs that really have great difficulty penetrating these markets because they are risk averse and very cautious. They're unaware of the tools that government is making available to them.

My role as trade minister, especially through the global markets action plan, is to actually promote those tools and to engage on a more persistent level with our SMEs across the country. I can't do that alone. We collectively in this room can't do that alone.

We're going to have to work together with all of the key agencies, the industry associations in Canada, the accounting associations, to make sure that we're actually communicating the information that SMEs need to make informed choices as they start to explore a plethora of export opportunities around the world.

**The Chair:** Thank you very much, Ms. Bincoletto.

Thank you for being here, Minister, thank you very much for your time.

That takes us to the end of this session and actually we're into the House. For the committee's information, we will not only suspend but adjourn this and pick it up on Tuesday.

The meeting is adjourned.





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