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Chair

The Honourable Mark Eyking

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• (1105)

[English]

The Chair (Hon. Mark Eyking (Sydney—Victoria, Lib.)): I call the meeting to order. Good morning, everyone. We have a very busy agenda here this morning, and we want to make sure we hear from witnesses and get some good interaction back and forth.

We have four witnesses for the first 45 minutes here. Then we will have the Ambassador of Japan and also the High Commissioner of Australia. We have a very busy morning.

I welcome our guests here for the first part. We have two videoconferences: one from Vancouver, with the Forest Products Association of Canada, and one from Yellowknife, with the Northern Territories Federation of Labour.

We also have the Canadian Council for International Co-operation and the Canadian Life and Health Insurance Association.

Welcome, folks, to our study on the TPP. As you well know, our committee has been working very hard on shaking out this agreement: what's in it and how it would affect all Canadians, whether they are consumers or business persons. It's a big agreement. It's a good chunk of the GDP of the world. There's a large population in those countries. We've visited every province and we're still doing videoconferences with the territories. We've had more than 20,000 submissions, and we heard from many stakeholders.

We're going to get right to it.

Maybe we could start with Derek. I always try to get to the video conference first, in case something happens with the communications. Just understand there's always a little delay. Everybody has to understand that, whether you're an MP or a witness. There's a little delay when you're doing video conferences.

We're going to start with the Forest Products Association of Canada. We have Derek Nighbor. Go ahead, sir. You have the floor for five minutes.

Mr. Derek Nighbor (Chief Executive Officer, Forest Products Association of Canada): Mr. Chair, thank you for the opportunity to appear on behalf of the FPAC, Canada's voice for the forest products industry.

I'll start with a quick commercial for the sector. Our industry remains a cornerstone of the Canadian economy, representing 12% of Canada's manufacturing GDP, employing directly about 230,000 Canadians and indirectly about a million Canadians, and supporting

over 200 rural communities where these good jobs are very important.

The industry recently went through a rough patch due to a downturn in the U.S. market, from 2006 until 2014, and we shed some mills and jobs. However, the industry has since become more competitive and productive. It has embraced transformation and innovation. We are seeing that the hard work is paying off.

I want to talk a bit about our environmental credentials because on the trade side of things, Canada's world-leading reputation in how we sustainably manage our forests and our environmental track record is really the envy of the world.

Canada's forest products industry has the best environmental reputation in the world, according to a Leger survey of international customers completed in 2014. By embracing strong environmental standards and helping to build a green economy, we have come to be known as a trusted source of legal and sustainable forest products. All our harvested trees are regrown. Our air pollutants are down 52% and our water pollutants are down 70% since 2005. We have eliminated toxins such as PCBs and dioxins. We have eliminated the use of coal, and we have cut oil use by more than 90% since 2000.

As I said, we're a global leader in forest management, with more than 166 million hectares or 40% of the globe's certified forests, by far the most of any country in the world. Earlier this year, on May 2, we were one of the first industry groups to launch a climate change challenge, our commitment to helping the federal government deliver on its climate change commitments. We are pledging to remove 30 megatonnes of carbon dioxide a year by 2030, and that represents more than 13% of the Canadian government's overall emissions reduction target.

The vast forests we work in are not just a globally important ecosystem, but they are also a critical economic driver that helps support many indigenous peoples while acting as one of the largest sources of employment in the country for Canadians.

Let's consider the importance of diversified markets. I think that's what the TPP really delivers for us. We learned the hard way with some of the downturns in the U.S. housing market over the years that we could not continue to rely heavily on the U.S. We're seeing a lot of that today with the current softwood lumber discussion. Our dependence on trade south of the border had been more than 80% up until 2002.

However, our efforts to enter new markets have borne fruit. We now sell \$33 billion of products to about 180 countries around the world. On the wood side of the business, a lot of credit has to go to our team Canada approach to overseas market development known as the Canada wood program. Our biggest success definitely has been in Asia. Canada's forest products are now Canada's number one export to Asia. Wood product exports to China went up ninetyfold since 2000, and we now sell \$5 billion of pulp, paper, and lumber to China every year. All of this has reduced our export dependence on the U.S. down to 66% from the 80% in 2002 that I referenced.

The continued expansion of existing markets and diversification into new markets remain critical to our success. For this reason, the industry is supportive of the government's trade agenda. That includes the negotiation of new trade agreements and focused program spending to help open up new global markets.

That brings me to the TPP. It presents a unique opportunity to expand our trading relationship with some of the world's fastest growing economies. For example, the TPP would allow the Canadian forest industry to both protect and expand its critical competitive position in the Japanese market, where New Zealand and Australia are currently significant competitors. If we were to capture just 2% more of the Japanese lumber market, it would mean an increase of \$37 million in annual exports for Canadian producers.

It is also an opportunity to sell more innovative biochemicals and biomaterials. The fibre from our forest is being used increasingly in carbon-friendly bioproducts that can replace materials made from fossil fuels. This is a key contribution as well to combatting the climate change challenge that Canada and the world are facing.

• (1110)

As the TPP ratification process proceeds, we are calling on the government to do a few things.

Number one, we must ensure that tariffs are removed on Canadian paper and wood products across the TPP countries. There are still tariffs in place that range anywhere from 1% to 40% on the products we export.

Number two, the government needs to make sure that non-tariff trade barriers related to considerations such as standards are not being used to block access to markets for Canadian forest companies. Moreover, the deal should recognize Canada as a low to zero risk when it comes to illegal logging.

Number three, there must be fast regulatory approvals in TPP member states for the use of Canadian products made from forest fibre once they have been approved for safe use in Canada. This should apply to engineered wood products, fuels made from forest fibre, chemicals, and other specialty bioproducts.

We want to see the government hold firm on trade remedies. That's one of the big underscored points for us.

We appreciate the government's continued efforts in the area of freer trade. Expanding international trade relationships that help the industry to grow and diversify markets and products is critical. Our collective efforts do not stop with the ratification of this agreement. In order to ensure success, we must ensure we have in place all the

enablers necessary to take advantage of all the opportunities this and other agreements provide.

From the vantage point of a commodity-based industry that is on an aggressive transformational path, these enablers include maintaining the excellent support of a broad network of trade offices that we benefit from globally; ensuring reliable and affordable rail and port systems serving all areas of this vast country; developing sufficient infrastructure to support new markets, particularly as trade flows move beyond north-south to east-west; and supporting and promoting the Canadian brand around the world.

In conclusion, I thank you for your time, and I really want to impress upon you that expanded international trade will help Canada's forest industry diversify markets and promote low-carbon products that we produce. Successfully ratifying the TPP will help Canada's forest communities and support job creation and prosperity across these communities.

Thank you, Mr. Chairman. I look forward to any questions.

The Chair: Thank you, sir.

We are going to skip Yellowknife for now. We didn't connect with Yellowknife.

We are going to go right to the Canadian Council for International Co-operation. Mr. Bruer, you have the floor.

Mr. David Bruer (Program Manager, Inter Pares, Canadian Council for International Co-operation): Thank you very much for the invitation to speak here today on the issue of the trans-Pacific partnership.

My name is David Bruer. I am here today representing three regional working groups of the Canadian Council for International Co-operation. CCIC is Canada's national coalition of civil society organizations working globally to achieve sustainable human development and an end to global poverty.

This presentation is based on a report, which we have already provided to the committee, by the three regional working groups representing over 80 international development organizations here in Canada. Today, I'd like to mention some of the major concerns raised in the report, which speak to the negative impacts of the investor-state dispute settlement, ISDS, provisions, which form an integral part of the TPP and other trade and investment agreements.

ISDS is the enforcement mechanism for trade and investment deals. It gives corporations the right to sue countries for unlimited monetary compensation for alleged violations of the terms of the agreement. The number of ISDS cases is on an exponential growth curve as more corporations sue more countries. A record high 70 ISDS cases were filed in 2015.

Canadian mining companies are very active in their use of ISDS, often seeking amounts in the hundreds of millions and sometimes billions of dollars. Such amounts represent huge portions of southern country budgets. Pacific Rim Cayman sued El Salvador for \$300 million U.S. By comparison, total aid to El Salvador in 2013 from all sources was \$171 million U.S. Even though it was successful in its case, in defending itself, El Salvador came out of that with an award of \$8 million, having spent \$12 million to defend itself.

This mechanism has created a regulatory chill for southern governments as countries attempt to avoid what are incredibly complex and expensive lawsuits. While a country cannot be forced to repeal a law or regulation, the threat of an ISDS case can make southern governments reluctant to bring in good legislation to protect people's health, the environment, or labour rights. As Canadian organizations working for the improvement of poor people's living conditions in southern countries, we find this incredibly problematic. One single ISDS settlement has the potential to wipe out the benefit of global aid programs for a country.

In the report we note that southern governments have binding obligations under human rights treaties. They have obligations, for example, to comply with their citizens' right to health and education. If they lose an ISDS case and are forced to pay the settlement, they lose the available resources to be able to comply with those rights. U.S.-based company Renco brought an ISDS case against Peru seeking \$800 million U.S., despite being responsible for what has been called one of the 10 most polluted sites in the world due to its lead smelter. By comparison, in 2013 Peru, from all aid sources around the world, received \$367 million U.S. Fortunately, Renco lost. However, it has just announced it intends to re-file exactly the same claim.

As international development organizations, we strongly believe that human rights must take precedence over investors' rights, and that the ISDS system needs to be removed from Canada's trade and investment agreements, including the TPP. In response to the strong criticism of this system, Canada and the European Union recently negotiated a modification to ISDS—the investor court system, or the ICS. While judges will now consider cases, instead of only corporate lawyers, the core of the ISDS system remains the same under the new system. It is still secretive. It will still result in the same regulatory chill that we have seen under ISDS, and it puts investor rights above human rights. If Canada was committed to balance, we believe it would ensure, at least, that this new ICS could be used to hold foreign investors to account if they flout environmental, labour, consumer, and other standards.

● (1115)

We have to note that we find it quite ironic that while Canadian companies claim the system is needed because courts in southern countries cannot be trusted to render fair judgments, they claim at the same time that people in the global south should not be allowed to make claims against them in Canadian courts and should make use of the same national courts that they claim cannot be trusted.

As international development organizations, we do not see this new ICS system correcting the wrongs we've identified and the serious negative impacts of ISDS on millions of poor people in the global south.

In summary, we feel that the ISDS mechanism in the TPP has serious negative impacts on the very people that we as international development organizations, with the support of the Canadian government, are trying to help.

As stated in the report, we urge the government to remove the ISDS mechanism from the model foreign investment protection agreement, and we urge the government to require that domestic judicial processes take precedence when investor-state disputes occur.

Thank you very much for your attention. I look forward to questions and comments.

The Chair: Thank you, sir.

We're going to move to the Canadian Life and Health Insurance Association.

Susan Murray, welcome. You have the floor.

Ms. Susan Murray (Vice-President, Government and International Relations, Canadian Life and Health Insurance Association): Thank you, Mr. Chairman.

Good morning. On behalf of the Canadian Life and Health Insurance Association, I'd like to thank you for the opportunity to participate in the committee's consultations on the Trans-Pacific Partnership agreement.

Canada's life and health insurers are very active internationally and are strongly supportive of the TPP.

[*Translation*]

The Canadian Life and Health Insurance Association, the CLHIA, is a voluntary non-profit association that defends the common interests of member insurers. Member companies account for 99% of Canada's life and health insurance business. Our industry contributes greatly to the country's economy and protects over 28 million Canadians with a broad range of products that provide financial security, including life insurance, extended health coverage and retirement solutions.

● (1120)

[*English*]

In Canada, in 2015, the industry employed more than 148,000 Canadians and paid more than \$6.6 billion in taxes, and \$8.4 billion was paid in benefits to Canadians, 90% of which went to living policyholders. We hold over \$760 billion in assets in Canada, 90% of which are held in long-term investments.

Internationally, Canada's life and health insurers are very competitive. Three of Canada's insurers are among the largest 15 life insurers in the world and have operations in over 20 countries. These international operations are supported by over \$800 billion in invested assets and generate more than 40% of total premiums.

Canada's insurers are working hard to expand their business in TPP markets. The TPP will bring greater certainty for our business relationships in these markets and provide important guidelines for increasing trade.

For Canadian insurers with global operations, the agreement represents a valuable opportunity to develop international standards. Given the market size covered by the TPP, the agreement has the potential to be used as a benchmark for future free trade agreements.

There are many areas of the agreement that we expect will be beneficial. In particular, we expect that the TPP will reduce barriers to entry, improve regulatory transparency, and increase market access. The agreement recognizes the important role of financial institutions in maintaining economic stability and maintains the ability of policy-makers and regulators to act for prudential reasons. The industry also welcomes the inclusion of mechanisms to facilitate and improve regulatory co-operation among the TPP countries, protection of the cross-border flow of business data, and commitments on the commercial operations of state-owned enterprises, SOEs.

The TPP formally recognizes the importance of streamlining regulatory procedures and seeks to increase the predictability and transparency of the regulatory process. Aside from the agreement to provide advance notice of proposed regulations, parties have also committed to providing a commentary period for regulations, with a corresponding consultation mechanism. Such measures should discourage TPP members from using regulation, without proper justification, as a means of restricting market access.

The e-commerce commitments are also welcomed by our industry. We rely on the secure and uninterrupted flow of data across borders for any number of business functions, including underwriting, client services, product development, and market research. The transfer of data quickly and securely within and across markets is now standard business practice. The TPP includes rules that will protect the digital economy by limiting restrictions on the cross-border transfers and broadly prohibiting the localization of servers.

The coverage of state-owned enterprises is an area where the TPP breaks new ground and is widely welcomed by our industry. Many key markets in the Asia-Pacific region are home to state-owned enterprises with commercial operations. Once in force, the TPP will ensure that the commercial operations of these SOEs are transparent and fair, thereby ensuring a level playing field for the companies with which they compete.

[Translation]

To conclude, I would like to thank you again for the opportunity to address you this morning and to share the views of the Canadian insurance industry.

[English]

Thank you. I'd be happy to answer questions.

The Chair: Thank you, Ms. Murray. Before we open it up to the dialogue with MPs, I'd like to welcome two new MPs.

Mr. Allison from Niagara West, welcome to our committee. Also, Mr. Amos from Pontiac, welcome. You'll find out this is the most exciting committee on the Hill, so I hope you behave in the next couple of hours.

We're going to move on to opening up with the MPs. We'll start with the Conservatives.

Mr. Ritz, go ahead for five minutes.

Hon. Gerry Ritz (Battlefords—Lloydminster, CPC): Mr. Chair, I just have a quick point for Mr. Bruer. We all agree global poverty is a target we need to bring down, yet I've seen a lot of studies and presentations that show trade is a major factor in alleviating global poverty. So I think this is a good thing, something that you missed.

I also wondered if you had an example of this regulatory chill that you see is problematic in this. Have you seen that happen already? We are involved in a number of trade agreements. Have you seen an example of regulatory chill that is concerning?

• (1125)

Mr. David Bruer: Yes, thank you.

First, I would like to clarify that we are not opposed to trade. I'm not saying that. What we are worried about are the implications of the investor-state dispute settlement mechanism within trade and investment agreements. Trade obviously can be a major contributor to alleviating poverty and to increasing the economies in the global south.

Regarding the regulatory chill, I think there are a number of cases of that. If you look at the literature coming out from people looking at ISDS, you see there are examples in El Salvador, in Colombia, and in a number of Latin American and African countries. I'd be happy to provide you with—

Hon. Gerry Ritz: We're specific to TPP here, sir. I'm saying, what in the TPP can you point to that would create a regulatory chill? We don't have free trade agreements with El Salvador. We do with Colombia, and we're seeing a decrease in the poverty rates there already. I'm just wondering where you see... It's one thing to have a hypothetical situation but it's another to actually say, "This is a definite result of...".

Mr. David Bruer: If you're asking me if there are regulatory chills because of the TPP itself, I think—

Hon. Gerry Ritz: It's not in play yet.

Mr. David Bruer: —it's not in play yet, so no, I can't.

Hon. Gerry Ritz: I understand that. But we have NAFTA, and we have Colombia, and so on. Have you seen regulatory chill coming out of those free trade agreements?

Mr. David Bruer: I think in the case of Colombia, they are currently facing the prospect of an ISDS case in terms of the protection of the wetlands in the upland areas of Colombia. You would have to look at whether Colombia is actually going to stick to its environmental legislation that, on the face of it, protects that wetland, but with the prospect of that multi-hundred-million-dollar ISDS case coming down—whether that is going to happen or not—I think that'll be a very interesting case to watch.

Hon. Gerry Ritz: We don't have the same provisions. Anyway, that's fine. Thank you.

Derek, thank you for your presentation. Of course, the softwood lumber dispute with the U.S. has driven us into other markets. You made that point. I couldn't agree with you more. We've done the same thing with agriculture, where there's far less reliance on the American market.

Diversity in trade is the same as diversity in your stock or investment portfolio. It's a good thing, so the more trade routes that we have the better.

One thing that is very predominant in the TPP is the environmental chapter. I've seen a lot of documentation which shows that a cubic metre of wood growth sequesters a tonne of carbon. When you talk about meeting your requirements under Canadian proposals, you're actually already there with the tonnage of growth that we see in our forests and the carbon that's sequestered. How do we get credit for that?

Mr. Derek Nighbor: We see this opportunity especially in a country like Japan where those kinds of standards are critical and highly valued. The beauty of the Japanese market is the high-value products that Japanese customers want.

I mentioned the trade offices, the trade commissioners...basically, the promotion of the Canada story, the Canada brand, the environmental leadership in Canada. I think it's less of a piece that needs to be in the deal, but it's a complementary effort that government can put forward to support the reputation, if you will, of the industry.

Hon. Gerry Ritz: Yes, it's a huge part of the Canada brand having that lighter environmental footprint. It does make for a good story.

I also am aware that when we start to get into these other more diverse markets, the secondary uses, as you said, of biofibre is a tremendous success story. We are in a situation right now where we seem to be waiting for the U.S. to make a decision to ratify or not. Should we do that, or should we go ahead?

The Chair: A quick answer please.

Mr. Derek Nighbor: Yes, I think we need to go forward. The other thing is we have to control what we can control, so our recommendation is to keep pushing forward on this. We think it's absolutely critical.

The other thing, Mr. Ritz, that we need to continue to do—and I mentioned this to the finance committee yesterday—is the support for ongoing innovation in the sector to build more with tall wood, to do more on the biospace. We have innovations in some of our companies whereby they're extracting glue from the tree and turning that into bio-adhesives. That investment that the previous government made in innovation is something we're encouraging the new government, or the current government, to continue to move forward with.

• (1130)

Hon. Gerry Ritz: Every time I park under a tree, I think about how good the glue is.

Thank you.

The Chair: Thank you, Mr. Ritz.

Mr. Peterson, go ahead.

Mr. Kyle Peterson (Newmarket—Aurora, Lib.): Thank you for your presence here today. I have a few questions. I'm going to stick with Mr. Nighbor for a minute, as we have you queued up here.

You mentioned that one of your recommendations for moving forward with the trade deal is fast regulatory approval. I want you to elaborate on that and let me know what sort of non-tariff barriers might be there now and how they might be removed to get through that fast regulatory approval.

Mr. Derek Nighbor: Yes, I think for us the deal is only as strong or going to be as successful as Canada's ability to defend it and stand up for it. We see non-tariff trade issues from time to time, not only in our sector but in other sectors, whereby a material is not safe, is not approved for use, or we question whether or not it meets our high standards. We just want the government to be sensitive to some of that gamesmanship on the trade side that we see pop up and ensure that if we're going to implement a deal, let's stand up for the terms of that deal.

Mr. Kyle Peterson: Okay, thanks for elaborating on that.

Ms. Murray, I have a couple of questions for you.

You're looking at this deal as being a way to reduce barriers to entry in some of these markets for your industry. Are there any markets that you see would be more fruitful for your association and your association's members, than others in the TPP?

Ms. Susan Murray: Today we're active in Japan, Malaysia, Singapore, and Vietnam, but the other countries that are included in the TPP we're not active in, so we would certainly be interested in moving forward with other countries that are in the TPP.

Mr. Kyle Peterson: I assume New Zealand and Australia would be potential markets for you, or—

Ms. Susan Murray: Potentially, it would depend on the lines of business, and in those countries probably less so just given the market itself also already has some pretty good coverage.

Mr. Kyle Peterson: Who are your association members? There are big companies, I think, but are there smaller companies as well? Is it a broad range of—

Ms. Susan Murray: Yes, domestically we have about 70 members, but I'll say we only have three members that are active internationally. That's Sun Life Financial and Manulife Financial, which are in the Asian markets, and Great-West Life, which is mostly in Europe. Of course, they're all active in the U.S. as well.

Mr. Kyle Peterson: They're all big companies. I appreciate those comments.

Mr. Bruer, I have a quick question for you.

My understanding of the reason an ISDS is in trade deals is that investors need to protect their investments, perhaps mitigate their risks; otherwise, their investment may not flow into foreign jurisdictions. Is there a dispute mechanism that you would find appropriate in these situations in these trade deals, or is it just if you want to invest you do that at your own risk and the loss might fall where it may?

Mr. David Bruer: I think if you look at the cost to small and medium enterprises of using the ISDS, you could take the amount of money paid to the corporate lawyers to fight an ISDS case—we're talking about \$3,000 a day as a normal fee for a lawyer involved in that—and that money would easily be enough for risk insurance for small and medium enterprises to deal with the risk of going into markets like that. I think as well the court systems.... I question why under CETA we don't trust the Canadian court system or the court systems in Europe to deal with this kind of trade dispute.

Again, you're saying we need an alternative to this. I think the ISDS is very badly stacked against southern countries and has tremendously high costs associated with it. I think it's based on the idea that the court systems in those southern countries don't work and I remain to be convinced of that.

• (1135)

Mr. Kyle Peterson: I appreciate that, but I'm wondering if your position is that ISDS would somehow be prejudicial to Canadian investors in some of these other TPP markets.

Mr. David Bruer: If Canadian investors are going to be using ISDS to bring lawsuits in countries they're wanting to make investments in, is it going to be prejudicial against them? No, I don't so.

The Chair: Thank you.

Mr. David Bruer: I think it's a system that was designed for them.

Mr. Kyle Peterson: Thank you.

The Chair: Thank you, Mr. Peterson.

We're going to move over to the NDP.

Ms. Ramsey, welcome back, and go ahead.

Ms. Tracey Ramsey (Essex, NDP): Thank you so much for your presentations.

Mr. Bruer, you're not the first person to appear before this committee to talk about ISDS and the deep concerns that Canadians have. Under chapter 11 in NAFTA, we're the most sued country in the world. We've had a bad experience with these provisions. It's well documented at this committee, and certainly in our travels.

I want to give one example of the regulatory chill that my colleague was asking about. In 2004, in New Brunswick, there was an attempt by that province to put in public insurance. It went as far as to receive all-party legislative committee approval, but then they received immense pressure from private insurance companies from the U.S., and they actually threatened to sue them under NAFTA, so they backed off. That's a prime example of the chill that has taken place in our own country.

We had Mr. Gus Van Harten before the standing committee, and he proposed some amendments. He talked about a rule for investor states with respect to some countries. He said that it "should come with a duty to exhaust local remedies and a duty to go to the local courts, unless the foreign investor can show there's something wrong with the domestic courts and they shouldn't be held to that requirement".

I wonder if you can speak to that and if you would see a move towards something more in that vein, where there's actually proof that it's necessary to go to this arbitration.

Mr. David Bruer: I think that would be a very good first step, if we are determined to keep the ISDS as it stands, and reform it in some way, as opposed to getting rid of it, which, frankly, would be the strong preference for most of the counterparts we deal with in southern countries. If you're going to reform it, however, then I think there are a number of things you can do. First of all, you can bring in conflict of interest guidelines for the people who are the arbitrators on these tribunals. You can work for one company and get paid by them, and then in the next case you can become the arbitrator, the judge. Quite simply, there are not adequate conflict of interest guidelines for that.

Ms. Tracey Ramsey: I think that's what we see happening in Europe right now. We're all watching Wallonia, and we're curious to see what changes they've made in this latest development. Certainly, I think we support some effort to improve the system, if not take it out of agreements, as India has.

Ms. Murray, we've had a lot of testimony before this committee on the impact on Canadians of the patent extensions for drugs. We had as a witness Dr. Carolyn Pullen, the director of policy advocacy and strategy for the Canadian Nurses Association. She said that, under TPP, "the cost of drugs would increase, and implementing a national prescription drug program...would be less feasible".

If drug costs were to increase, I'm wondering how this increase would affect health insurance claims and premiums in Canada.

Ms. Susan Murray: What I can say is that we haven't undertaken a study or an analysis of the potential increase in drug costs. My limited understanding is that there are other agreements that also have an impact on what would happen directly out of the TPP, including CETA. I think some of those issues are still outstanding. There's a common view, though, that those drug costs could increase.

Today we think drug costs in Canada are already too high. We're participating in the Patented Medicine Prices Review Board and undergoing a modernization consultation right now. I think there are a lot of issues that make drug costs high, and in this case we haven't done an analysis linking it to the TPP, because of the other implications there. There may be other witnesses who are better able to answer the drug cost question.

Ms. Tracey Ramsey: I would imagine if there's an increase.... We know there will be an increase in the TPP.... That patent extension starts in CETA. The impact will be felt by individual Canadians and by employers. Employers may be unable to insure at the level they previously did because of these additional costs. I would imagine this would have an impact on the number of people who insure with the businesses you represent.

• (1140)

Ms. Susan Murray: I think when drug costs are high, then employers have to pay more for the benefit plans they offer to their employees. There's no question about that. That's why we're really focused on trying to bring drug costs down in Canada.

We have a number of initiatives under way. I mentioned participation in the PMPRB, but also we're trying to sit down as the private insurers at the table with the pan-Canadian Pharmaceutical Alliance and negotiate as a bloc to try to bring those costs down. That, we think, will have a really important impact on drug costs in Canada.

The Chair: That wraps up your time, Ms. Ramsey. We're going to the Liberals for the last MP. Madam Lapointe, you have the floor.

[Translation]

Ms. Linda Lapointe (Rivière-des-Mille-Îles, Lib.): Good morning and welcome.

Thank you for being here today.

Mr. Nighbor, I'd like to ask you a few questions about forestry products.

You said a little earlier that New Zealand and Australia were major competitors for you, in Japan.

Given that the climate, seasons and tree species are significantly different in Canada, do you think that we have the same opportunities on the markets when it comes to forestry products offered here, in Canada?

[English]

Mr. Derek Nighbor: It's a great question. We do. I think Canada has two advantages. The environmental reputation I talked about is a big selling point for us. It's going to be a huge opportunity for us in places like Malaysia, Vietnam, and Japan.

The quality of our products is the other key driver for us. It does take longer in our climate to grow trees, and that's one of our challenges, but the areas where we can really get the win are in the environmental standards and in the quality of the products we're exporting.

[Translation]

Ms. Linda Lapointe: Thank you.

Mr. Nighbor, have you studied the potential impact the Trans-Pacific Partnership would have if it is signed?

How might revenues and the number of jobs increase in forestry?

[English]

Mr. Derek Nighbor: Yes. We have looked at the numbers and it's about a 2% increase in Japan. It's going to be about \$37 million a year. Right now, we haven't crunched the job numbers, but it's safe to say this is going to be a critical opportunity for us to sustain and to grow jobs.

The bigger driver, and I talked about it yesterday at the finance committee, is that we really need the government to continue to support innovation in the sector. We're moving to a stage now where we can turn wood fibre and chips into biojet fuel. These are the kinds of innovations that Canada is now leading the world on. We're seeing a lot of world firsts in Canada, and to support parallel to the trade agenda, we really need this government to continue to support innovation in the forestry sector.

[Translation]

Ms. Linda Lapointe: Thank you.

I am the only MP from Quebec on the Standing Committee on International Trade. You spoke earlier about rail and port infrastructures.

In terms of forestry products, how could Quebec obtain a larger share of the market under the TPP?

[English]

Mr. Derek Nighbor: Yes. There's no doubt, given the geography, that the western-based industry will benefit more than companies will in the east. That said, I think the key for companies in Quebec is.... There is going to be some opportunity. I think there's going to be more opportunity with CETA. I think there's going to be more opportunity for Quebec companies through the innovation path in transforming some of their mills into operations that are going to be making more bioproducts and products of the future.

I know that companies like Résolu in Quebec are doing a lot of work in this space. We really believe that the government needs to clearly better understand the needs of those companies in the innovation path. That's going to be the big key in Quebec.

[Translation]

Ms. Linda Lapointe: Thank you very much.

Ms. Murray, in terms of insurance companies, you said earlier that by reducing barriers to entering the Asian markets, there would be more transparency and increased opportunities.

Will the TPP clarify matters and make it possible to enter these markets?

• (1145)

[English]

Ms. Susan Murray: What we see the TPP doing is creating more transparency. It's not going to necessarily standardize between countries, but there are rules that countries would at least have to pre-publish regulations. In Canada, it's pretty standard that when there's going to be a change, then there's consultation, publication, and a dialogue. That doesn't always happen in Asian markets, but with the TPP there is the provision that sets out some process. That will be a great assistance to businesses that are trying to operate with some certainty in these markets.

The terms of entry will reduce the ability for countries to arbitrarily introduce restrictions to foreign competitors.

[Translation]

Ms. Linda Lapointe: Thank you very much, everyone.

[English]

The Chair: Thank you, Madam Lapointe. That ends our first round.

I thank the witnesses very much for joining us, and Derek from the west coast for getting up early this morning to be with us. It was great to see you, and of course the other witnesses. Part of your testimony will be in our report.

We're only going to suspend for a couple of minutes, because we have the Ambassador of Japan and his delegation with us.

• (1145) _____ (Pause) _____

• (1150)

The Chair: Okay, MPs, we're good to go.

First of all, welcome, Ambassador, and welcome to your delegation.

As you may know, we have two official languages, so sometimes you may have questions in French.

It's a big deal this TPP, and of course your country is one of the biggest ones in it—in GDP. It's a deal that we see is going to eventually affect all Canadians in business. We've been travelling across the country to all of our provinces and territories and consulting with Canadians. There is quite a bit of interest in the TPP. We're doing our study all this year, and probably presenting to Parliament in the first of next year.

You have the floor, and as much time as you need, and then we'll open up for dialogue with the MPs.

Again welcome, and thank you for coming.

His Excellency Kenjiro Monji (Ambassador of Japan to Canada): Thank you.

I'm delighted to make a statement, as Ambassador of Japan, during this public consultation at the House of Commons international trade committee regarding the TPP.

There's no need to emphasize the importance of Japan-Canada economic relations, so I will go directly to the subject.

Taking this opportunity, I would like to address, from Japan's point of view, how meaningful the TPP is for the people of Canada and the Asia-Pacific region. In doing so, I would like to reiterate the significance of this agreement from four different but closely related perspectives.

To begin with, the TPP is an unprecedented free trade agreement for its scale and level of standards. In light of the unfortunate and difficult reality of the WTO Doha round negotiations, no one can overemphasize the TPP's importance to the global economy.

The TPP creates a new set of rules for the 21st century in a wide range of areas, such as customs duties, services, investment, intellectual property, and state-owned enterprises among the 12 Asia-Pacific countries by establishing an enormous market, representing 40% of the world's GDP and 800 million people.

The objective of the TPP is to promote free and open trade and investment, while preventing protectionism, which I believe is completely in line with Canadian economic policy.

Furthermore, it is quite natural and self-evident for Canada to join the TPP when we see Canada's current situation. The TPP covers more than 70% of Canada's trade and investment flow. The TPP also includes three of Canada's top five trading partners, namely, the United States, Mexico, and Japan.

By establishing new economic rules, especially with seven new FTA partners in the TPP for Canada, the TPP gives Canada new

market access to and greater economic integration with the Asia-Pacific region.

The analysis by the Canadian government estimates that the TPP would generate total GDP gains of \$4.3 billion for Canada.

Second, in the context of Japan-Canada bilateral economic relations, the TPP further enhances the attractiveness of the Japanese market for Canadian exporters and investors.

Japan is by far the largest Canadian trading partner within the TPP, except NAFTA members. According to the analysis by the Canadian government, Canadian exports to the new FTA countries of the TPP would increase by \$2.2 billion U.S. The most significant new export opportunities exist in Japan, where Canadian exports are expected to increase by \$1.1 billion U.S.

Most of Japan's customs duties will be eliminated, either immediately or in stages. The tariffs on canola oil, dried cranberries, wine, ice wine, and sparkling wine will be completely eliminated. Likewise, snow crabs, lobsters, shrimps, scallops, salmon, halibut, mussels, sea urchins, bluefin tuna, and oysters—my favourites, all of them—will become completely tariff-free. The tariffs on some forestry and value-added wood products such as lumber, plywood, and veneer panels will be removed.

Some may have a concern that the TPP may increase the import of automobiles from Japan. It should be noted, however, that Japanese automakers have been continuously investing in Canada, and the largest automobile manufacturer in Canada now is Toyota. In 2015, nearly one million vehicles were produced in Canada by Toyota and Honda.

Statistics also show that in 2015, the number of Japanese vehicles imported from Japan was 145,000, accounting for 22% of all the Japanese-brand vehicles sold in Canada, while Japanese automakers in Canada exported five times more vehicles, or 784,000 units, from Canada to other countries.

It can be said, therefore, that Japanese automobile companies are already part of the Canadian economy, and will bring enormous benefits to Canada, such as creating local employment.

• (1155)

Some of you may also have concerns that the TPP would increase auto parts imports from overseas. As you know, the auto industry has a broad range of supporting industries. If the Canadian automobile sector as a whole grows enormously by increasing its production and export through the TPP, that also brings considerable benefits to related companies surrounding the auto industry. It is quite clear that the auto parts sector is one of the big beneficiaries of the TPP as a major component of the auto industry.

It is my belief that the TPP will promote trade and investment and pave the way for Canada's further economic growth through increased international competitiveness of Canadian firms and factories. Most of the aforementioned GDP gain of \$4.3 billion for Canada under the TPP will be brought about by Canada having market access to Japan through the TPP, according to analysis by the Canadian government.

Third, the TPP is an open government agreement, meaning that any country or customs territory able to meet our high standards is welcome to join. Once this agreement is in place, other economies in the region will follow in joining, ushering in even more dynamic economic growth. In fact, a number of economies, namely Indonesia, the Republic of Korea, the Philippines, Taiwan, and Thailand, have already expressed their intention to join the TPP. This new Asia-Pacific economic engine linked with other parts of the globe, including Europe, will lead global economic development in this new century.

I would also like to remind you that there are other important negotiations undertaken as well, such as the Japan-EU economic partnership agreement, the trilateral Japan-China-Republic of Korea FTA, and the Regional Comprehensive Economic Partnership, RCEP, for 16 countries, including China, but it is the TPP that would lead all these FTA and EPA efforts in terms of geo-economic imperatives, high-level standards, and wide and deep coverage.

Fourth and last, the TPP is not only a gigantic free trade agreement but also a strategic deal. The strategic deal, I believe, means something far beyond tariff elimination or any other immediate economic benefit. It is a long-term blueprint to achieve our ultimate goal, which is ensuring peace and prosperity for the entire region.

Strong free trade partnerships among countries sharing fundamental values such as democracy, human rights, freedom, and the rule of law, supported by strong economies in the region, are an integral part of regional peace and stability, which goes hand in hand with regional networks of alliance and friendship.

On May 24 this year, Prime Minister Shinzo Abe and Prime Minister Justin Trudeau, on the occasion of his first official visit to Japan, had their third meeting in only six months. The two leaders agreed to create a new era for co-operation between Japan and Canada. At the meeting, Prime Minister Abe explained that early entry into force of the TPP is important for strengthening the economic relationship between Japan and Canada.

The TPP has been under deliberation in the current extraordinary session of the Japanese Diet. Let me quote Prime Minister Abe's statement:

The TPP in particular is key to our growth strategy. The TPP was agreed after clearing political hurdles. We must not allow it to come to a standstill. Securing domestic approval as early as possible will give momentum to early entry into force [of the TPP]. Japan will dedicate its greatest possible effort to this issue.

It is my sincere hope that with the understanding of all of you here in this committee, Canada's domestic procedure for the approval of the TPP will speed up for its earliest possible approval.

• (1200)

In closing, I would once again like to express my deep appreciation for this opportunity.

Thank you very much.

The Chair: Thank you, Your Excellency, for that good report.

We have a four-minute slot for each party. We're going to start off with the Conservatives.

Mr. Ritz, go ahead.

Hon. Gerry Ritz: Ambassador and delegation, thank you so much for your presence here today. I can't tell you how much it means to us as well to hear exactly what's happening in Japan as we move towards the implementation of this, as you said, Mr. Ambassador, strategic deal. The geopolitics that are created and the stability this brings to a lot of the Pacific Rim area is so important and is often understated.

I also want to commend your president on his bold initiatives early on. He put a lot of political capital into this, and it actually worked out for him in the latest elections.

Could you outline for us the timeline you have in mind as you move towards ratification and implementation?

Mr. Kenjiro Monji:

It depends on the developments in the Parliament. What I know is that the current session of our Parliament ends November 30. I think my government is trying to get approval as soon as possible, so logically, it would be by November 30, but I'll just say we hope to do it as soon as possible.

Hon. Gerry Ritz: There are no guarantees in the political arena; there's no doubt about that. But at the end of the day, this is such a huge win for all the countries that are involved.

I was very much involved in agriculture, and I've had the great opportunity to be in Japan a number of times. There are huge wins to be had in the service sector too. The growing global supply chains, which Japan is a major part of, are also often under-represented. You mentioned the trilateral agreement with Japan, China, and Korea. The ability for secondary processing and value added from Canada to Japan and on into the Chinese market is often not even considered, but I know it's a huge part of what can happen. China's not part of the TPP, but certainly the ability to have that flow through Japan or Korea into that market is an unfound wealth that we'll work towards.

You also talked about the value of the auto sector in Japan and the investments they've made in Canada. I know Honda is looking at further investments, because once the CETA deal is ratified, they're looking at the European market. How important to Japan are the global supply chains?

Mr. Kenjiro Monji: Automakers have a broad area of supporting industries, and the Japanese auto industry has tried to pursue the most efficiency in every part of the world. It is important that they can take the best options, the best selection, of any possible measures. Japanese automakers, as in many other countries, are now operating globally. The TPP agreement, which would ensure the flow and movement of the goods and services, is vitally important.

Hon. Gerry Ritz: There are chapters on labour standards and environmental standards. There are also some guidelines—they tried to put it into the text at the end, but it didn't actually make it—on currency manipulation.

Is there a fulsome enough discussion on that to satisfy Japan moving forward?

• (1205)

Mr. Kenjiro Monji: Do you mean with currency [*Inaudible—Editor*]?

Hon. Gerry Ritz: Yes.

Mr. Kenjiro Monji: Actually, I understand that the currency matter is not directly linked within the TPP, but authorities of the TPP participating countries have been discussing those matters in order to strengthen the coordination on the macro-economies and currencies. I think many people welcome this.

The Chair: Thank you, Mr. Ritz.

We're going to move to the Liberals.

Madam Ludwig, you have the floor, for four minutes.

Ms. Karen Ludwig (New Brunswick Southwest, Lib.): Thank you very much, Your Excellency, for your wonderful presentation. Certainly, Canada enjoys a mutual friendship and admiration for Japan.

Before my questions, I will give my background. Prior to being elected as a parliamentarian I was a university educator in the area of trade. Many of my students came from Japan. If we look at the linkages between academic institutions in Canada and Japan, we have over 550, and we have 75 sister city/provincial relationships, so clearly we have significant relations with Japan that have previously been fostered. Thank you.

Throughout this process, as parliamentarians we've gone from coast to coast consulting with Canadians on the TPP, getting feedback from Canadians, Canadian businesses, associations, and labour groups.

I'm wondering what your process has been in Japan for consultation. Could you explain that to us?

Mr. Kenjiro Monji: Thank you.

There are many people involved in these issues. Frankly speaking, there are some people who are quite unhappy with this matter, so the government is trying to deal with those organizations, for example, mainly agricultural organizations. We have already presented the TPP and the related agreements to Parliament, so now the discussion is within the Parliament. In Japan's case, we need parliamentary approval for the government to conclude a treaty, so after preliminary consultations with related people, I think the main discussion is now in the parliamentary committee meeting.

Ms. Karen Ludwig: Thank you.

There has been much discussion back and forth during these sessions, where we ask a lot of witnesses this question. We have posed it to many witnesses. What position would Canadian businesses be in, or the labour movement, or different interest groups, if Canada did not ratify and the U.S. did?

May I ask you what the impact on the relationship between Canada and Japan, business and cultural relations, might be if Canada did not ratify and the United States did, and Japan did as well?

Mr. Kenjiro Monji: Frankly speaking, it's unthinkable that Canada would not join if the U.S. and other countries sign the TPP.

Even according to your own analysts, Canada would lose huge benefits. Actually, one of the values of the TPP to Japan lies in North America, because we don't have any free trade agreement with Canada or the United States.

I really hope that Canada and other countries will join the TPP, so that we can form a much greater economic entity under which we could pursue further economic growth.

Ms. Karen Ludwig: Thank you.

I represent a large riding, New Brunswick Southwest, in the eastern part of Canada. We've heard from many businesses and associations that are interested in trade with Japan, particularly in the areas of forest products, energy exports, such as oil, oysters from northern New Brunswick, lobster, snow crabs, and salmon.

What sectors and regions are Japanese businesses looking to enter and access for mutual benefit in Canada?

Mr. Kenjiro Monji: I think Japanese companies are interested in almost every area where it is promising. You mentioned a lot of seafood. I already mentioned quite a large part of the seafood and fish will be duty-free, or duties would be eliminated in stages, so it is a very important area for further co-operation.

Actually, the trade volume between Japan and Canada reached its peak in the year 2000. In the 15 years since 2000, it has gradually shrunk by 5%. I was shocked to find that number. This indicates that we have a huge potential to expand once again, especially under the TPP, under which we would both enjoy more favourable treatment.

That is why Mr. Trudeau and Mr. Abe agreed that we should really expand our relations. In every area, trade, investment, tourism, student exchanges, we have a lot of potential to pursue much bigger, wider, and deeper relations between our two countries.

• (1210)

Ms. Karen Ludwig: Thank you.

The Chair: Thank you, Your Excellency. Thank you, Ms. Ludwig. We have four minutes left for the NDP.

Ms. Ramsey, you have the floor.

Ms. Tracey Ramsey: Thank you so much for your presentation, Your Excellency. I echo what my colleague has said about the importance of the relationship that we have with Japan.

Of course, we are watching what's happening in the U.S. with the TPP, so I guess my question would be, if negotiations fall apart because the U.S. does not take part, is Japan willing to engage in bilateral talks again with Canada, as we were before we entered into the TPP together?

Mr. Kenjiro Monji: We have already presented a bill and agreement to Parliament, so at this moment the government's position is to concentrate on the TPP.

As for a bilateral economic partnership agreement with Canada, it actually preceded the TPP. It is only that the TPP moved so fast, we decided to hold for a while and concentrate on that. We are not forgetting the bilateral EPA, but at this moment, as Prime Minister Abe mentioned, all the effort should be put toward the early entry into force of the TPP agreement.

Ms. Tracey Ramsey: We're focusing our efforts there, as well. We've seen over 260 witnesses at the trade committee, and we have travelled across Canada, really trying to have a consultation process on where Canadians stand. I have to tell you that Japan is the country we hear the most about at this panel. The benefits of reducing tariff and non-tariff barriers for Canadian businesses have been well represented to our committee, and I think we understand the importance of having that, both for the Canadian businesses and for the people who would benefit in Japan.

You spoke a little bit about the process and about how it's sitting in Parliament right now. There was an article in *Inside U.S. Trade* which told us that there is opposition to the deal in the Diet.

Could you expand on that a little bit and let us know whether it's likely that opposition to the TPP in your Parliament will impede the process?

Mr. Kenjiro Monji: Frankly speaking, I'm not quite aware of what is actually taking place in Parliament. Even in Japan, things sometimes take place behind the curtains, but there are other deliberations in public places. It is natural that there are various opinions, including opposition from the other parties. I will simply mention one fact: after two elections in the lower house and upper house last July, the ruling party has a two-thirds majority in both houses.

I think that after the deliberation the government may be able to convince the opposition, but as I said, the ruling party has a huge majority in the house.

Ms. Tracey Ramsey: Thank you for that.

You mentioned November 30 as the end of the Parliament sitting for this long period of time. Do you think that Japan is close to ratifying, or will they ratify before that date or do you think that it will end up being November 30 before you know?

Mr. Kenjiro Monji: I was once in charge of getting approval for the agreement from Parliament. It all depends on many other things, but once approval is made, normally we present the document immediately for the ratification accession to the agreement. We are not quite sure how long it will take. I think we already presented the agreement in June. Then the session ended, and we could not extend the session because of the upper house election. Also, there were unprecedented unexpected events such as the Kumamoto earthquake, so much time was not used for deliberations. That's why it has continued to go on. Now we have started deliberations in the Parliament. Once the deliberation finishes, once every party agrees that we have already touched upon many things, they will move forward, but we have to get the approval from both houses, the House of Representatives and the House of Councillors, the lower house and the upper house.

As I already mentioned, we hope to get approval as soon as possible.

• (1215)

The Chair: Thank you, Your Excellency, for coming here this morning and having a dialogue.

We don't know what the outcome of the TPP will be, but whatever happens, our relationship will continue to grow. We'll continue to be a good partner with Japan, whether that be as a diplomatic partner or

as a trade partner. Thank you for coming and we hope you can come again.

Mr. Kenjiro Monji: Thank you very much.

The Chair: We have the Australian High Commissioner to Canada in the room, but we're going to suspend for a couple of minutes.

• (1215)

(Pause)

• (1220)

The Chair: Would MPs take their seats.

Welcome, sir, to our committee.

As you well know, some people call Canada and Australia twins, given our origins, the size of our countries, and the makeup. All the conflicts we've dealt with over the last century, we've done it together. Of course, the British heritage is big with us.

You might have heard some of the comments I made to the Ambassador of Japan. Our committee has been travelling the country, every province, and the territories, talking to big stakeholders, consumers, interested groups.

As you well know, it's a deal that's big. It could be one of the biggest trading blocs in the world. We have committee members from right across the country on our trade committee.

Of course, we always have other issues we're dealing with beside the TPP. Our biggest trading partner is the United States, so we keep a very close eye south of the border, and we're in the final chapters of the European Union trade agreement. Our committee is fairly active and we have a lot on our plate, but we're glad you're here to give us your perspective on where Australia sits on the TPP.

The floor is yours, sir. Also, welcome to the delegation that's with you today. It's good to see them here too.

Go ahead, Mr. High Commissioner.

His Excellency Tony Negus (High Commissioner of the Commonwealth of Australia to Canada):

Mr. Chair, it's a great privilege to be here with you.

Thank you for the opportunity to make an opening statement to the committee on behalf of the Australian government.

As you know, Australia is also in the midst of our parliamentary process on the TPP. Our Joint Standing Committee on Treaties has already held several public hearings and received submissions from the private sector, peak bodies, unions, non-government organizations, academics, special interest groups, and members of the public. Last month, our Senate also voted to establish a separate inquiry into the TPP. Once these inquiries have concluded, Parliament will then need to consider the legislation necessary to implement the TPP in Australia.

As we and other TPP countries move through our domestic ratification processes, the question looms large as to what the next few months will portend for the future of the deal. As you know, the TPP needs the U.S. as well as Japan to ratify it in order to enter into force.

I'll acknowledge that there's a great deal of uncertainty about what will happen in the coming months in the U.S., and Australia is watching developments there closely, like the rest of the people. I can only reiterate the statements of our Prime Minister Malcolm Turnbull and trade minister Steve Ciobo that in Australia we are cautiously optimistic that the U.S. will ratify the TPP.

The Australian government is working hard to promote a narrative to support what we think empirically is absolutely clear, which is that open trade bolsters economic reform and stimulates growth. Australia, much like Canada, is a nation whose prosperity has been built on free and open markets and participation in global commerce, a nation that has everything to gain from lowering trade barriers and increasing integration with the world's most dynamic region, the Asia-Pacific.

From our perspective, the TPP is a premier example of a trade deal that will raise living standards, create jobs, and drive regional integration. The TPP represents the largest trade-liberalizing deal concluded anywhere in the world for over 20 years. Really, not since the Uruguay round of multilateral negotiations has such an ambitious, comprehensive, and market-opening deal been achieved.

The deal will integrate 12 economies, as you've heard, in the Asia-Pacific region, which together account for around 40% of global GDP. The 12 TPP countries include two of the largest economies in the world, the United States and Japan, as well as other G20 economies, such as Canada, Australia, and Mexico. The TPP has the potential to bind together our shared neighbourhood under the banner of trade liberalization, creating closer economic and geostrategic ties. To paraphrase former Australian trade minister Andrew Robb, who retired at the last election but was one of the central figures in our push to get this deal done, the opportunities this presents for innovation, knowledge, and services-based trading nations are limited only by the imagination.

With that introduction, I want to address two issues today: first is what the TPP means for the Australia-Canada relationship, and second, some of the unique features of the TPP which we think makes it a 21st century agreement.

Australia and Canada have always enjoyed an extremely close and broad-based relationship, as echoed in your comments. We have similar systems of government. We are both resource rich. Our developed economies are services-based, and our populations are small relative to our large and often challenging land masses. Links between Australians and Canadians have always been warm, and contacts between our Parliaments, officials, academics, and communities are extensive. Our armies have fought side by side on too many occasions and have also co-operated regularly in peacekeeping operations.

Although our trade relations date back to 1895, and we have had a narrow, preferential merchandise trade agreement with one another in the past courtesy of our Commonwealth membership, we've never

really extended this until now. The TPP will be a significant step forward in our bilateral economic relationship and will create new opportunities for exporters, businesses, and investors in both countries.

Our two-way merchandise trade is perhaps understandably constrained by the tyranny of distance, and also by the fact that our export profiles are fairly similar. Nevertheless, we have carved out markets for each other, notably in agricultural products, machinery, ore, and medicines. The TPP will ensure that we maximize the opportunities for further development. Even if Canada doesn't particularly need to buy a shipload of our barley, nor we your wheat, chances are that our preferential supply chain arrangements negotiated in this deal will deliver products that combine Australian and Canadian agricultural products that will end up in other TPP markets. The result is that the TPP will create more opportunities for business and lower prices for consumers.

While trade is modest, our two-way investment market is significant. Canadian investment in Australia is currently around \$39 billion Australian, and Australian investment in Canada is almost \$43 billion Australian. You know that the Australian dollar and the Canadian dollar are fairly close, so those figures transpose quite easily. The TPP will enable this to grow and diversify, with both countries raising our investment screening thresholds. Australia will commit to not screen private Canadian investments in non-sensitive sectors below \$1.094 billion Australian. Canada will not screen private Australian investments below \$1.5 billion Canadian.

• (1225)

Australia and Canada boast sophisticated service sectors, and the TPP will provide greater access and certainty of operating conditions for service suppliers in each other's markets. There are significant opportunities for suppliers from both countries of professional services, including legal, engineering, and architectural services, as well as further opportunities to bid for a wide range of government procurement contracts, such as in education and in environmental services.

Australia and Canada have also made reciprocal commitments on the temporary entry of business persons under the TPP. The enhanced certainty on entry and lengths of stay for various categories of business persons, as well as their spouses, will enable commercial relationships between our countries to grow.

Overall, the TPP will create a platform for the freer exchange of goods, services, capital, and people between our nations, not to mention the significant gains we both realize in the other 10 TPP markets.

The TPP will also make doing business across the region easier, by setting common international trade and investment standards between member countries, reducing red tape and business costs. This includes more transparent and efficient customs procedures, a single set of documentary procedures for products traded under the TPP, and mechanisms to address non-tariff barriers.

As a 21st century agreement, on top of its broad, liberalizing market access commitments, the TPP includes a suite of first-time-ever trade rules, setting a new benchmark for global trade agreements.

In areas such as competition, e-commerce, labour and environment, and transparency and anti-corruption, the TPP breaks new ground.

For the first time in any trade agreement, the TPP contains disciplines on state-owned enterprises that are principally engaged in commercial activities, which will level the playing field for Canadian and Australian businesses competing with large state-owned enterprises in overseas markets, to help ensure our businesses can compete fairly for contracts.

The TPP includes the most comprehensive and current rules on e-commerce in any trade agreement, guaranteeing the free flow of data across borders for service suppliers and investors as part of their business activity.

The levels of environmental protection set out in the TPP are extensive and will support international environmental conventions. For example, TPP parties have agreed to take measures to control the production, consumption, and trade of certain substances that deplete the ozone layer, consistent with the Montreal convention. They have also agreed to take measures to implement their obligations under the convention on the elimination of trade in endangered species.

The labour chapter is also the broadest ever agreed by Australia in an FTA and requires all TPP parties to enhance compliance with internationally recognized labour rights such as the elimination of forced labour, abolition of child labour, freedom of association, and the right to collective bargaining.

The agreement also addresses for the first time the specific needs of small and medium-sized enterprises with a view to helping them take advantage of the opportunities available.

Finally, for the first time in any trade agreement, the TPP includes robust provisions for combatting corruption and bribery of public officials and other acts of corruption adversely affecting international trade and investment. These anti-corruption provisions will provide greater transparency and certainty to individuals and businesses seeking to trade with, and invest in, TPP parties.

To conclude, the Australian government is firmly committed to the TPP.

I'd like to thank you again for the opportunity to appear before you this morning. We would, of course, be happy to answer any questions. Whilst I'm not an expert on trade deals, we'll do our best to take those questions as we can.

• (1230)

The Chair: Thank you for that presentation.

I could add that I was in Australia a couple of years ago. My family rented a motorhome. We only got to see the east coast, but we went up to Hunter Valley and the Blue Mountains, and to Fraser Island. It's just beautiful. Once you learn to drive on the other side of the road, you're all right. You guys are pretty accommodating when we're on the wrong side, and you know we must be from Canada because we're tootling along. Anyway, it's a great place to visit.

We're going to do the same as last time, committee. We'll have one section of four minutes for each party.

We're going to start with Mr. Van Kesteren of the Conservatives.

Mr. Dave Van Kesteren (Chatham-Kent—Leamington, CPC): Mr. Ritz is going to start.

The Chair: Mr. Ritz, go ahead. You guys have four minutes.

Hon. Gerry Ritz: Thank you for attending here today. It's almost unprecedented to have ambassadors and high commissioners of your status before our committee, but it's excellent that you're here and it shows the importance of the TPP.

You mentioned a lot of what joins us together, but there are tremendous synergies in the seasonality between our two countries. You said you weren't going to ship us any barley and you didn't want any wheat. We actually complement each other extremely well in a lot of those marketplaces simply because we can do that off season.

You did talk about the process, but you didn't talk about a timeline. Is that still up in the air, or do you have an idea of what the timeline would be?

Mr. Tony Negus: The parliamentary processes are under way, and as I mentioned, the Joint Standing Committee on Treaties is currently examining this. We don't think there will be a lot of change in legislation, perhaps around our customs procedures regarding tariffs and those sorts of things, and that really won't be determined until the end of the process and the recommendations are made by the treaties committee.

We're thinking we want to do this as quickly as possible, but realistically it won't be before the beginning of next year.

Hon. Gerry Ritz: Okay. The Ambassador of Japan was here just before and I noticed you were listening and watching. He talked about the stability of the geopolitical atmosphere in that whole area of the world and, of course, being part of that.

When we look at some of the other countries that are potentially joiners to the TPP, do you agree that there will be a tremendous amount of stability at the geopolitical level when this is done and we move forward?

Mr. Tony Negus: I certainly would agree with his comments in that regard. I think the more that countries trade with each other and understand each other, in that regard, it can only benefit the wider group.

Hon. Gerry Ritz: We always say a high tide floats all boats. That's what we have here.

Mr. Tony Negus: That's right.

Hon. Gerry Ritz: Thank you.

The Chair: Dave.

Mr. Dave Van Kesteren: I want to carry on where Mr. Ritz left off. We talked at length about the benefits to our nation, and now we're talking about the benefits to other nations, the different sectors and how they'll be. Last week we talked a little bit about the consumers, and Mr. Ritz led you into this, and the Ambassador of Japan did a fine job talking about why it's important to citizens of the world to have better trade relations. I want to take it in another direction.

When we think about China and the hegemony of their movement, is that a concern for you and does this agreement possibly help stem that and maybe move us in the right direction?

•(1235)

Mr. Tony Negus: Certainly, the agreement's not designed to prevent anyone, anywhere, doing anything, other than fostering trade.

I do have a few notes on this, which I will just refer to.

As I said, the TPP was not negotiated with the intent of opposing any or containing any country. In fact, it's open architecture allows other members to join. I know the Japanese ambassador mentioned that, as well.

China has expressed an interest in the TPP and is also involved in negotiations with our Regional Comprehensive Economic Partnership again. Of course, Australia only just signed an FTA with China in the last four months and we're moving ahead in our own bilateral arrangement there. But the RCEP involves Australia and a number of TPP parties, including Singapore, Vietnam, Malaysia, and Brunei, as well.

In Australia's view, the TPP and RCEP present complementary pathways to the realization of APEC's long-term economic goals. But it's certainly not designed, from our perspective, to contain or to hedge against any particular country.

Mr. Dave Van Kesteren: China has come a long way. All of us agree that what we're seeing is they're moving in the right direction.

Do you feel, then, that this agreement will continue to encourage them to move in that direction and just make for a better, more peaceful world?

Mr. Tony Negus: As I said, broadly, Australia already has an FTA with China, quite separately. But I think stability in the region is

good for everybody, including China. I think it certainly does encourage appropriate behaviour in that part of the world.

The Chair: Thank you.

We'll move over to the Liberals now.

Mr. Fonseca, you have the floor for four minutes.

Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.): Your Excellency, our two countries share a rich history, a Commonwealth history, and a friendship that has gone on for many decades. I think we've approached the TPP in very similar ways.

I want to ask if Australia did an economic impact study on the TPP before embarking upon its consultation with its people.

Mr. Tony Negus: There's been, obviously, very wide consultation and I think between 2011 and 2015, there were over 1,000 briefings and consultations with a wide range of community groups and others in that regard.

Some of the economic modelling says that there will be a 0.7% jump in GDP to Australia, a permanent jump in GDP, and that's about \$15 billion. That's from the World Bank that the 0.7% figure was predicted.

Mr. Peter Fonseca: Can you tell me a little bit about the consultations that you've done with your indigenous peoples?

Mr. Tony Negus: There weren't specific consultations with indigenous peoples, but there's a range of different things done with respect to protecting any cultural and indigenous rights in that regard.

Just let me find my notes here.

Like Canada, Australia maintains a range of policy measures in place to facilitate indigenous policy, and protect indigenous rights, and cultural rights, more generally. Australia successfully sought carve-outs protecting the government's ability to adopt measures with respect to creative arts, indigenous traditional cultural expressions, and other cultural heritage, providing favourable treatment in the services sector and according preferences in investment to any indigenous persons or organizations.

There were broad-based consultations across community groups, and indigenous community groups were part of that consultation process.

Mr. Peter Fonseca: Thank you.

The major concerns that we've been hearing in our consultations have been those around ISDS, as well as increased costs when it would come to something like prescription drugs. How have those been addressed in Australia?

Mr. Tony Negus: Certainly, it won't surprise you to hear there have been issues in Australia as well. The ISDS provisions we think benefit Australian companies investing abroad. The TPP's investment provisions will promote a more predictable and transparent regulatory environment for investment by enshrining principles such as non-discrimination and fair and equitable treatment. The TPP ISDS mechanism contains explicit safeguards protecting Australia's government's right to regulate in the public interest, including regulation in the health environment.

Whilst there's been broad-based support from our political parties for the TPP, certainly the opposition has raised concerns over the ISDS over the period of the consultation process, and it continues to be one of those issues that is raised.

Mr. Peter Fonseca: You commented that you don't see ratification until in the new year. Is that due to what we see happening in the United States? Is that where you're waiting to get some signals from?

Mr. Tony Negus: No, it's more about our parliamentary process. We have the Joint Standing Committee on Treaties. It's part of our process that they must consider this and make recommendations to the government. That process is ongoing, and they've had a range of public consultations and meetings. They'll make recommendations, but the parliamentary process around that and any legislation that's required before it can be ratified will take, realistically, into the new year.

Certainly, we're watching what's happening in the U.S. carefully, but it's not contingent on what's happening in the U.S.

Mr. Peter Fonseca: In Canada, we find that the TPP in some respects favours certain regions. It could be the west, because of its proximity to Asia, or some other regions that may have products or services that would do well with trade. There are some regions that would be impacted negatively.

Is that the same case in Australia? Are there some areas that would be winners and some that would not fare as well?

Mr. Tony Negus: I think in these types of deals, there are always areas that benefit more than others. Broadly based, there haven't been any specific areas that I'm aware of that have raised concerns about these issues.

The Chair: The time is up.

We're going to move over to the NDP.

Ms. Ramsey, you have the floor for four minutes.

• (1240)

Ms. Tracey Ramsey: Thank you for your presentation today, Your Excellency. There have been excellent questions from my colleagues on the committee.

We share much in common with Australia. As you said, it's a vast country without the population to fill it, which is something we have here as well.

We have travelled, and I am happy to hear that you've had so many briefings on the TPP across the country.

You mentioned jobs specifically. In our own economic impact study that we had done by Global Affairs, it showed a GDP growth

by the year 2040 of \$4.3 billion. We have a compensation package that's still unknown to our supply managed that would equal that in the first 15 years. We're looking at that, but also at jobs. We have one study that projects Canada would lose 58,000 jobs under the TPP.

I wonder if you have any modelling on job projections that have been done in Australia, and what that would look like for you.

Mr. Tony Negus: I don't have any job modelling figures with me, I'm afraid, but there's nothing that I've read that suggests anything like that.

Ms. Tracey Ramsey: Okay.

Another thing that's come up is that, I believe, we're largely tariff-free with Australia already. I wonder if you could speak to the tariff reductions that you're looking to see in terms of Australian exports coming to Canada, but also the non-tariff barriers. What's been highlighted at our committee is the fact that non-tariff barriers are more difficult to overcome than the actual percentages that exist in tariff format.

I wonder if you could speak to us about how that's been discussed in Australia as well.

Mr. Tony Negus: As I mentioned in my opening comments, the trade agreement, the trade situation between Canada and Australia, is fairly modest. In fact, I think it's less than half a per cent of your imports and/or exports go to and from Australia. In the context of your own situation, it's a very low number in that regard.

I don't have any numbers specifically for the Australia-Canada relationship, but the elimination of tariffs for Australia itself would be about \$9 billion in dutiable exports to TPP countries, which would include Canada in that regard. It's a significant amount for Australia in its own right.

Market access issues and all of those other benefits that I talked about before also add to that process.

Ms. Tracey Ramsey: Were there any non-tariff barriers that were highlighted in your consultation processes?

Mr. Tony Negus: In fact, we've just identified.... It says basically over 93% of tariffs were eliminated on entry into force, including for Canadian industrial exports such as diesel electric locomotives, which is the major export from Canada to Australia. I don't really have anything else on the broader issues other than the things I've already mentioned that we talked about. Services are the big thing, we think in this regard, that will actually benefit significantly, and a lot of that will be further developed by the elimination of all of those issues we've discussed.

Ms. Tracey Ramsey: One of the other issues that we have is of course the opening and expansion of our supply-managed system, and in particular dairy here in Canada. We're opening that for the first time. We see New Zealand indicating that they would like to have seen that opened further with Canada. I wonder what Australia's position is around the dairy markets, and what you've heard from dairy farmers in Australia.

Mr. Tony Negus: Yes, absolutely, supply management has been an issue. We've been interested in watching this for some time. Of course, there are some interesting comparisons to what Australia did some 15 or 16 years ago, but from the 1980s the Australian government's been gradually dismantling its dairy industry regulations to the point now where there are no dairy industry regulations per se. In the late nineties, the state and federal governments agreed to remove all domestic regulations relating to supply and processing of milk. Since 2000 there's been no regulated prior support for the Australian dairy production.

There was almost a \$2-billion structural adjustment package supplied to actually help the transition in 2000, and that was to

lessen the initial impact of the withdrawal of price support measures. Basically, that was implemented, but that was wound up in 2008, and it's now free of government incentives.

The Chair: Thank you.

Thank you, Ms. Ramsey.

That wraps up our time.

Thank you, High Commissioner, for coming today. We welcome the Australians to come up here and visit us more, and we to visit you more, and enjoy our relationship. Thank you. Your presentation is going to be a big part of our report when it's finished. Enjoy the rest of the winter in Canada.

MPs, we're just going to suspend for one minute and then we're going to do future business.

[Proceedings continue in camera]

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