



HOUSE OF COMMONS
CANADA

**FACT-FINDING MISSION TO THE EUROPEAN
UNION ON THE BENEFITS AND CHALLENGES OF
A POSSIBLE COMPREHENSIVE ECONOMIC AND
TRADE AGREEMENT BETWEEN CANADA AND
THE EUROPEAN UNION**

**Report of the Standing Committee on
International Trade**

**Lee Richardson, MP
Chair**

FEBRUARY 2011

40th PARLIAMENT, 3rd SESSION

Published under the authority of the Speaker of the House of Commons

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THE STANDING COMMITTEE ON INTERNATIONAL TRADE

has the honour to present its

FIFTH REPORT

Pursuant to its mandate under Standing Order 108(2), the Committee has studied Free Trade between Canada and the European Union and has agreed to report the following:

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FACT-FINDING MISSION TO THE EUROPEAN UNION ON THE BENEFITS AND CHALLENGES OF A POSSIBLE COMPREHENSIVE ECONOMIC AND TRADE AGREEMENT BETWEEN CANADA AND THE EUROPEAN UNION

Introduction

From November 20 to 26, 2010, the House of Commons Standing Committee on International Trade (hereafter the Committee) conducted a fact-finding mission in Europe. The mission had two main objectives: to give the members of the Committee a fuller understanding of the benefits and challenges associated with the current negotiations on a comprehensive economic and trade agreement (CETA) between Canada and the European Union (EU), and to highlight Canada's priorities for the negotiations. To achieve these objectives, the Committee met with European parliamentarians, representatives of national governments, and stakeholders that are involved or that have an interest in the negotiations.

The Committee's decision to travel to Europe also reflected the desire to strengthen political relations with Europe, which is a priority market in the Government of Canada's Global Commerce Strategy.

As part of its fact-finding mission, the Committee met in Strasbourg with members of the European Parliament, particularly with members of the European Parliament's Committee on International Trade and of its Delegation for Relations with Canada, members of the Progressive Alliance of Socialists & Democrats in the European Parliament, and members of the European Conservatives and Reformists group. These meetings enabled Committee members to familiarize themselves with the European parliamentary process and the mechanism for ratifying international agreements in the EU. The discussions also clarified the positions of various political groups on international trade, and more particularly on the CETA.

The Committee also travelled to three countries within the EU—the United Kingdom (London), Italy (Rome) and Hungary (Budapest)—to gain a better understanding of what is at stake for these countries in the CETA negotiations. Given their size, geographic location, industrial profile and influence within European institutions, meetings held in these countries enabled the Committee to assess the degree to which EU member states support a possible agreement, as well as the three countries' offensive and defensive objectives in the current negotiations.

In London, the Committee met with the Prime Minister's International Trade Advisor, the House of Lords EU Subcommittee, members of the Canada-United Kingdom Chamber of Commerce, and representatives from War on Want, a social advocacy organization. In Rome, meetings were held with members of the Italian Senate, representatives of the Confindustria industrial association, a senior Development Ministry official who is also a trade policy expert, and spokespeople for the Agriculture Ministry and the Italian Trade Commission. In Budapest, the Committee met with the Deputy Speaker of the Hungarian Parliament, members of parliamentary committees on EU affairs, foreign affairs, and the economy and information, members of the Hungary-Canada Interparliamentary Friendship Group, experts on economic and trade integration both in Hungary and regionally, representatives of the Foreign Ministry and business people, including members of the Canadian Chamber of Commerce in Hungary.

The Committee also benefitted from logistical support and briefings provided by the Canadian High Commission in the United Kingdom, Canada's Mission to the EU, and the Canadian embassies in Italy and Hungary.

Trade Relations between Canada and the European Union¹

A. General

One of the main messages that the Committee heard during its mission is that Canada and the EU have a special trade and investment partnership. In 2009, the EU was Canada's second-largest trading partner, while Canada was the eleventh-largest trading partner for the 27 EU member states.

The historic links and close relationship between Canada and Europe were also cited often, enabling Committee members to conclude that increased trade between the two parties is seen positively by the Europeans with whom they spoke.

B. Merchandise Trade

In 2009, Canada's bilateral trade with the 27 EU member states totalled \$75.0 billion, comprised of \$29.8 billion in Canadian exports to the EU and \$45.2 billion in Canadian imports from the EU.

1 All data in this section are from Statistics Canada and Eurostat.

The EU is an increasingly important trading partner for Canada. From 2004 to 2009, Canadian exports to the EU rose at an average rate of 5.3% a year while Canadian overall exports declined by 2.7% annually.

Raw materials, led by a rapid growth in exports of gold as well as of uranium and iron ores, comprise an expanding share of Canada's exports to the EU. The other main products exported to the EU are diamonds, aircraft and aircraft parts, pharmaceutical products and oil. Canada's main imports from the EU include pharmaceutical products, crude oil and refined petroleum products, motor vehicles, aircraft and aircraft parts, and wine.

C. Services and Investment

In 2008, the EU was Canada's second-largest trading partner in services. Exports of services to the EU totalled \$12.6 billion that year, representing 18% of all Canadian service exports worldwide. Imports of services from EU countries were valued at \$15.7 billion in that year, or 17% of total Canadian service imports.

In 2009, the EU was the second-largest destination for Canadian foreign direct investment (FDI), while Canada was the seventh-largest destination for European direct investment. Canadian direct investment in the EU was \$148.9 billion during that year, representing 25% of total Canadian FDI. The total value of EU direct investment in Canada was slightly higher in 2009, at \$163.7 billion, corresponding to about 30% of total FDI in Canada.

Comprehensive Economic and Trade Agreement

A. General

As mentioned above, Committee members were frequently told that, because of the shared values and special historic links between Canada and the member states of the EU, negotiations for a CETA between Canada and the EU are generally supported. The Committee was told that Canada is viewed as a strategic trading partner, and that a trade agreement would be beneficial for both parties. The Committee also learned about trade irritants between Canada and the EU, and about challenges and obstacles that will need to be overcome in the current negotiations. Given what the Committee members were told while in Europe, these obstacles do not, however, appear to be insurmountable.

The timing of the Committee's mission was notable, occurring as it did while CETA negotiations are under way rather than after negotiations have been concluded. By being proactive, the Committee was able to gain an understanding of the progress of negotiations and the main challenges that must be resolved, and to table a report in the House of Commons before the negotiations conclude. In addition, members of the

Committee were able to present Canada's interests in certain areas that are not covered by the negotiations but that could have an impact on ratification of an agreement by the European Parliament and the parliaments of EU member states. The Committee heard that Canada must develop a better communications strategy on sensitive issues like the seal hunt and the visa requirement for nationals of certain European countries. Although these irritants are not part of the CETA negotiating agenda, they could affect ratification of any future agreement.

B. Treaty of Lisbon and New Powers for the European Parliament

The Committee learned that the European Parliament's role and powers in the areas of foreign policy and adoption of trade agreements were expanded under the Treaty of Lisbon. First, the European Parliament must now be kept informed about the progress of trade negotiations throughout their duration, which gives it more influence over the determination of negotiating objectives. Second, the European Parliament has been given "co-decision" power (now called the "ordinary legislative procedure") with respect to issues falling under the Common Commercial Policy, i.e., any legislation involving international trade. As a result, the European Parliament's consent is now required for the ratification of all trade agreements.

The integration of the European Parliament into the process for formulating and enacting trade legislation also means that the process will be longer and more complex than in the past. In cases where the Council of the European Union and the European Parliament do not initially agree on a bill to implement a free trade agreement, the process could be very lengthy. Many participants in the Committee's discussions said that, because of the structure of the European Parliament and the diversity of its members, the search for a compromise becomes vital in order to have the legislation enacted.

With the increased powers of the European Parliament, and given the political agendas that divide political groups, some issues that are not covered by the CETA negotiations could become considerations once legislation to implementing a trade agreement with Canada is considered by the European Parliament. The example of environmental standards was identified at the Committee's meetings with members of the European Parliament.

C. Role and Influence of Sub-Central Entities in the Negotiations

Because international trade is a matter of federal jurisdiction in Canada, international trade agreements are negotiated and enacted by the federal government. That being said, as a number of participants noted during the Committee's mission, the CETA is proving an occasion for increased provincial/territorial involvement in the negotiating process. Given that certain issues fall partly or wholly within provincial/territorial jurisdiction (e.g. government procurement), some participants mentioned how important it is that the provinces and territories be included in the negotiations and covered by any

future agreement. One participant highlighted the difficulties Canada must face in obtaining the cooperation of all provinces and territories during the negotiations.

The EU faces a similar situation, with the European Commission having a mandate to represent the interests of 27 different countries. All representatives of national governments with whom Committee members met during their fact-finding mission said that they have been adequately consulted by the European Commission during the current negotiations and that the Commission's mandate to negotiate had been approved by all 27 member states. On the other hand, European civil society representatives spoke about the limited consultation undertaken by the European Commission and about the fact that their views are receiving almost no attention in the current negotiations.

The Committee learned that the EU procedure for ratifying an eventual CETA with Canada will depend on the agreement's scope. If the agreement deals solely with matters over which the EU has exclusive jurisdiction, ratification will follow the normal legislative procedure under which a bill must be passed jointly by the European Parliament and the Council of the EU, the latter comprised of ministers from the 27 member states. In the event of what the EU calls a "mixed agreement" (one with some provisions falling under EU jurisdiction and some under member state jurisdiction), ratification using the ordinary legislative procedure described earlier and by each of the 27 EU member states will be required. The member states would thus have greater influence on the outcome of the negotiations in the second scenario. On that note, the Committee heard a divergence of opinion among European participants on the ratification process for international treaties concluded by the European Commission on behalf of the EU.

Negotiation Issues

A. Merchandise Trade

Because merchandise trade represents a significant proportion of the trade between Canada and the EU, the CETA would include a number of measures designed to improve the movement of goods between the two regions, including elimination of customs duties. According to the people with whom the Committee met during the fact-finding mission, however, non-tariff barriers—not customs duties—constitute the main obstacle to merchandise trade between Canada and the EU. A number of participants referred to the difficulty that firms experience in complying with regulations that differ between the two regions.

1. Agricultural Sector

As with most international trade agreements, agriculture is a key component of the negotiations for a CETA between Canada and the EU. Among the main issues of concern to European parliamentarians and other European representatives are the use of

genetically modified organisms (GMOs) and the application of a system of geographical indicators in Europe, the latter of which is discussed later in the context of intellectual property rights. During the mission, issues related to farm subsidies, which are not covered by the CETA negotiations, and marketing methods for certain products led to discussions focused mainly on the EU's Common Agricultural Policy and Canada's supply management system. Canadian and EU Parliamentarians voiced support for the approaches used within their countries.

With respect to the use of GMOs, the Committee was told that Canada and the EU countries differ in the legal treatment of products containing such organisms, and that there is no consensus in Europe as to their use. While some of the people with whom the Committee met indicated that they support the use and marketing of GMOs, others spoke about the risks that GMOs could pose for ecosystems. The representatives of European national governments said that the issue of GMOs is primarily political and that European public opinion is firmly opposed to the marketing of such products for human consumption. The Committee was told that GMOs must be tested scientifically and that it must be proven that they represent no danger for humans before they can be used.

It should be noted that EU markets were recently opened to some GMOs, such as potatoes for the production of starch used in papermaking. Some participants also spoke about the advantages of GMOs in ensuring global food security and in energy production. A few participants voiced support for greater flexibility regarding the use of GMOs in Europe.

The allowable level of adventitious presence of GMOs (i.e., their accidental or unintentional presence) in food products intended for human consumption or livestock feed, which is set at 0.9% in the EU, was also the subject of a number of discussions. Some participants found this level to be reasonable while others find it to be too low.

Given the controversial nature of GMOs and certain other agriculture-related issues, representatives of the European civil society told Committee members that they would prefer to see the agricultural sector excluded from the CETA negotiations.

2. Non-Agricultural Sector

While agricultural issues dominated some of the discussions, trade relations between Canada and the EU in a number of other sectors were also mentioned, including the automotive, energy and cultural sectors. The link between culture and the promotion of a stronger Canadian brand was also highlighted.

Discussions about the automotive sector focused on the volume of trade in automobiles and parts between Canada and the EU. According to participants, the interdependence of trade in this sector, and the presence of Canadian manufacturers in

Europe and European manufacturers in Canada, are signs of the desire to maintain this strong trade relationship and encourage new opportunities for investment on both sides.

The energy sector was also discussed during the Committee's mission. The fact that Canada is a major producer of raw materials, particularly petroleum, was well known to European participants. Some European parliamentarians expressed the hope that the CETA would encourage responsible extraction and use of these raw materials, and said that both parties should be required to guarantee a high level of environmental protection. Other European parliamentarians said they are confident that Canada will do just that, considering the evolution in extraction methods, which are today more efficient and more respectful of the environment than in the past.

The issue of the cultural exemption included in trade agreements negotiated by Canada in the past was raised during the mission. The Committee learned that, as in Canada, culture is a sensitive issue in the countries of the EU, which explains the EU's desire to protect cultural identities. Participants said that it is possible to take an offensive or a defensive approach to protecting one's culture and promoting it abroad. According to them, the current negotiations represent an opportunity for finding a compromise that meets the cultural objectives of both sides.

In Italy, some of the people with whom the Committee met raised the need for trade and investment discussions to allow consideration of each country's distinctive social and cultural features. Similarly, participants in Hungary said that protection of their cultural identity was important. They also spoke about the importance of participating in interparliamentary cultural exchanges, for example through parliamentary associations and friendship groups. The Committee was also told that Canadian culture will be well-represented at the Venice Biennale in 2011, in which a number of Canadian artists are taking part.

Finally, Committee members were informed that Canada should promote its different cultural products and services more vigorously in Europe in order to consolidate its brand. Australia's promotion of its cultural products in the United Kingdom was cited as an example that Canada could follow.

B. Services Trade

As with merchandise trade, regulatory barriers represent the main obstacles to trade in services between Canada and the EU. As a result, the people with whom the Committee met said that any future agreement would have to address regulatory barriers. The Committee was told about the complexity of the European regulatory environment, and was informed that greater harmonization of standards and regulations between Canada and the EU would be highly beneficial.

In earlier trade agreements, including the North American Free Trade Agreement (NAFTA), Canada has taken a “negative list” approach to its service trade commitments, which means that all items are covered except for specific listed exemptions. The EU has never used this approach, relying instead on a “positive list” method that involves agreeing to commitments only in a specified list of areas. In the course of the fact-finding mission, the Committee learned that—from the European perspective—the negative list approach could be a challenge, with some participants arguing that too wide a variety of services would be covered by such an approach. Other participants, however, argued for greater trade liberalization in the services sector. For example, the government of the United Kingdom is campaigning for the European Commission to be more aggressive in its efforts to include financial and professional services in the text of any future agreement.

C. Investment

Throughout the fact-finding mission, the Committee was told that direct investment is a key aspect of the economic relationship between Canada and the EU, and that the CETA is an opportunity to strengthen this relationship and tackle existing barriers to investment.

Unlike trade agreements negotiated by Canada, those concluded by the EU do not always include investment protection provisions. More specifically, the Committee was told that, to date, the EU has never included a mechanism in its trade agreements for settling disputes between foreign investors and host governments. Consequently, a number of participants said that the issue of whether to include such a mechanism in the CETA represents one of the biggest challenges faced by Canadian and European negotiators. While most participants said that they thought the question can be resolved in a way that suits both Canada and the EU, civil society representatives expressed concerns about the inclusion of such a mechanism in the CETA. This worry stems from their negative impression of the experience with Chapter 11 of the NAFTA, which deals with the settlement of disputes between investors and national governments.

D. Government Procurement

According to the people with whom the Committee met, access to federal and provincial/territorial government procurement is one of the EU’s primary interests in the current negotiations. More precisely, the involvement and consent of Canada’s provincial and territorial governments are seen by participants as crucial to the current negotiations.

Provincial and territorial involvement in the CETA negotiations is supported in Europe, because it would mean that at least some procurement at the provincial, territorial and municipal levels will be open to European bidders if an agreement is reached.

Representatives of European civil society warned the Committee that including provincial, territorial and municipal procurement in any agreement could significantly increase the competition faced by Canadian companies and limit flexibility in the awarding of contracts by Canadian provinces, territories and municipalities.

E. Intellectual Property

Unlike a number of other trade negotiations, discussions for a CETA include consideration of intellectual property protection. While most European participants reiterated their confidence in the Canadian judicial system, some pointed to challenges that will have to be addressed in relation to protection of intellectual property in Canada. During the fact-finding mission, the two topics that arose most often were the treatment of European geographical indications on food products and extending patent protection for pharmaceutical products.

1. Geographical Indications

The Committee was briefed during its mission on the European system of geographical indications (GIs). GIs designate a product as originating in a specific region, with the suggestion that certain characteristics of the product are attributable to its geographical origin. Once a GI has been registered in the EU, the designation may be used only for products meeting the specified criteria, including region of manufacture. *Parmigiano Reggiano* cheese, *Prosciutto di Parma* ham and Hungary's *Tokaji* wine are examples of products enjoying this type of protection. Some Italian participants told Committee members that these food products, like agriculture in general, are part of their culture and must be protected. An Italian government agriculture spokesperson explained the desire to protect GIs by indicating that Italian farms are often small and cannot compete with multinational agribusinesses.

One suggestion made to the Committee is that Canada, through the CETA, should adopt a system similar to that in Europe. In that regard, an Italian participant said that he hoped Canada would pass laws providing criminal penalties as severe as those currently in force in Italy for companies that refuse to respect the GI system.

In Canada, exclusive rights to brand names are protected by trademark certification. Some participants complained that Canadian companies have acquired rights to certain Italian product names, thereby preventing Italian farmers from exporting products to Canada under their traditional names. That being said, participants conceded that some product names are too generic to be protected. One Italian participant noted that the name "mozzarella" is known throughout the world and that Italy has no desire to try to protect this name in particular, but rather the product designated by the name *Mozzarella di Bufala Campana*, which is characterized by a particular manufacturing process. Other Italian

participants conceded that their country's farmers do not have the capacity to meet world demand for all types of Italian products.

2. Pharmaceutical Patents

Another intellectual property challenge raised during the Committee's mission was the duration of pharmaceutical patents which, according to some participants, could be extended by the CETA beyond the provisions in the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs). Participants noted that the EU wants higher standards to be adopted than those included in the TRIPs Agreement.

According to these participants, extended patent protection would delay the marketing of less costly generic pharmaceutical products, thereby increasing health-care costs and restricting access to beneficial drugs. Other participants were less concerned, arguing that it was necessary to achieve a balance between equitable access to pharmaceutical products and increased protection for intellectual property, which fosters innovation.

F. Labour Mobility

Like intellectual property, labour mobility is not usually a part of negotiations for bilateral trade agreements. According to Canadian businesspeople in the United Kingdom and Hungary, mutual recognition of credentials and reduced requirements for the temporary movement of business people and professionals between Canada and the EU must be among Canada's priorities in the current CETA negotiations.

Some of the U.K. participants expressed concern about the fact that the British government had suggested imposing stricter limits on the number of workers and immigrants admitted from non-EU countries.² They were worried that stricter limits would make it harder for companies doing business in the United Kingdom to recruit foreign workers. If the British government goes ahead with such measures, a compromise on the movement of foreign employees inside a firm would have to be sought in the current negotiations.

The Committee learned that, unlike the United Kingdom, Hungary supports CETA provisions encouraging labour mobility. Hungarian government spokespeople said that

2 New measures aimed at limiting immigration from non-EU countries were introduced in the United Kingdom shortly after the Committee's mission. More detailed information is available at: <http://www.ukba.homeoffice.gov.uk/sitecontent/newsfragments/35-t1-t2-annual-limits>.

their country has a great need for qualified foreign workers to meet current labour shortages.

The Committee also heard that Europeans experience difficulties when they want to move to Canada, especially in achieving recognition of their professional credentials and academic qualifications.

Conclusion

Through the fact-finding mission, Committee members were able to gather a significant amount of information about the benefits and challenges represented by the negotiations aimed at reaching a CETA between Canada and the EU. The mission provided a unique opportunity to discuss, with European stakeholders, their perception of such an agreement. Through the efforts of the Department of Foreign Affairs and International Trade's diplomatic personnel, Committee members had privileged access to a variety of European stakeholders and were able to discuss subjects about which it would have been difficult to obtain verifiable information in any other way. Also, Committee members were able to explain Canadian priorities and present the case for Canadian interests during current negotiations.

In light of the information gained during the mission, the Committee can conclude that the proposal for a CETA enjoys considerable support in Europe, with parliamentarians, government representatives and other stakeholders speaking in favour of a CETA, which would have advantages for Canada and for the EU. The Committee realizes, however, that the Canadian and European negotiators face many challenges.

Lastly, the Committee learned that, under the Treaty of Lisbon, the European Parliament has increased influence and power over foreign policy and the adoption of trade agreements. These new powers will most certainly have an impact on the final text of any future agreement and on the decision to ratify it. In the Committee's view, the Government of Canada and the Committee must work on strengthening their relations with the various political groups represented in the European Parliament. This fact-finding mission was a step in this direction.

APPENDIX:

**LIST OF INDIVIDUALS WHO MET WITH THE
COMMITTEE (NOVEMBER 20 TO 26, 2010)**

Organizations and Individuals

LONDON, UNITED KINGDOM

Canada-UK Chamber of Commerce

Robert Atkinson, General Passenger Sales Manager, Air Canada

Charles Berkeley, Managing Director, Canaccord Genuity Limited

Mark Camilleri, Partner, Fasken Martineau LLP

Keith Corkan, Partner, Laytons Solicitors

Shelley Cox, Strategic Partnership Manager, International Foreign Exchange

Greg D'Aoust, Agent, Canada Migration Bureau

Peter Ellis, Managing Director, EMEA, PharmaTrust Ltd.

Joseph Galimberti, Director, Government Relations, Air Canada

Terry Irwin, Director, TCii Strategic and Management Consultants

Adam Janikowski, Associate, Bank of Montreal

Elizabeth Kanter, Government Relations Counsel, Research in Motion UK Ltd.

Matilda Kentridge, Director UK & Europe, Roman School of Management

Grant King, Director, Canada Migration Bureau

Martin Legault, Vice-President & General Manager, National Bank of Canada

Stewart Sutcliffe, Partner, Stikeman Elliott LLP

William Swords, Managing Director and Co-Head, Corporate Banking Europe, Scotia Capital

Nigel Taylor, Managing Director, Interim Management Answers Ltd.

Karl Wildi, Head of Capital Markets, Europe, CIBC

Canadian High Commission

James Wright, High Commissioner

Claude Boucher, Deputy High Commissioner

Robert Fry, Minister-Counsellor (PAPD)

Charlotte Garay, Counsellor, Economic

Patrick Mattern, Counsellor (Alberta)

Brian Parrott, Minister-Counsellor, Commercial and Economic

House of Lords

The Right Honourable the Lord Leon Brittan of Spennithorne, Q.C., D.L., Trade Advisor to the Prime Minister

House of Lords European Union Select Committee, Sub-Committee A - Economic and Financial Affairs and International Trade

Lord Lyndon Harrison, Chair

Baroness Gloria Hooper, Member

Antony Willott, Clerk

War on Want

John Hilary, Executive Director

Dave Tucker, Trade Campaign Officer

STRASBOURG, FRANCE

European Parliament

Vicky Ford, Member

Timothy Kirkhope, Member

James Nicholson, Member

Vittorio Prodi, Member

European Parliament Committee on International Trade

Vital Moreira, Chair

Robert Sturdy, Vice-Chair

Daniel Caspary, Member

William (The Earl of) Dartmouth, Member

Jörg Leichtfried, Member

Jaroslaw Leszek Walesa, Member

David Martin, Member

Helmut Scholz, Member

Peter Stastny, Member

Michael Theurer, Member

Pablo Zalba Bidegain, Member

European Parliament Delegation for Relations with Canada

Philip Bradbourn, Chairman

Elisabeth Jeggle, Vice-Chairman

Ioan Enciu, Member

Antonyia Parvanova, Member

European Parliament's Visitor Service

Niall O'Neill

Mission of Canada to the European Union

Alain Hausser, Deputy Head of Mission

Carlos Vanderloo, First Secretary (Commercial)

BUDAPEST, HUNGARY

Bombardier MAV Kft

Beata Schwartz, Managing Director

Canadian Chamber of Commerce in Hungary

Nick Sarvari, President

Central European University (CEU)

Péter Balázs, Head, Department of EU Enlargement Studies

Embassy of Canada in Hungary

Tamara Guttman, Ambassador

Eva Bosze, Trade Commissioner

Richard Martin-Nielsen, Counsellor (Political)

Gergely Morvai, Trade Commissioner

Falcon Oil and Gas Ltd.

Gyorgy Szabo, Chairman of the Board

Joint Venture Association

Csaba Markus, Head of EU Committee

Szilvia Szendrey, Executive Director

Ministry of Foreign Affairs of Hungary

János Hóvári, Deputy State Secretary, Global Affairs

László Várkonyi, Director General, World Trade Policy

National Assembly of the Hungarian Republic

István Jakab-Fidesz, Vice-President

Istvan Jozsa, Deputy Chair of the Committee of Economy

Lajos Posze, Vice Chairman, Economic and Information Technology Committee

Peter Szilagyi, Deputy Chair of the Canada Hungary Parliamentary Friendship Group

Szazadveg Research Institute

Peter Heim, Head

ROME, ITALY

Confindustria

Marco Felisati, Deputy Director of Industrial Policy, European and International Affairs

Diana Frattale, Expert in Trade Policy

Laura Travaglini, Expert in Trade Policy

Embassy of Canada in Italy

James A. Fox, Ambassador

Carine Graziano, First Secretary, Information and Communications Technologies

Ralph D. Jansen, Minister-Counsellor

Marco Valicenti, Counsellor, Agriculture

Italian Trade Commission

Ambassador Umberto Vattani, President

Ministry of Agriculture

Giovanni De Vito, Diplomatic Counsellor

Vincenzo Carrozzino

Gennaro Piscopo

Ministry of Economic Development

Amedeo Teti, Director General, International Trade Policy

MINUTES OF PROCEEDINGS

A copy of the relevant Minutes of Proceedings ([Meetings Nos. 27, 34 and 42](#)) is tabled.

Respectfully submitted,

Lee Richardson, MP
Chair

SUPPLEMENTARY OPINION OF THE NEW DEMOCRATIC PARTY

The NDP values its relationship with the European Community and strongly believes in developing a more harmonious fair and sustainable economic trade relationship that would benefit all.

With that in mind, while the report of the Standing Committee on International Trade (CIIT) fairly reflects to a certain extent the results of the CIIT's fact finding mission to Europe in November 2010, the NDP needs to emphasize that there are additional observations from this trip that should have been included in the text of this report.

Based on my observations while travelling with the Committee, I believe that this report insufficiently reflects some of the concerns voiced in our meetings with members of the European Parliament (MEPs).

Some MEPs expressed concerns to the CIIT that the Comprehensive Economic and Trade Agreement (CETA) between the European Union (EU) and Canada would increase oil production in the Alberta tar sands, which would worsen its devastating impact on the environment. Furthermore, the report states that the representatives of civil society opposed the inclusion of an investment protection plan found in NAFTA's Chapter 11. What it needed to mention was that a number of European Parliamentarians have also openly criticized this inclusion.

In addition to the meetings that were held by the CIIT , I met personally with members of the European Parliament including the Chair of the Trade Committee and one of the leading members of the Group of the Greens caucus to talk in more detail about their concerns around CETA. It was evident that the inclusions of Chapter 11 NAFTA- style investor state provisions as well as environmental impacts were among their concerns.

I have also been in touch with European Parliamentarians interested in Canada's supply management system, and who expressed a strong interest in seeing Canada's supply management used more broadly across the European continent. These parliamentarians are concerned by the fact that European Commission negotiators have been pushing Canada to dismantle or water down its supply management system.

The NDP does not believe that the details of CETA, as currently negotiated, attract the "considerable support" as stated in the concluding remarks in this report. However, Canada-EU negotiations based on a Fair Trade model would most certainly attract "considerable" support from the European and Canadian public.

Given the fact that the CIIT's trip to Europe was for fact-finding, the NDP understands why including recommendations in the report is not necessary at this stage. It would make sense however to include general recommendations that should be part of the committee's final observations on CETA, and would be helpful to the government and to the public.

The following are recommendations the NDP thinks should be included in an eventual comprehensive report from the Committee:

Recommendation 1

That the Government of Canada establish and make public an exhaustive list of Canada –Europe Trade & CETA related issues and outcomes, and assess any negative and positive impacts of trade liberalization and proposed investment rules under the CETA on Canada’s policy space, the economy, employment and the environment. This should include full and comprehensive assessment of the impact of CETA- related policy decisions and concessions, and should lead to changes in negotiating instructions provided to Canadian negotiators that would guide the discussions towards a progressive fair trade model, rather than the right-wing ideological model used currently.

Recommendation 2

That the government of Canada consults widely and extensively with civil society, labour and environmental groups in both Canada and Europe to allow for the necessary shifting of ongoing CETA negotiations towards a Fair and Sustainable Trade model which would protect the democratic rights of Canadians and European Union citizens and Canadian sovereignty.

Recommendation 3

That the Government of Canada promote Canadian culture and the Canadian brand, in concert with provinces and territories, with a view to making Canadian products and the expertise of Canadian firms better known to potential partners in Europe and elsewhere. Furthermore, and in order to accomplish these objectives, The NDP has recommended for years that the government of Canada increase its efforts to support the marketing of Canadian products and services by increasing the government’s promotional budget, which is currently underfunded, to a level that establishes an equal playing field with Canada’s main competitors, including the United States, Australia and the EU.

The NDP has made this recommendation a key feature of its trade strategy, centered on the fact that the federal government has sadly underresourced the promotion of Canadian products, services and culture overseas.

Ultimately, the NDP’s main concern is to make sure that any trade agreement reached with Europe will be based on broad, fair, and transparent consultations, negotiations and favorable impact assessment outcomes.

The NDP looks forward to the ongoing broad and extensive hearings by the CIIT on CETA and reiterates its call upon the Federal Government to commit to full transparency as well as to support broader negotiations.

The NDP urges the Federal Government not to impose a secretive agreement based on backroom negotiations that reflect the interests of a handful of corporations & lobbyists. Any trade arrangement with the European Union must be the result of genuine

democratic consultations. It must retain a vital policy space and preserve the ability for all governments to make progressive decisions in the public interest.

This is what we believe is in the interest of the people of Canada and Europe.

Peter Julian, MP
NDP International Trade Critic

