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CANADA-EUROPEAN UNION COMPREHENSIVE ECONOMIC AND TRADE AGREEMENT

Report of the Standing Committee on International Trade

Hon. Rob Merrifield
Chair

JUNE 2014

41st PARLIAMENT, SECOND SESSION

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THE STANDING COMMITTEE ON INTERNATIONAL TRADE

has the honour to present its

SECOND REPORT

Pursuant to its mandate under Standing Order 108(2), the Committee has studied the Canada-European Union comprehensive economic and trade agreement (CETA) and has agreed to report the following:

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COMPREHENSIVE ECONOMIC AND TRADE AGREEMENT BETWEEN CANADA AND THE EUROPEAN UNION

Introduction

On 18 October 2013, following four years of negotiations, Canada and the European Union (EU) announced that they had reached an agreement in principle on a comprehensive economic and trade agreement (CETA). On 20 October 2013, a Technical Summary of Final Negotiated Outcomes (hereinafter "the technical summary") was presented to the House of Commons.

The technical summary outlines the commitments made by Canada and the EU to liberalize trade. It also addresses other issues that are likely to encourage economic co-operation and activity between the two parties, such as investment protection, government procurement and labour mobility.

On 29 October 2013, the House of Commons Standing Committee on International Trade (hereinafter "the Committee") decided to conduct a study on the CETA between Canada and the EU. The Committee's primary objective was to assess the extent to which such an agreement, once signed and implemented, would be in the best interests of Canadians.

In this context, the Committee held hearings in Ottawa, Halifax and Vancouver from November 2013 to March 2014 to obtain input from Canadian stakeholders about the technical summary and the expected outcomes of a ratified CETA between Canada and the EU.

This report outlines the Committee's findings. It presents information on the issues under consideration, summarizes the evidence presented to the Committee and makes recommendations to the federal government. The report addresses five major themes: trade in goods; trade in services and labour mobility; investment protection; government procurement; and intellectual property rights.

Background

Trade Relations Between Canada and the European Union[1]

The EU is Canada's second-largest trading partner, after the United States. In 2013, Canada's merchandise trade with the EU totalled more than $86.1 billion, comprised of $33.0 billion in Canadian exports to, and $53.1 billion in imports from, the EU. Figure 1 in Appendix A shows the merchandise trade balance between Canada and the EU from 1993 to 2013.

As indicated in Table 1 in Appendix A, in 2013, Canada's highest-valued exports to the EU were gold, diamonds and iron ore, while the highest-valued imports into Canada from the EU were medicaments, motor vehicles and non-crude petroleum oils.

Ontario and Quebec were the two largest provincial exporters of Canadian goods to the EU in 2013, with total exports valued at $16.7 billion and $6.9 billion, respectively. These two provinces were also the largest provincial importers of goods from the EU, with total imports valued at $22.9 billion and $18.7 billion, respectively.

In 2013, Canada–EU trade in services totalled $32.1 billion, with services exports to the EU accounting for $14.5 billion and services imports from the EU representing $17.6 billion. Canada was a net importer of travel services, transportation services and government services from the EU in 2013. That same year, Canada had a trade surplus with the EU in the commercial services sector. Figure 2 in Appendix A shows the services trade balance between Canada and the EU from 1993 to 2013.

As is the case with trade in goods and in services, the EU is Canada's second-largest source of, and destination for, foreign direct investment, after the United States. The stock of EU direct investment in Canada totalled $150.4 billion in 2010, the most recent year for which data are available. The stock of Canadian direct investment in the EU was valued at $168.7 billion in 2010. Figure 3 in Appendix A shows the stock of Canadian investment in the EU and EU investment in Canada from 1991 to 2011.

Consultations

During the course of the study, witnesses discussed the federal government's consultation process in respect of its negotiations with the EU for a CETA. Some witnesses expressed their satisfaction with the process, saying that the federal government had been proactive and inclusive in its approach. For example, John Masswohl, Director of Government and International Relations, Canadian Cattlemen's Association, said that his association was "consulted closely on every one of

1 All data in this section are from Statistics Canada. The merchandise trade data are customs-based; the services trade and foreign direct investment data are balance of payments-based.

[the] decisions during the negotiations. Any time there was a trade-off or a decision to be made, [the Association was] consulted and supported those decisions."

Jim Keon, President, Canadian Generic Pharmaceutical Association, confirmed that representatives from his association had met with Canada's negotiators on a number of occasions, and that they had also presented several written submissions to them.

However, other witnesses expressed their view that the consultations were not sufficiently broad. Jerry Dias, National President, Unifor, said: "[W]e've been critical of the way this deal has been negotiated, without the full and meaningful participation of trade unions, environmental [non-governmental organizations], and other groups in Canada's civil society."

Unlike the scope of trade agreements negotiated by Canada's federal government in the past, which have not included subnational governments, the Canada–EU CETA is expected to include a "broad coverage of government procurement at the federal, provincial and municipal levels," according to the technical summary. Regarding the participation of the Canadian provinces and territories in the CETA negotiations, witnesses explained that provincial and territorial representatives were involved at every stage of the negotiations. Steve Verheul, Chief Trade Negotiator, Canada–European Union, Department of Foreign Affairs, Trade and Development, described the relationship between the federal government and the provincial and territorial governments as follows:

> [W]e had briefing sessions with the provinces before every negotiating session so that they could understand what would be expected and what our strategy was. … We had a debriefing session every evening after the negotiations were finished to tell them exactly what had been achieved, to get their reactions, and to make sure we had their support on an ongoing basis. On many issues we would take them into the room and have a debate on what Canada's position should be. When we first went to Brussels, there were up to 60 provincial and territorial representatives who came with us.… We met them individually if they had one-on-one concerns. Over time, and bear in mind this has been more than four years, we've developed a very cohesive and constructive team….

Given the potential impact of a Canada–EU CETA on subnational procurement, Canada's municipalities were consulted. In particular, federal and provincial negotiators worked with the Federation of Canadian Municipalities (FCM) and its members during the negotiations. Mike Savage, Mayor, Halifax Regional Municipality, stated: "I want to emphasize that municipalities have appreciated the opportunity to provide their views through the [FCM] and the Department of Foreign Affairs and International Trade Canada working group, and to be kept informed of negotiations by our federal and provincial counterparts."

Derek Corrigan, Mayor, City of Burnaby, shared a different opinion, telling the Committee that the Canada–EU CETA negotiations took place without properly consulting Canadian municipalities or drawing on their experience.

Regarding the dissemination of information about the Canada–EU CETA, Her Excellency Marie-Anne Coninsx, Ambassador, Delegation of the European Union to

Canada, praised the communication materials developed by Canada's federal government, and mentioned that she had been using them herself.

Entry into Force of the Comprehensive Economic and Trade Agreement Between Canada and the European Union

While an agreement in principle has been reached by Canada and the EU, technical discussions are ongoing between the parties. The legal text of the CETA cannot be finalized until these technical discussions are concluded.

According to Mr. Verheul, the outstanding issues can be divided into three categories. First, the negotiators have to agree on the wording of some of the items in the agreement in principle. Second, technical details have to be settled in certain areas, particularly rules of origin and the scope of reservations in the services and investment chapters. Third, the negotiators have to decide on the overall structure of the text, determining the provisions that will be included in chapters and those that will be included in annexes.

While the Honourable Ed Fast, Minister of International Trade, said – during his appearance before the Committee on 7 November 2013 – that it would be too difficult to give a firm date in relation to the completion of the next steps leading to the signing and ratification of the agreement, he said that he expected the technical discussions to be settled in "a number of months."

If Canada and the EU succeed in completing the technical discussions and in reaching an agreement, the two parties will submit the latter for legal review, which Mr. Verheul anticipated will take five to six months. Once completed, the English version of the text will be initialled by the negotiators for both parties and translated into all of the official languages of Canada and the EU: French for Canada and 23 languages for the EU. The two parties cannot officially sign the CETA until it has been translated, at which point the ratification process for each party can begin.

Ms. Coninsx informed the Committee that the English version of the CETA would be made available as soon as it had been initialled, which will occur after the legal review of the text. In her opinion, this step should be completed within six months. She anticipated that the final text of the agreement will be ready to be signed in 2015. The ratification step will follow, at which point the European Parliament and the EU Council will have an opportunity to vote on the agreement.

Both Mr. Verheul and Ms. Coninsx told the Committee that it would take about two years from the time the technical discussions are concluded for the Canada–EU CETA to enter into force.

The Committee was told that a mixed agreement that addresses areas in which jurisdiction is shared between the EU and its 28 member states will also require ratification by the member states. However, witnesses explained that the EU Council can authorize the provisional application of a trade agreement in the areas under shared or exclusive jurisdiction of the EU, so that certain provisions of such an agreement can enter into force before being ratified by the member states. Mr. Verheul said that the EU Council would be in a position to apply, on a provisional basis, 98% or 99% of the provisions of the CETA once the EU-level ratification process is completed.

Implementation of the Comprehensive Economic and Trade Agreement Between Canada and the European Union

Some witnesses pointed out the need for Canada's federal government and the private sector to implement strategies to help Canadian companies, particularly small and medium enterprises (SMEs), benefit from the provisions of the Canada–EU CETA. To that end, Cristina Falcone, Vice-President, Public Affairs, UPS Canada, shared the following recommendation:

> [T]his will take additional investment from the private sector and from government, but we know that the results can be worthwhile. The bottom line is that companies and countries that best understand how to leverage the provisions in [the] CETA can take the right actions to gain the most benefit. Our exports will grow if we inform and empower our businesses to do this.

Cam Vidler, Director, International Policy, Canadian Chamber of Commerce, expressed a similar opinion, saying that "[m]any Canadian companies are already exporting to Europe or investing there … and they will quickly be able to take advantage of the framework that CETA puts in place. Others, however, particularly small and medium-size enterprises, will require assistance to understand marketplace opportunities, regulatory regimes, and political and legal institutions."

Similarly, while recognizing the positive impact that the Canada–EU CETA could have for Atlantic Canada, Joyce Carter, Chair, Halifax Gateway Council, said that it was imperative that the Government of Canada create a marketing fund so that non-profit organizations, such as the Halifax Gateway Council, can promote this agreement within the EU.

Witnesses also emphasized the key role of the Canadian Trade Commissioner Service, as well as other trade promotion organizations, such as Export Development Canada, in helping SMEs establish a presence in the European market. According to James Maynard, President and Chief Executive Officer of Wavefront Wireless Commercialization Centre Society, the presence of a network of trained trade commissioners in the major European countries is a huge asset that Canadian SMEs can leverage to access the European market.

Expected impact of the Canada–European Union Comprehensive Economic and Trade Agreement

Overall Impact

Most of the witnesses agreed that, generally speaking, the Canada–EU CETA would be beneficial for Canada's economy. Jock Finlayson, Executive Vice-President and Chief Policy Officer, Business Council of British Columbia, expects the agreement to be positive on various levels, particularly over the medium and longer term. He said that the Canada–EU CETA would increase Canada's gross domestic product, stimulate job creation, reduce costs for Canadian taxpayers, promote two-way investment flows between Canada and the EU, and help Canadian businesses increase their presence in the European market.

Jayson Myers, President and Chief Executive Officer, National Office, Canadian Manufacturers & Exporters, a leading advocate for Canada's export sectors, supported what he characterized as "the most extensive economic trade agreement ever concluded by Canada." He believed that the Canada–EU CETA would give Canadian businesses preferred access to a market of more than 500 million consumers where they can find opportunities for "partnerships and technology, development in technology licensing, manufacturing, distribution, and investment opportunities."

Ailish Campbell, Vice-President, Policy, International and Fiscal Issues, Canadian Council of Chief Executives, shared a similar view and referred to an analysis by her organization that shows the CETA is "an ambitious, far-reaching agreement that will boost economic growth, create jobs, and expand opportunities across the board for firms of all sizes, including small and medium-sized enterprises in virtually every sector." She further believed that the Canada–EU CETA would enhance competition, giving Canadian consumers and businesses better access to European products, parts and services.

Bruce Banman, Mayor, City of Abbotsford, also highlighted the positive impact of the Canada–EU CETA for Canadian consumers. In his view, while some Canadian industries would face increased competition from their European counterparts, Canadian companies should still continue to thrive if the agreement is implemented in a way that ensures an efficient economic transition. He pointed out the following:

> While [the] CETA will give all of us more choice in consumer products, which will invariably result in lower prices and better service, the industries that have benefited from tariff barriers in the past will now have to compete with lower-cost imports. With that in mind, I am confident that a well-balanced agreement, along with a successful economic transition plan, will most certainly open the door for those industries to continue to thrive.

Several witnesses, including Ms. Campbell and John Jung, Chief Executive Officer, Canada's Technology Triangle Inc., informed the Committee that the implementation of the Canada–EU CETA would ensure that Canada is well positioned in the international marketplace. In particular, these two witnesses emphasized that the CETA, together with the *North American Free Trade Agreement* (NAFTA), would give Canada priority access to between 800 million and 900 million of the world's richest consumers.

Some witnesses believed that the CETA provides Canada with an opportunity to diversify its trade and reduce its dependence on the United States. Mr. Finlayson told the Committee that "increased diversification has been a strategic goal set by federal governments over recent decades. It's a goal that's also endorsed by most of the provincial governments and supported within the business community, so it's something … most Canadians would like to see."

However, Stuart Trew, Trade Campaigner, Council of Canadians, raised concerns about the extent and scope of the advantages that the Canada–EU CETA would have for Canadians. In his opinion, while the agreement would lead to significant benefits for some export sectors, it would not significantly increase trade between Canada and the EU, generally speaking.

In terms of job creation, John Curtis, Senior Fellow, C.D. Howe Institute and the International Centre for Trade and Sustainable Development, who appeared as an individual, pointed out that trade deals such as the Canada–EU CETA can lead to job creation in the long term, but that there is no automatic correlation between economic liberalization agreements and job creation. He said:

> If trade deals—and I say this as a professional economist—increase productivity and competitiveness, that can lead to loss of jobs, if anything, at least in the short term. As an economy's productivity increases, it needs less labour, by which we mean jobs, for the short term. If indeed there is ultimately more trade, both imports and exports—because there are jobs related to imports as well, through distribution and other services—it could lead to more jobs. Over time, probably that is the case as an economy grows and as your trading partner's grows. But I could not make the case—and I wouldn't want you to think—that it's an automatic correlation between trade deals and jobs.

Trade in Goods

According to the technical summary, the EU has committed to eliminating 98% of its tariff lines at entry into force of the agreement, with transition periods of three, five or seven years for certain products, such as automobiles and certain agricultural, fish and seafood products; after seven years, 99% of EU tariff lines would be duty-free. Similarly, Canada has committed to eliminating 98.4% of its tariff lines at entry into force of the agreement, with transition periods of three, five or seven years for ships, automobiles and some agriculture products; after seven years, 98.8% of Canadian tariff lines would be duty-free.

In general, witnesses believed that the Canada–EU CETA would have a positive impact on both the agricultural and non-agricultural goods sectors. Witnesses representing the dairy sector, as well as the union representing employees in the automotive sector, expressed the most concerns about the CETA in terms of trade in goods.

Mr. Verheul told the Committee that reduced tariffs within the EU as a result of the CETA would give Canadian businesses a significant advantage over their U.S. competitors. He said that, "[i]n many cases, it's going to be a 10% to 15% advantage, which is not huge but will make the difference in a lot of contracts. In other cases, it's far, far larger than that, and we will be into markets that the U.S. will not be able to negotiate their way into." He added that the entry into force of the CETA before an agreement is made between the United States and the EU[2] would give Canadian businesses a head start in forming customer relationships in the EU before their U.S. competitors.

Witnesses representing export companies, such as Mr. Maynard, said that eliminating tariffs on Canadian products exported to the EU would make them much more competitive in the European marketplace. He gave an example from the ICT sector, indicating that:

> On average, ICT exports to Europe are about $1.8 billion per year. These exports face tariffs often as high as 14%. Upon entry into force [the] CETA will immediately eliminate these EU tariffs on ICT products, making world-class products more competitive and creating conditions for increased sales.

According to other witnesses, such as Willy Janzen, Chief Financial Officer, Bühler Industries Inc., non-tariff barriers – such as conflicting regulations and standards – are bigger obstacles to trade in goods between Canada and the EU than are tariffs. Morgan Elliott, Senior Director, Government Relations, BlackBerry, explained to the Committee that the Canada–EU CETA would help his company with its commercial operations in the EU. He said:

> Doing business in Europe can be fairly daunting. We've faced some pretty complex regulatory barriers. There are numerous product and testing certification procedures and other barriers that can make us slower to market and less competitive, so in BlackBerry's analysis, [the] CETA certainly addresses a majority of the tariff, and more importantly, the non-tariff barriers to trade and investment.

According to witnesses, multinational Canadian businesses would not be the sole beneficiaries of the Canada–EU CETA. For example, Mr. Myers and Jason Langrish, Executive Director, Canada Europe Roundtable for Business, said that new export opportunities would be available to Canadian SMEs, given that the agreement would offer increased access to supply chains from European multinational businesses around the world.

Mr. Myers also commented that one of the key advantages of the agreement in principle is that it contains provisions guaranteeing that the EU would accord Canada most-favoured-nation status if the EU offers the United States more favourable treatment in relation to rules of origin, services liberalization and recognition of standards in any agreement they reach.

Given the integration of the North American market and the importance of continental supply chains, some witnesses emphasized the importance of recognizing this aspect of the North American market by incorporating flexible rules of origin in a Canada–EU CETA. Specifically, they wanted to ensure that goods produced in Canada are

2 Negotiations on a transatlantic trade and investment partnership between the European Union and the United States began in July 2013.

recognized as Canadian in the European market. The Committee heard that the agreement in principle has provisions to that effect for specific sectors, such as automotive.

Witnesses also drew the Committee's attention to transportation infrastructure as it relates to trade in goods in Canada. According to the brief submitted by the Greater Halifax Partnership, it is important to ensure that Canada's transportation and logistics infrastructure is ready for the opportunities that would result from increased trade with the EU.[3]

More specifically, Jerry Staples, Vice-President, Air Service, Marketing and Development, Halifax International Airport Authority, believed that the elimination of tariffs on fresh commodities, such as live seafood, would increase the demand for air cargo. In his opinion, Halifax International Airport would benefit from this liberalization of trade in goods between Canada and the EU.

Similarly, Georges Malec, Vice-President, Business Development and Operations, Halifax Port Authority, said that the potential for increased trade with the EU, especially in seafood products, would be beneficial for the Port of Halifax. Michael Delaney, Director of the Atlantic Grains Council and Atlantic Director of the Grain Growers of Canada, also mentioned the benefits of this increased trade:

> From an Atlantic exporter's point of view, we also see new opportunities around the corner coming from [the] CETA. Any success we achieve will be tied to the strategic importance of the Halifax harbour and its supporting infrastructure, where there are 11,000 jobs, and where 1,500 vessels are handled annually. It's also the closest shipping point to Europe, so we see the opportunity and potential for more business for the Atlantic economy.

Witnesses commented about the impact of the Canada–EU CETA on specific sectors, notably agriculture and agri-food, seafood, automotive and forest products. The following sections provide a summary of these statements.

Agricultural and Agri-food Products

According to the technical summary, the EU has committed to eliminating 93.6% of agricultural tariff lines, with a seven-year transition period for grains. In turn, Canada has committed to eliminating 92.0% of agricultural tariff lines when the CETA enters into force.

Most of the witnesses from the Canadian agriculture and agri-food sector commented on the advantages of the Canada–EU CETA. Some explained that, in terms of trade in agricultural and agri-food products, the European market offers tremendous growth potential for Canadian farmers and food processors. Martin Rice, Director,

3 Greater Halifax Partnership, Brief submitted to the House of Commons Standing Committee on International Trade, 26 November 2013.

Canadian Agri-Food Trade Alliance, said that, “taken together, we believe the [Canada–EU CETA], when fully implemented, could result in $1.5 billion in new Canadian agri-food exports to the EU.”

Regarding meat products, the EU has committed to offering duty-free in-quota access for 50,000 tonnes of carcass weight of Canadian beef and veal,[4] and 81,011 tonnes of carcass weight of Canadian pork,[5] for export to the EU. According to Mr. Masswohl, the value of the beef market in the EU justifies the investment that Canadian producers would have to make to meet European standards, especially with respect to the ban on growth hormones. Moreover, given the expected prices for Canadian beef in the European marketplace, he said that the Canada–EU CETA should be worth more than $600 million to Canadian beef producers.

Similar economic benefits resulting from the Canada–EU CETA were identified for Canada’s pork sector. Jean-Guy Vincent, Chair, Canadian Pork Council, told the Committee that the agreement could increase Canadian pork exports to the EU by $400 million a year. He also said that such an agreement would give the Canadian pork sector the opportunity to position itself advantageously in relation to its American competitors until the United States concludes a similar agreement with the EU.

That said, representatives from the beef and pork sectors acknowledged that investments would have to be made in order to meet specific requirements of the European market. In this regard, Mr. Vincent said:

> It is recognized that to address EU market demands, Canadian processing plants will need to invest in such areas as feed additives and disease testing. Today there are four Canadian pork plants that have achieved eligibility to export to the European Union. With the promise of larger quotas and with the resolution of quota administration barriers, the CETA will encourage additional plants to see certification.

Regarding the grains sector, witnesses spoke positively about the benefits in the agreement in principle. According to Jim Everson, Vice-President, Government Relations, Canola Council of Canada, the Canada–EU CETA would eliminate tariffs on Canadian canola oil within the EU, which would help increase Canadian exports by up to $90 million.

Similarly, Murad Al-Katib, President and Chief Executive Officer, Alliance Grain Traders Inc., told the Committee that eliminating the European tariffs that are applied on value-added products made from lentils, chick peas, beans and peas would allow Canadian producers to be more competitive in terms of distribution in the European

4 This amount includes the incorporation of Canada’s share of the EU’s hormone-free meat quota, which is currently 4,160 tonnes, carcass weight.

5 This amount includes the incorporation of the EU’s country-specific quota for Canada, which is currently 6,011 tonnes, carcass weight.

marketplace. He believed that the CETA could also be beneficial for Canadian pasta exporters, which currently face punitive duties on their exports to Europe.

Mr. Rice also quoted the Western Grain Elevator Association, which believed that the CETA would both increase Canadian wheat sales within the EU and stimulate demand for grain in Canada for livestock feed to meet the increased EU demand for Canadian meat.

While welcoming the conclusion of the CETA negotiations, Gary McInerney, Vice-President, Sales and Marketing, GreenField Speciality Alcohols Inc., said that it would be difficult for some Canadian producers of industrial alcohol and of alcohol for human consumption to reach the EU market until Canadian and European regulations are harmonized.

Jan Dyer, Director, Government Relations, Canadian Canola Growers Association, and Mr. Everson also emphasized the importance of having secured, in the agreement in principle, a commitment to ensure the timely and efficient processing of canola trait applications at every step in the EU's approval process. In commenting on this issue, Ms. Dyer stated:

> In the longer term, [the] CETA will provide a more formal avenue to discuss long-standing issues that farmers face with the EU non-tariff trade barriers, particularly their regulations regarding genetically modified canola. The importance of establishing transparent, science-based regulatory policy can't be overstated, and [the] CETA represents an important opportunity to advance access for biotech products in a meaningful way.

According to some witnesses, the issue of low level presence of genetically modified crops remains an outstanding issue between Canada and the EU, although they were optimistic that the agreement in principle's provisions for co-operation in the area of biotechnology could lead to harmonization of the rules governing trade in genetically modified organisms. Mr. Everson said:

> CETA includes provisions for cooperation in the area of biotechnology, and this is a significant development for our negotiators. CETA will enhance the existing forum for discussing issues around biotechnology and their impact on trade.… We are hopeful that these working group discussions on low-level presence policies will reduce the potential for low levels of approved biotechnology traits to cause trade disruptions. This has the potential to significantly reduce risk for exporters, and thereby increase returns producers earn from the market.

Regarding the alcoholic beverage sector, Jan Westcott, President and CEO, Spirits Canada, explained to the Committee that the CETA is an important step in the evolution of trade in alcoholic products between Canada and the EU. Mr. Westcott pointed out that Canada is well positioned to take advantage of new business opportunities in the EU, particularly in terms of trade in brown spirits, such as whiskey, which is becoming more popular in Europe.

Representatives from Canada's dairy sector presented a mixed outlook about the possible effects of the Canada–EU CETA on their sector.

While indicating that his organization is not opposed to the agreement in principle, Yves Leduc, Director, International Trade, Dairy Farmers of Canada, called attention to the new access of 17,700 tonnes to the EU fine cheese market, which he said could result in a loss of $150 million for dairy farmers in Canada and $300 million for the Canadian dairy sector as a whole.

However, these figures do not take into account that, between 2002 and 2012, cheese consumption in Canada grew by 58,000 tonnes, an average annual growth rate of 1.5%. By the time the Canada–EU CETA is fully implemented, domestic cheese consumption is expected to have grown by more than 17,700 tonnes.[6]

Mr. Leduc added that the agreement in principle would increase access for cheese from 5% to 9% of Canada's total domestic consumption. He said: "There are no reasons to be pleased about supplying 91% of the Canadian market when compared with other countries. For example, the EU supplies 99% of its cheese market, and the U.S. supplies 97.5% of its cheese market."

In a brief submitted to the Committee, the Dairy Processors Association of Canada explained that it would not be possible for Canadian dairy processors and cheese makers to take advantage of export opportunities under the Canada–EU CETA, as the World Trade Organization considers dairy products that are a part of Canada's supply management system to be subsidized goods.[7]

Some witnesses told the Committee that European cheese and dairy producers are heavily subsidized, which makes it difficult for Canadian producers to compete with European products on the basis of price. To illustrate this point, Louis Arsenault, President, Association des fromagers artisans du Québec, stated: "The math is quite simple. At the end of the day, the average price for French exports around the world is 4.17 euros [per kilo], or around CAN$7.25, based on the exchange rate. For producers, processors and some semi-industrial producers in Quebec, that amount does not even cover the price of milk."

Mr. Arsenault said that he would like the federal government to provide financial compensation to Canadian cheese producers. On that issue, Mr. Verheul said that cheese, and – to a lesser extent – milk protein substances, would be affected by the Canada–EU CETA. He indicated that the federal government would monitor the impact of the agreement on these sectors as it is implemented. As well, Mr. Verheul stated: "In its simplest terms, if revenues decline as a result of new imports, then we will compensate."

6 Data provided by Agriculture and Agri-Food Canada.

7 Dairy Processors Association of Canada, Brief submitted to the House of Commons Standing Committee on International Trade, 21 January 2014.

Nonetheless, Debra Amrein-Boyes, President, Farm House Natural Cheeses, commented that she is not concerned with the Canada–EU CETA, as Canadian cheesemakers have a key advantage in the domestic market. According to her, "as a small business we're close to the ground. We know and forge relationships with our consumers …. They want that connection."

Lastly, Stan Van Keulen, Board Member, British Columbia Dairy Association, said that his organization would like to see the CETA's dairy provisions implemented over a 10-year period, rather than seven years, in order to minimize the impact on the dairy sector.

Fish and Seafood

According to the technical summary, tariffs on the following items would be eliminated upon entry into force of the Canada–EU CETA: frozen, cooked and peeled shrimp; frozen and live lobster; salmon; and snow crab. Tariffs on processed shrimp and frozen fillets of cod would be gradually eliminated over a seven-year period. Therefore, seven years after entry into force of the agreement, 100% of the EU's tariff lines on Canadian seafood would be exempt from tariffs, while 100% of Canada's tariff lines on European seafood would be exempt on the agreement's entry into force.

According to a number of witnesses, the Canadian seafood sector would benefit from the reduced tariffs on these products in the EU. In sharing his optimism for such an outcome, Patrick McGuinness, President, Fisheries Council of Canada, listed the fisheries that would benefit from the agreement, and stated:

> The CETA is a game-changer for several Canadian fisheries, most notably Atlantic Canada's shrimp sector, particularly cooked and peeled shrimp; lobster processing, which would have significant positive spillover effects for live lobsters; our herring sector; and our mackerel sector. The positive impact on the British Columbia groundfish and salmon sectors, and the Northwest Territories and prairie walleye and pickerel sectors creates new marketing opportunities for these sectors.

Marc Surette, Executive Director, Nova Scotia Fish Packers Association, and Ruth Salmon, Executive Director, Canadian Aquaculture Industry Alliance, said that eliminating the European tariffs on Canadian seafood products would make them more attractive to the EU market, especially as these products are already recognized for their high quality. For example, Mr. Surette stated: "Reducing and eliminating the tariffs will certainly make our products more attractive to the European customer base. We have been there for a long time, and our products are known, but to be able to compete on that level playing field is going to add to our ability to make money."

Regarding the shrimp and lobster sectors, John Risley, President and Chief Executive Officer, Clearwater Fine Foods Inc., also said that the elimination of European tariffs would have benefits. In his view, with this preferential access to the EU market, his business can process and export more of these products.

According to Mr. McGuinness, eliminating the EU tariffs on Canadian seafood, which currently range from 15% to 20%, would enable the Canadian fishing sector to implement its market diversification strategy, allowing the sector to reduce its dependence on the U.S. market.

However, some witnesses expressed concerns about the removal of the minimum processing regulations for seafood exports to the EU. Winston Fiander, Community Fisheries, who appeared as an individual, argued that the removal of the minimum processing requirements for seafood exports to the EU could lead to job losses in the seafood processing sector in Newfoundland and Labrador. On this issue, Mr. Verheul said he thought the impact of the removal of the minimum processing requirements would be minimal and "highly offset by the new opportunities [in] the EU fish and seafood market."

Peter Connors, President, Eastern Shore Fisherman's Protective Association, acknowledged that access to new markets is important to the fishing industry, but asked that Canadian trade negotiators carefully consider the possible consequences of provisions in trade agreements, such as the Canada–EU CETA, on local control of resources, as well as the economic and trade interests of "small fishermen" communities.

Automobiles

According to the technical summary, the EU committed to eliminate its tariffs on Canadian automobiles over a three-, five- or seven-year period; these duties currently average 11.2%. Canada committed to eliminate its tariffs of 6.1% on European automobiles gradually over a three-, five- or seven-year period. Canada and the EU also agreed on flexible rules of origin that take the integrated North American automotive sector into account. In this regard, Mark Nantais, President, Canadian Vehicle Manufacturers' Association, noted:

> While the timing of an EU-U.S. agreement remains unclear, the agreement in principle sets out a derogation of 100,000 units under which a more liberal rule of origin applies for non-originating materials. While it is our view that effective bilateral agreements should not be achieved through quotas, the derogation agreed to seems to provide sufficient levels of access until the EU-U.S. negotiations are concluded.

Similarly, Mr. Jung argued that the Canadian automotive sector is dependent on trade, and that the Canada–EU CETA should remove custom tariffs and incorporate flexible rules of origin for original equipment manufacturers and parts manufacturing companies to benefit from the agreement.

Mr. Myers said that the CETA would provide opportunities to co-operate on regulations, certifications and standards, which is a "very positive step ahead for the automotive sector."

That said, Mr. Nantais suggested that Canadian negotiators could have reached an agreement on certain CETA provisions that, over time, would benefit the Canadian automotive sector, even though "[f]or the short term, the upside is going to be mostly on the Europeans." He indicated that the details to be included in the CETA would be very important to the automotive sector, such as the language of the agreement, as well as the rules of origin provisions and methodology.

Mr. Dias was less optimistic, arguing that Canada produces vehicles for the North American market while the EU produces vehicles for the global market. In this context, he concluded that Canada's trade imbalance with the EU in the automotive sector would worsen when the CETA enters into force. According to him, entry into force "will mean more lost sales and ultimately more lost jobs."

Forest Products

According to the technical summary, the EU would eliminate all tariffs on Canadian forest products on entry into force of the Canada–EU CETA. Forestry stakeholders told the Committee that their sector would benefit from the agreement because it would eliminate existing tariffs on some Canadian products. For example, Catherine Cobden, Executive Vice-President, Forest Products Association of Canada, said:

> Europe is the third-largest market for our sector. Last year the Canadian forest products industry exported more than a billion dollars' worth of wood, pulp, and paper products to the EU member states. Upon [the] CETA's coming into force, [Forest Products Association of Canada] members will benefit immediately from the elimination of existing tariffs on some of our wood products. Tariffs of between 3% and 10% exist today, for example, in the areas of plywood, panel, and board, so this is a significant improvement.

In addition to the removal of EU tariffs, Rick Jeffery, President and Chief Executive Officer, Coast Forest Products Association, also welcomed the commitment to greater regulatory cooperation between Canada and the EU in the forestry sector, as it would reduce non-tariff barriers that impede Canadian forest product exports to the EU. In providing the example of lumber grading to illustrate the importance of regulatory cooperation in the CETA, he said: "The EU has their own standards for lumber grading, so that remanufacturers trying to send some boards in there need to have the appropriate stamps, certifications …. If we don't do that right, they'll get buried under bureaucracy and not be able to capitalize on those markets."

Trade in Services and Labour Mobility

A number of witnesses shared their views on the provisions of the agreement in principle that address trade in services. Minister Fast indicated that one of Canada's key offensive interests in the Canada–EU CETA negotiations was "a robust outcome on services".

Witnesses told the Committee that the priority given to the services sector in the Canada–EU CETA makes the agreement forward-looking. Lynda Leonard, Senior Vice-President, Information Technology Association of Canada, noted that, in her view, the agreement in principle shows that the two parties fully understand the importance of global trade in services and reflects "a trade context where a major Canadian export is brainpower." Mr. Curtis explained the rationale for calling the Canada–EU CETA a "new-generation" agreement, and stated:

> It's a new-generation trade agreement and will move both Canada and the European Union into closer cooperation in many areas of domestic and international regulation. The regulation will not necessarily be the same, but it will be more closely aligned.

> There will be fewer differences between us. From what I have read, it is breaking new ground in areas such as recognition of professional services. That's architecture, law, engineering, and many more. It will also mean more cooperation in temporary-entry provisions, movement of skilled labour, including CEOs. … It will affect, for example, how we regulate electronic commerce, which is such a major part of our economy in today's world.

Ms. Campbell supported the agreement's provisions that would provide Canadian businesses with improved access to various services in the EU, including engineering, professional and environmental services.

Some witnesses focused on the advantages of the Canada–EU CETA for regional economies. Bill Tam, President and Chief Executive Officer, BC Technology Industry Association, said that one of the key benefits of the agreement is improved access to the European marketplace for the British Columbia services sector, especially professional, environmental, information technology and software services. Similarly, Mr. Jung told the Committee that the Waterloo region has a strong services sector, and that the CETA would allow this sector to continue to grow.

However, some witnesses expressed concern about the agreement in principle's provisions that address trade in services. For example, Michael McBane, Executive Director, Canadian Health Coalition, was concerned that Canada might not include a general reservation in the final text of the CETA that would explicitly exclude health care services from the scope of the agreement. He believed that the federal government must insist that nothing in the CETA would be construed "to apply to measures adopted or maintained by a party with respect to health care, health services or health insurance."

Robert Lewis-Manning, President, Canadian Shipowners Association, argued that the Canada–EU CETA would be good for Canada, but warned that aspects of the agreement's implementation could potentially have unintended negative consequences for parts of the marine sector. Specifically, he was concerned that the Canada–EU CETA could lead to changes to the coasting regime by permitting foreign vessels to operate in the domestic short sea shipping industry, thereby potentially threatening the reliability and safety of that industry.

A number of witnesses said that trade in services and labour mobility are complementary, and expressed support for the measures in the technical summary that would facilitate labour mobility; these measures include mutual recognition of professional qualifications and the temporary entry of businesspeople. In this regard, Gordon McCauley, Chair, Board of Directors, LifeSciences British Columbia, said, "If you ask any biotech CEO – probably anywhere in the world, but certainly in B.C. and Canada – what their biggest challenge is after money, the answer is attracting talent. The temporary [entry] provisions of [the] CETA will facilitate the movement of talented individuals."

Emechete Onuoha, Vice-President, Global Government Affairs, Canada, Xerox Canada, also noted that the CETA's labour mobility provisions are critical. Citing the Xerox Research Centre of Canada, which employs researchers from 35 countries, he stressed the importance of implementing a framework that allows the settlement and integration of immigrant researchers and their families.

Martha Crago, Vice-President, Research, Dalhousie University, also spoke about the benefits that the CETA's labour mobility provisions could have for research and education. In her view, the agreement would strengthen scientific research and innovation ties between the two parties. According to her, the recognition and harmonization of graduates' credentials between Canada and the EU is important for the free flow of highly qualified individuals between the two parties.

However, Rick Clarke, President, Nova Scotia Federation of Labour, said that the labour mobility provisions in the agreement are a "major problem", and was concerned that the mutual recognition of provincial qualifications included in trade agreements like the CETA might lead to the "lowest common denominator" becoming the standard. He also expressed concern about Canada's and the EU's commitments regarding the temporary entry of workers, arguing that these commitments might encourage employers to hire temporary workers from European countries, where the unemployment rate is relatively higher.

Investment Protection

According to the technical summary, the Canada–EU CETA would include commitments to treat investors from Canada and the EU "fairly and equitably and in [a] non-discriminatory manner" and would include investor–state dispute settlement provisions.

In commenting on the CETA's investor–state dispute settlement provisions, Mr. Verheul said that these provisions would significantly differ from those in previous agreements negotiated by Canada. For example, he indicated that, in the Canada–EU CETA, there would be "no ability to overturn environmental decisions or restrict governments from regulating in the interests of [the] environment, or anything along those lines, whether it's social services, health services, or others." He also commented that the proposed provisions would be more transparent than those in other agreements in force in Canada.

Witnesses held varying opinions on the possible impact of the Canada–EU CETA's investment protection provisions. On one hand, Mr. Finlayson and Mike Darch, President, Consider Canada City Alliance, said that the investment protection provisions should attract greater investment to Canada from Europe.

On the other hand, some of witnesses shared their concerns about the provisions in the technical summary that provide for the implementation of an investor–state dispute settlement mechanism. The mechanism would allow an investor to bring a claim against the host state before an arbitral panel for a breach of obligation and for damages arising from that breach. Howard Mann, Senior International Law Advisor, International Institute for Sustainable Development, and Graham Cox, Senior Researcher Officer, Canadian Union of Public Employees, argued that these types of provisions limit, for example, the ability of federal and provincial governments to adopt health and environmental regulations.

Mr. Trew and Mr. Cox also expressed concern that the potential for foreign investors to bring suits against the federal government for measures taken by various levels of government could discourage public authorities to bring services that had been privatized back into the public sector.

Gus Van Harten, Associate Professor, Osgoode Hall Law School, who appeared as an individual, questioned the inclusion of an investor–state dispute settlement mechanism in the Canada–EU CETA. He commented that Canada and the EU countries already have appropriate national courts to hear these types of disputes. He also noted the existing foreign investment promotion and protection agreements between Canada and several EU member states.

Similarly, Blair Redlin, Research Consultant, Canadian Union of Public Employees British Columbia, questioned the transparency of investor–state dispute settlement mechanisms like that proposed in the Canada–EU CETA. He said:

> Canada needs to think very seriously about the implication of extending new rights to these European corporations and others to sue elected Canadian governments, suing them not in front of our long-established and respected courts, but instead at an unaccountable and secretive and non-appealable commercial arbitration panel.

Government Procurement

According to the technical summary, Canada and the EU would grant each other preferential access to a comprehensive list of goods and services to be procured by Canadian and European government entities. This access would vary depending on thresholds specified for various types of goods and services, which are listed in the technical summary and are presented in Table 2 in Appendix A.

Most of the witnesses who commented on the government procurement provisions in the Canada–EU CETA focused on the access that Canada would provide to EU companies for municipal government procurement markets. Marianne Alto, Councillor, City of Victoria and Mr. Trew expressed concerns that Canadian government entities, particularly municipalities, could lose the ability to include local content requirements in their procurement contracts. They believed that this inability would limit the extent to which municipalities can maximize economic benefits and create local jobs.

Mr. Corrigan agreed with Ms. Alto and Mr. Trew, and said that “the agreement will prohibit municipalities from using procurement as a local economic social development tool by requiring municipalities to remove any preference for local companies, goods, or services.” Stephen Ross, General Manager, Cherubini Group of Companies, and Mr. Clarke expressed similar concerns regarding the flexibility that various levels of government would have in promoting local benefits when putting out a call for tenders.

That said, in commenting on the ability of his municipality to compete against a market of 500 million people, Mr. Banman stated: “I take a look at the recent statistics that came out from the school board. We are in among the top 10 educated cities in Canada, or at least my area is. I can't speak for all of Canada. So ... I say, ‘Bring it on’.”

In speaking about the thresholds proposed in the Canada–EU CETA, Mr. Savage, said that these thresholds are somewhat lower than those sought by the Federation of Canadian Municipalities. He believed that the result could be delays in the bidding process, and said that “our procurement processes may take longer because of the requirement to put opportunities to market for a longer period to ensure EU suppliers have an opportunity to respond.”

Regarding the impact of the Canada–EU CETA on procurement processes, Ms. Alto commented that the provisions on public procurement could mean “significant litigation risks and increased administrative costs, as local governments are forced to report on and defend procurement choices and respond to legal or administrative appeals of those choices.”

However, witnesses also noted the benefits of the government procurement provisions included in the technical summary. For example, Mr. Finlayson argued that reciprocal access to government procurement would be advantageous to Canada because the EU’s government procurement market is much larger than Canada’s market.

In addition, Mr. Vidler argued that the government procurement provisions in the Canada–EU CETA would not only provide new opportunities for Canadian businesses in the EU, but also encourage competition among suppliers providing services. Similarly, Mr. Finlayson said that “taxpayers in Canada should welcome the prospect of greater competition in the whole domain of public sector procurement as this will tend to reduce prices, improve quality, and increase transparency.”

Intellectual Property

Some witnesses commented on the protection of intellectual property rights, with most focusing on patent protection for pharmaceuticals.

According to the technical summary, Canada would provide additional protection for pharmaceutical products protected by patents in Canada. The additional protection would include extending the period of protection by two years to compensate for lost time resulting from the regulatory procedures for approving pharmaceutical products. Canada also agreed to a general commitment to ensure that litigants are afforded effective rights of appeal.

Andrew Casey, President and Chief Executive Officer, BIOTECanada, said that, to attract investment capital to Canada in innovative sectors such as biotechnology, the government must assure investors that intellectual property is adequately protected in Canada.

Similarly, Russell Williams, President, Canada's Research-Based Pharmaceutical Companies (Rx&D), argued that Canada lags behind its trading partners regarding intellectual property protection for life sciences. According to him, "[w]ith [the] CETA, Canada is taking one step towards establishing a more level playing field for life science investments, and sending a positive message to international investors that Canada is a market that supports innovation." In a letter sent to the Committee, Mr. Williams also stated: "With respect to the [Canada–EU] CETA [intellectual property] changes and industry investment, we would draw your attention to a very recent and extensive study on this issue by the Conference Board of Canada, which concluded that these changes should make Canada a more attractive place for companies to make investments in research and development, while having no short- or medium-term impact on drug costs."[8]

In addition, Debbie Benczkowski, Chief Operating Officer, Alzheimer Society of Canada, and Durhane Wong-Rieger, President and Chief Executive Officer, Canadian Organization for Rare Disorders, told the Committee that the Canada–EU CETA would be an opportunity to improve the quality of life of people living with chronic or rare diseases, as the provisions amending the intellectual property regime for pharmaceutical products would promote research and innovation in new drugs in Canada.

However, Marc-André Gagnon, Assistant Professor, School of Public Policy and Administration, Carleton University, who appeared as an individual, opposed the argument that increased intellectual property protection for patented drugs in Canada would encourage pharmaceutical companies to invest more in research and development in the country. He argued:

> From 2000 to 2012, patent drug industry revenues in Canada increased considerably. However, investment in research and development stagnated or even declined. The claim that the higher the industry's revenues, the more it will invest, is magical thinking. Indeed, in its last annual report published in October, the Patented Medicine Prices Review Board clearly stated that we had to stop believing that inflating drug prices would lead to an almost magical increase in investments. That logic is faulty; there is no cause and effect relation.

Representatives of the generic pharmaceutical industry presented a more moderate point of view on the possible impact of CETA's provisions regarding intellectual property protection. While Mr. Keon was pleased that the agreement would not make the changes to the domestic data protection regime that were requested by the European Union, he was disappointed with the patent term extensions. He argued that the patent extensions would "cost Canada in the future".

On that point, a number of witnesses indicated that the intellectual property provisions in the technical summary could lead to increased drug costs in Canada. Mr. Cox, Mr. Gagnon, Mr. Clarke, Mr. McBane, Mr. Trew and James Hutt, Coordinator,

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8 Russell Williams, Canada's Research-Based Pharmaceutical Companies (Rx&D), Letter submitted to the House of Commons Standing Committee on International Trade, 16 April 2014.

Nova Scotia Citizens Health Care Network, believed that the provisions in the technical summary extending patent terms for pharmaceutical products would delay the entry of generic drugs into the marketplace, which would mean increased drug costs for Canada.

Ms. Wong-Rieger said that, while she is aware of concerns about potential health care costs, she is confident that they would be outweighed by the long-term benefits of the Canada–EU CETA.

In the event that drug costs increase following implementation of the CETA, Minister Fast told the Committee that the federal government was prepared to compensate the provinces and territories. However, some witnesses expressed their skepticism regarding the real economic effects of any such compensation.

Witnesses also discussed geographical indications. The Committee was told that the federal government agreed to varying ways of addressing EU requests regarding 179 terms covering foods and beer.

Regarding the application of geographical indications in Canada, the Dairy Processors Association of Canada – in its brief submitted to the Committee – stated: “It is important that the application and staging of the implementation of Geographical Indications be developed in a manner and timeframe that will minimize the impact on the Canadian cheese industry and permit the market and consumers to adjust to these changes.”[9]

Conclusion

After hearing from a large number of witnesses on the topic of the Canada–EU CETA, the Committee believes that a majority of Canadian stakeholders support the agreement and feels that the provisions in the technical summary of 20 October 2013 are, on balance, in Canadians’ interests.

The Committee is of the view that the CETA would give Canadian businesses preferential access to the world’s largest single market, which includes 500 million consumers. When combined with NAFTA, the CETA would give Canadian businesses preferential access to more than 800 million of the world’s richest consumers. Moreover, the Committee believes that the CETA should increase Canada’s competitiveness, allowing Canadian consumers and businesses to benefit from increased access to EU’s goods and services as well as its supply chains.

The Committee supports the participation of the Canadian provinces and territories in the negotiations for the Canada–EU CETA, and feels that the positive comments made by all provinces and territories following the announcement of the agreement in principle

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9 Dairy Processors Association of Canada, Brief submitted to the House of Commons Standing Committee on International Trade, 21 January 2014.

demonstrates that they have been consulted throughout the negotiating process and that the agreement is expected to benefit all regions of Canada.

However, the Committee is aware that, while an agreement in principle between Canada and the EU has been signed, many steps remain before the entry into force of the Canada–EU CETA; these steps include the conclusion of the technical discussions between the two parties, which are ongoing. The Committee believes that the CETA is likely to enter into force approximately two years after these technical discussions have concluded.

The Committee noted concerns expressed during the study about certain provisions in the technical summary, and about the scope and extent of benefits of the CETA for Canadians. In the Committee's view, the main concerns were the potential impact of extended patent term protection for pharmaceutical products on drug costs in Canada and the impact of a higher import quota for fine European cheese on the Canadian dairy sector.

In this context, the Committee is mindful that the federal government is prepared to provide compensation to certain stakeholders or Canada's provinces and territories, in the event that the CETA's provisions have a negative impact on the dairy sector or with regard to the cost of generic pharmaceutical products.

The Committee also recognizes that it is important to encourage all levels of government, as well as the private sector, to implement strategies to help Canadian businesses, particularly SMEs, take full advantage of the provisions in the Canada–EU CETA.

Therefore, the Committee recommends:

Recommendation 1

That the Government of Canada publish the text of the comprehensive economic and trade agreement between Canada and the European Union as soon as it is initialed.

Recommendation 2

That the Government of Canada develop a communication plan to publicize the provisions of the comprehensive economic and trade agreement between Canada and the European Union. The communication plan should ensure that information is received by all Canadian stakeholders that will be affected by this agreement.

Recommendation 3

That the Government of Canada take all possible actions to ensure that the provisions in the comprehensive economic and trade agreement between Canada and the European Union enter into force as quickly as possible.

Recommendation 4

That the Government of Canada support Canadian businesses, including small and medium-sized enterprises, wanting to penetrate the European Union's market following the entry into force of the comprehensive economic and trade agreement between Canada and the European Union.

Recommendation 5

That, to help Canadian exporters and importers, the Government of Canada immediately:

- **begin negotiations with provinces/territories with a view to eliminating interprovincial/interterritorial trade barriers;**
- **study ways in which infrastructure could be improved to allow the movement of goods across Canada in a more efficient and less costly manner; and**
- **improve the customs process for goods traded between Canada and the European Union, perhaps through a priority process for these goods.**

Recommendation 6

That, before the comprehensive economic and trade agreement between Canada and the European Union is ratified, the Government of Canada:

- **establish geographical indicators with a view to protecting Canada's products and brands; and**
- **ensure that certain recognized industry clusters, such as scientific, are maintained.**

Recommendation 7

That the Government of Canada use the comprehensive economic and trade agreement between Canada and the European Union to move toward compatible approval processes for new technologies, products and services and remove non-tariff barriers to trade and investment.

Recommendation 8

That the Government of Canada continue to pursue additional comprehensive trade agreements to open new markets and provide opportunities for growth for Canadian businesses.

Recommendation 9

That the Government of Canada continue to negotiate strong investor-state dispute settlement and investment protection measures into trade agreements to provide predictability and stability for Canadian investors.

LIST OF RECOMMENDATIONS

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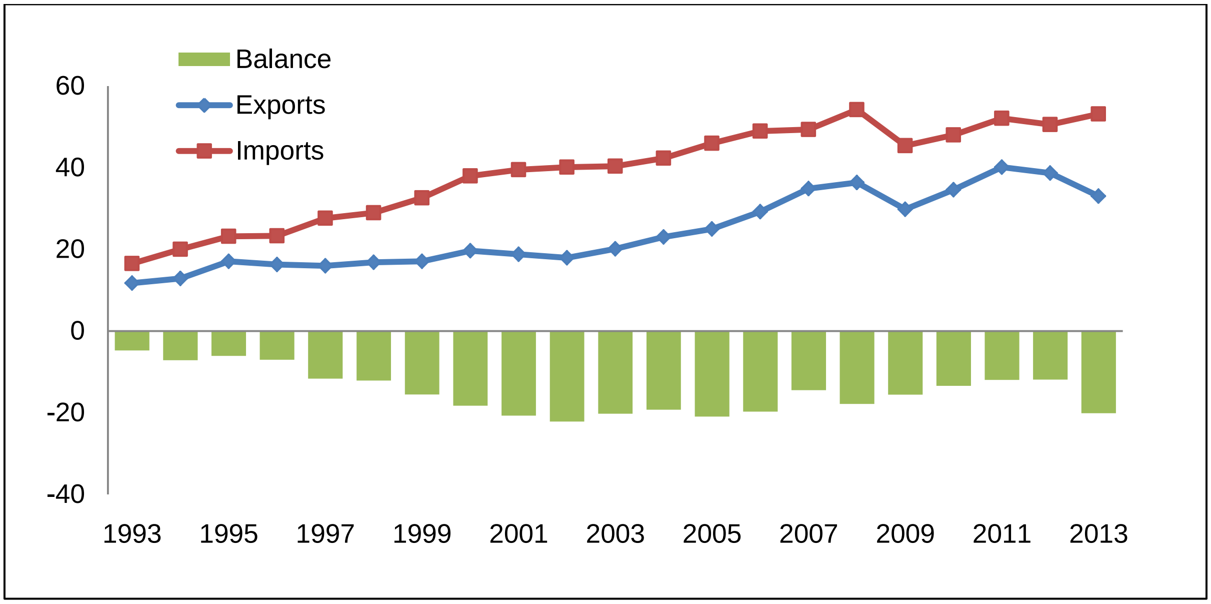
APPENDIX A: SUPPLEMENTAL INFORMATION

Figure 1 – Value of Canada's Merchandise Trade with the European Union, 1993–2013 ($ billions)



Source: Industry Canada, *Trade Data Online*.

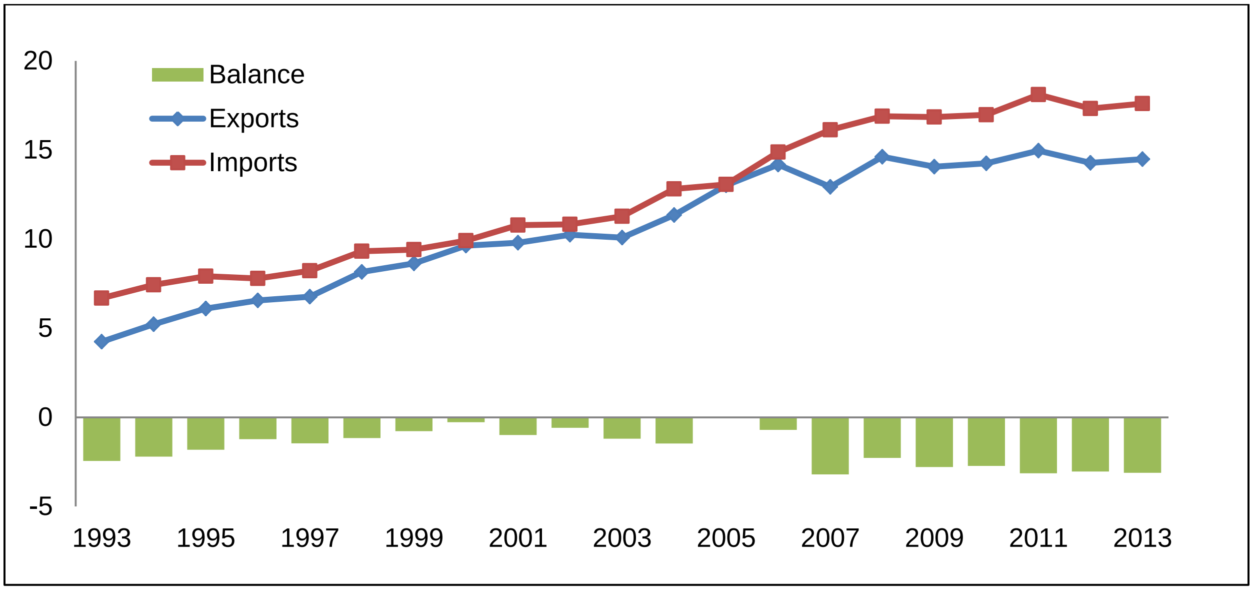
Table 1 – Highest-valued Canadian Exports to, and Imports from, the European Union, 2013
($ billions)

Exports		Imports	
Product	**Value**	**Product**	**Value**
Gold	7.6	Medicaments	4.4
Diamonds	1.5	Motor vehicles	4.3
Iron ores and concentrates	1.5	Non-crude petroleum oils	3.3
Uranium and other radioactive elements, isotopes, residues and compounds	1.3	Turbo-jets, turbo-propellers and other gas turbines	2.0
Turbo-jets, turbo-propellers and other gas turbines	1.2	Crude petroleum oils and oils obtained from bituminous minerals	1.2
Helicopters, airplanes and spacecraft	1.1	Parts of helicopters, airplanes, spacecraft and other non-powered aircraft	1.2
Non-crude petroleum oils	1.0	Wine and grape must	1.1
Medications	0.9	Antiserum and other blood preparations	0.9
Crude petroleum oils and oils obtained from bituminous minerals	0.8	Motor vehicle parts (excluding body, chassis and engines)	0.7
Nickel mattes, nickel oxide sinters and other intermediate products of nickel metallurgy	0.7	Parts for heavy machinery	0.6

Note: This list is based on the Harmonized System (HS) 4-digit product level.

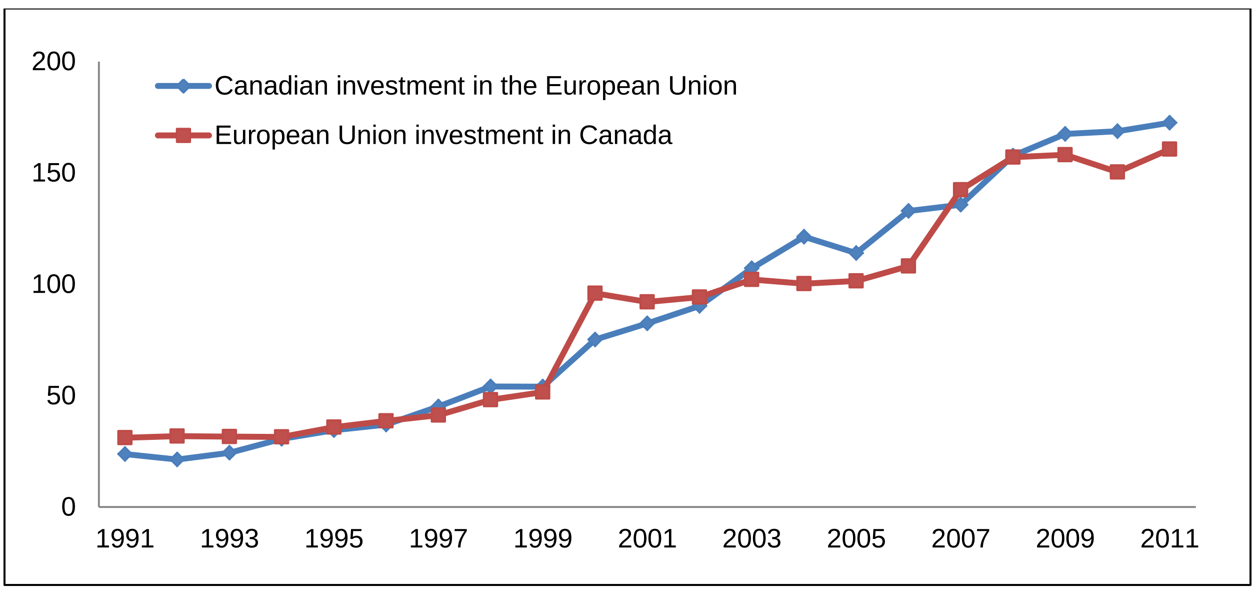
Source: Industry Canada, *Trade Data Online*.

Figure 2 – Value of Canada's Trade in Services with the European Union, 1993–2013 ($ billions)



Source: Foreign Affairs, Trade and Development Canada, *Trade Investment and Economic Statistics*.

Figure 3 – Stock of Foreign Direct Investment, 1991–2011 ($ billions)



Source: Foreign Affairs, Trade and Development Canada, *Trade Investment and Economic Statistics*.

Table 2 – Thresholds Specified in the *Technical Summary of the Final Negotiated Outcomes* for Various Types of Goods and Services to be Procured by Government Entities of Canada and the European Union

Canada		European Union	
Entity	**Threshold ($)**	**Entity**	**Threshold (€)**
Provinces and territories: government entities, including municipalities, academia, school boards and hospitals	315,000	European entities and central member-state government entities	130,000
Federal government	205,000	Sub-central entities (regional and local entities, as well as bodies governed by public law, including hospitals, schools, universities and social services)	200,000
Other government entities, including arms-length and Crown entities of the federal, provincial and territorial governments	560,000	Other sub-central entities	355,000
Utilities sector (all governments)	630,000	Utilities sector	400,000
Construction services (all governments)	7,800,000	Construction services (all entities)	5,000,000

Note: Table 2 should be read in conjunction with the *Technical Summary of the Final Negotiated Outcomes*, as there is a number of exceptions and reservations. Dollar or euro amounts are based on the conversion rates used in the *Technical Summary of the Final Negotiated Outcomes*.

Source: Governement of Canada, *Technical Summary of the Final Negotiated Outcomes*.

APPENDIX B
LIST OF WITNESSES

Organizations and Individuals	Date	Meeting
Department of Foreign Affairs, Trade and Development	2013/11/07	4
Ed Fast, Minister of International Trade		
Steve Verheul, Chief Trade Negotiator, Canada-European Union		
Ana Renart, Deputy Chief Trade Negotiator, Canada-European Union		
Canadian Manufacturers and Exporters	2013/11/19	5
Jayson Myers, President and Chief Executive Officer, National Office		
Canadian Pork Council		
Martin Rice, Executive Director		
Jean-Guy Vincent, Chair		
Fisheries Council of Canada		
Patrick McGuinness, President		
Unifor		
Jerry Dias, National President		
Angelo DiCaro, National Representative, Research Department		
BIOTECanada	2013/11/21	6
Andrew Casey, President and Chief Executive Officer		
Canadian Cattlemen's Association		
John Masswohl, Director, Government and International Relations		
Dairy Farmers of Canada		
Yves Leduc, Director, International Trade		
Ron Versteeg, Vice-President		
Forest Products Association of Canada		
Catherine Cobden, Executive Vice-President		
Atlantic Grains Council	2013/11/25	7
Neil Campbell, Representative, General Manager, Prince Edward Island Grain Elevators Corporation		
Michael Delaney, Director, Atlantic Director, Grain Growers of Canada		

Organizations and Individuals	Date	Meeting
Cherubini Group of Companies	2013/11/25	7
Stephen Ross, General Manager		
Halifax Gateway Council		
Joyce Carter, Chair		
Nancy Phillips, Executive Director		
Nova Scotia Citizens Health Care Network		
James Hutt, Coordinator		
Nova Scotia Fish Packers Association		
Marc Surette, Executive Director		
As an individual	2013/11/26	8
John Cody		
Gus Etchegary, Chairperson, Community Fisheries Alliance		
Winston Fiander, Advocate, Community Fisheries		
Clearwater Fine Foods Inc.		
John Risley, President and Chief Executive Officer		
Halifax Regional Municipality		
Fred Morley, Representative, Senior Vice-President and Chief Economist, Greater Halifax Partnership		
Mike Savage, Mayor		
Nova Scotia Federation of Labour		
Rick Clarke, President		
Canadian Manufacturers and Exporters	2013/11/26	9
Ann Janega, Vice-President, Nova Scotia Division		
Dalhousie University		
Martha Crago, Vice-President, Research		
Eastern Shore Fisherman's Protective Association		
Peter Connors, President		
Halifax International Airport Authority		
Jerry Staples, Vice-President, Air Service, Marketing and Development		

Organizations and Individuals	Date	Meeting
Halifax Port Authority	2013/11/26	9
George Malec, Vice-President, Business Development and Operations		
Cathy McGrail, Acting Manager, Strategic Relations		
Saint Mary's University		
J. Colin Dodds, President and Vice-Chancellor		
Canadian Aquaculture Industry Alliance	2013/12/03	10
Ruth Salmon, Executive Director		
Canadian Council of Chief Executives		
Ailish Campbell, Vice-President, Policy, International and Fiscal Issues		
Canadian Generic Pharmaceutical Association		
Jody Cox, Director, Federal Government Relations		
Jim Keon, President		
Canola Council of Canada		
Jim Everson, Vice-President, Government Relations		
As an individual	2013/12/05	11
John Curtis, Senior Fellow, C.D. Howe Institute (Toronto) and the International Centre for Trade and Sustainable Development (Geneva), Adjunct Professor, Queen's University		
Canadian Canola Growers Association		
Jan Dyer, Director, Government Relations		
Consider Canada City Alliance		
Mike Darch, President		
Bruce Lazenby, Board Member, President and Chief Executive Officer, Invest Ottawa		
International Institute for Sustainable Development		
Howard Mann, Senior International Law Advisor		
Alzheimer Society of Canada	2013/12/10	12
Debbie Benczkowski, Chief Operating Officer		
Canada Europe Round Table for Business		
Jason Langrish, Executive Director		

Organizations and Individuals	Date	Meeting
Canada's Research-Based Pharmaceutical Companies (Rx&D)	2013/12/10	12
Darren Noseworthy, Representative, Vice-President and General Counsel, Pfizer Canada		
Russell Williams, President		
Canadian Organization for Rare Disorders		
Durhane Wong-Rieger, President and Chief Executive Officer		
Spirits Canada		
C.J. Helie, Executive Vice-President		
Jan Westcott, President and Chief Executive Officer		
Canadian Agri-Food Trade Alliance	2014/01/28	13
Martin Rice, Director		
Canadian Health Coalition		
Michael McBane, Executive Director		
Council of Canadians		
Stuart Trew, Trade Campaigner		
Information Technology Association of Canada		
Lynda Leonard, Senior Vice-President		
Canadian Vehicle Manufacturers' Association	2014/01/30	14
Mark Nantais, President		
Delegation of the European Union to Canada		
Marie-Anne Coninsx, Ambassador		
Karsten Mecklenburg, Head, Economic, Commercial and Trade Section		
UPS Canada		
Cristina Falcone, Vice-President, Public Affairs		
BC Technology Industry Association	2014/02/03	15
Bill Tam, President and Chief Executive Officer		
British Columbia Dairy Association		
Stan Van Keulen, Board Member		
Business Council of British Columbia		
Jock Finlayson, Executive Vice-President and Chief Policy Officer		
City of Abbotsford		
Bruce Banman, Mayor		

Organizations and Individuals	Date	Meeting
City of Burnaby	2014/02/03	15
Derek Corrigan, Mayor		
Sav Dhaliwal, Councillor		
City of Victoria		
Marianne Alto, Councillor		
Coast Forest Products Association		
Susan Gagnon, Director, Communications and Research		
Rick Jeffery, President and Chief Executive Officer		
CUPE BC		
Blair Redlin, Research Consultant		
Farm House Natural Cheeses		
Debra Amrein-Boyes, President		
Freybe Gourmet Foods		
Sven Freybe, President		
LifeSciences British Columbia		
Paul Drohan, President and Chief Executive Officer		
Gordon McCauley, Chair, Board of Directors		
Wavefront Wireless Commercialization Centre Society		
James Maynard, President and Chief Executive Officer		
As an individual	2014/02/13	18
Marc-André Gagnon, Assistant Professor, School of Public Policy and Administration, Carleton University		
BlackBerry		
Morgan Elliott, Senior Director, Government Relations		
Canada's Technology Triangle Inc.		
John Jung, Chief Executive Officer		
Canadian Shipowners Association		
Robert Lewis-Manning, President		
Debbie Murray, Director, Policy and Regulatory Affairs		
As an individual	2014/02/25	19
Gus Van Harten, Associate Professor, Osgoode Hall Law School, York University		
Association des fromagers artisans du Québec		
Louis Arsenault, President		

Organizations and Individuals	Date	Meeting
GreenField Speciality Alcohols Inc.	2014/02/25	19
Gary McInerney, Vice-President, Sales and Marketing		
Xerox Canada		
Emechete Onuoha, Vice-President, Global Government Affairs, Canada		
Alliance Grain Traders Inc.	2014/03/04	20
Murad Al-Katib, President and Chief Executive Officer		
Bühler Industries Inc.		
Willy Janzen, Chief Financial Officer		
Canadian Chamber of Commerce		
Cam Vidler, Director, International Policy		
Canadian Union of Public Employees		
Graham Cox, Senior Researcher Officer, Research		

APPENDIX C
LIST OF BRIEFS

Organizations and Individuals
Association des fromagers artisans du Québec
BC Technology Industry Association
Canadian Aquaculture Industry Alliance
Canadian Generic Pharmaceutical Association
City of Burnaby
City of Victoria
Clearwater Fine Foods Inc.
Cody, John
Council of Canadians
CUPE BC
Dairy Farmers of Canada
Dairy Processors Association of Canada
Fiander, Winston
Gagnon, Marc-André
Greater Halifax Partnership
Halifax International Airport Authority
Halifax Port Authority
Halifax Regional Municipality
International Institute for Sustainable Development
Nova Scotia Federation of Labour
Unifor
Wavefront Wireless Commercialization Centre Society

REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the Committee requests that the Government table a comprehensive response to this Report.

A copy of the relevant *Minutes of Proceedings* (Meetings Nos. 4-15, 18-20, 30 and 32-33) is tabled.

Respectfully submitted,

Hon. Rob Merrifield

Chair

Supplementary Report
Official Opposition
New Democrat Party of Canada

Introduction

The New Democratic Party (NDP) regards international trade as a cornerstone of Canada's future economic growth and prosperity. From our historic development as a trading nation to the present day, trade policy has played a pivotal role in Canadians' lives from coast to coast to coast. With over 60% of Canada's Gross Domestic Product being trade-related, we believe that diversifying and deepening our trade relationships must be a priority for Canada.

Accordingly, New Democrats support efforts to expand trade with the European Union (EU). Comprised of modern democracies, with generally high labour, human rights and environmental standards, and populated with some 500 million relatively high-income consumers, the EU offers the right conditions for Canada to pursue enhanced economic relations. The Comprehensive and Economic Trade Agreement (CETA) between Canada and the European Union presents an important opportunity for Canada to build stronger, sustainable trade linkages with some twenty-eight European countries.

There are a number of sectors of the Canadian economy that would benefit from a well-structured agreement with the EU. Tariff reductions and improved regulatory processes in a variety of industries including grains, beef and pork, seafood, professional services, and information and communications technology will provide important economic opportunities for Canadian businesses. Canadian consumers also stand to reap significant gains.

However, it is clear that a well-structured trade policy aimed at producing positive results for Canada requires a number of core underpinnings. New Democrats believe that these include the development of a strategy for supporting key and emerging sectors of industry, attentive national policies in related portfolios, a collaborative government-private sector-labour relationship and an effective trade commission service to assist Canadian importers and exporters to maximize trade opportunities. It also requires well-negotiated agreements that are strategically sound, enjoy broad public support and reflect important Canadian interests and values.

Unfortunately, the current Conservative government has failed to meet these requirements. This is reflected in a serious and sustained record of poor performance across the spectrum of trade metrics:

- Canada's current account has swung from a surplus of $20.3 billion in 2006 to a deficit of $60.7 billion in 2013 – a negative swing of some $80 billion, a loss of over $10 billion for every year the Conservatives have been in office;

- Canada's manufacturing trade deficit has quadrupled under the Conservatives' watch, registering a staggering $110.4 billion in 2013;
- Canada's percentage of exports that are resource-based has increased by 50% over the last 7 years, reversing a long-term trend of value-added production that is more typical of a modern, industrial economy.

Importantly, the Conservative Government has refused to release the text of CETA to Canadians even though it claims that an actual agreement has been reached. New Democrats have consistently maintained that a final text and broad-based consultations are required in order to evaluate the true impact of CETA upon Canadians and our economy. It is our view that the details of such a comprehensive agreement matter, and testimony received by the Committee was overwhelmingly consistent with this view.

Accordingly, like the vast majority of witnesses who appeared before our Committee, although we are supportive of Canada pursuing an enhanced economic relationship with the EU, we are not in a position to conclusively evaluate CETA until we are able to study its actual terms closely and consult widely to determine its comprehensive impact. Notwithstanding, there were a number of very clear themes that emerged from this Study that we believe ought to be identified and emphasized in this Supplemental Report.

Process

The NDP considers broad and meaningful public consultations to be prerequisites to the development of a strong bargaining position for Canadian trade negotiators. New Democrats believe that the Government of Canada should aspire to transparency and accountability in trade negotiations.

Regrettably, the Conservative government has failed to engage in meaningful consultations with many key actors in Canadian society throughout the CETA process. Accordingly, it is our view that the Canadian position in CETA has been under-informed and reflects a narrower consultative base than was both possible and desirable.

Municipalities and other sub-provincial governments, First Nations, a wide variety of industrial sectors, organized labour and employee groups, public interest advocates, environmental organizations, academics and trade experts, and individual Canadians themselves are just some of the important stakeholders who have been ignored by the Conservative government during the CETA process. Instead, the evidence received by the Committee made it clear that only a very limited number of organizations had privileged access to both influence, and be briefed by, government negotiators.

> *"We've been critical of the way this deal has been negotiated, without the full and meaningful participation of trade unions, environmental NGOs,*

and other groups in Canada's civil society. The CETA is unlike any trade deal we've seen before, yet public concern raised by workers and others has been marginalized and largely dismissed."
-Jerry Dias, Unifor, November 19, 2013

"This agreement has been prepared without a meaningful public consultation process for municipalities...Lack of consultation on the details of the agreement will inevitably lead to inclusion of rules that will detrimentally affect local procurement policies."
-Mayor Derek Corrigan, City of Burnaby, February 3, 2014

In addition, we do not believe that the CETA negotiations have been conducted in a sufficiently open and transparent manner. As one witness put it:

"The veil of secrecy on the whole CETA deal…is unacceptable."
-Gus Etchegary, Chair, Fisheries Community Alliance, Nov. 26, 2013

Other jurisdictions around the world are attempting to set the bar higher in relation to meaningful consultation and transparency in trade negotiations. For example, the United States Trade Representative has shared draft documents and provided the text in the Trans-Pacific Partnership (TPP) negotiations for all members of Congress to access. The European Commission has published details of the CETA investment chapter in the context of EU-US trade talks and invited open consultations with the European public to help guide the Commission's policy decisions.

Unlike our international allies, however, the Conservative government refused to regularly report progress or release any CETA negotiating text to parliamentarians or the public for information or input. The NDP is concerned that this secrecy could undermine the strength of the negotiating position of the Canadian government and ultimately result in a poorer deal for Canadians.

Finally, it appears that the Conservative Government intends to keep CETA secret until its terms are concluded, and then present an unalterable deal to Parliament and Canadians as a *fait accompli*. New Democrats have serious concerns about this approach, as it effectively shuts out important stakeholders and Canadians themselves from any meaningful input into an agreement that will have major impacts on our nation.

<u>Jobs</u>

New Democrats believe that creating and maintaining quality, family-sustaining jobs for Canadians ought to be a priority of the CETA negotiations. We recognize that, by opening new market access opportunities in Europe and Canada for trade and investment flows, CETA offers significant potential to create good quality jobs for Canadians. It is our view that encouraging value-added production in Canada's resource sectors and developing more sustainable goods and services are key components of building a modern, sustainable, industrial economy.

Many witnesses shared their perspective that CETA would have a net positive impact on jobs in Canada. Conversely, others felt that CETA has the potential to cause adverse impacts on employment in certain sectors. Still others pointed out that there is no automatic correlation between trade deals and jobs, and much depends on the details of the agreement and nature of the economic policies of the nations involved.

Instead of addressing this critical subject in a fact-based manner, however, the Conservative government has chosen to mount a propaganda campaign that does serious disservice to this important issue. The Conservatives have continuously relied on speculative, dated CETA job creation numbers from 2008 based on what has been revealed as flawed methodology and unrealistic economic assumptions.

To try to determine with some precision what concrete job numbers were being contemplated by actual Canadian job creators, during the Committee hearings New Democrats consistently asked private-sector witnesses to provide specific estimates of the number of jobs that would be created in their organizations or sectors as a result of CETA. None could provide a specific number. Understandably, and consistent with the Official Opposition's analysis, they repeatedly testified that without the final text, they were unable to provide the Committee with estimates of job growth resulting from the agreement.

As stated, some witnesses expressed concerns about possible job losses in value-added and manufacturing sectors resulting from CETA. Witnesses identified job losses in industries ranging from auto-manufacturing in Ontario to steel-fabricating in Nova Scotia to fish processing in Newfoundland.

> *"Our economist at Unifor, Jim Stanford, predicted that the CETA could cost Canada another 150,000 manufacturing jobs. This is a worst-case scenario he's presented based on many factors, but even in the best-case scenario, tens of thousands of jobs are on the chopping block."*
> -**Jerry Dias, Unifor, November 19, 2013**

> *"It will result in Canadians and foreign-owned factory vessels harvesting Canadian fish quotas and selling them in an unprocessed state directly to European Union plant operators, who will process them and sell directly into the EU market, thereby eliminating thousands of primary and secondary jobs in Newfoundland…"*
> **– Gus Etchegary, Fisheries Community Alliance, November 26, 2013**

New Democrats will be analyzing any final CETA carefully to assess its overall impact on employment, both quantitatively and qualitatively.

Health Care & Rising Costs

Numerous witnesses warned the Committee about the high cost of CETA's purported changes to Canada's intellectual property regime. Chief among these are anticipated increases to patent terms, locked-in data exclusivity, and new appeal rights for drug patent holders to challenge generic competition at the Federal Court. Witnesses from the pharmaceutical industry and experts in public health policy testified these changes will dramatically raise the costs of prescription medicines in Canada by delaying the introduction of cheaper generic versions to market. Witnesses estimated the increased costs to Canadians in the range of $850 million to $2.8 billion every year.

> *"Concessions by the federal government to cement the deal will delay the arrival of cheaper generics. This delay will add between $850 million and $1.65 billion annually, an increase of 13% to the total drug bill paid annually by Canadians, who will be paying either directly or through insurance plans."*
> **-Michael McBane, Canadian Health Coalition, January 28, 2014**

> *"A study prepared for the CGPA by two leading Canadian health economists in early 2011 estimated that, if adopted, the proposals would delay the introduction of new generic medicines in Canada by an average of three and a half years. The cost to pharmaceutical payers of this delay was estimated at $2.8 billion annually, based on generic prices in 2010…"*
> **-Jim Keon, Canadian Generic Pharmaceutical Association, December 3, 2013**

The fiscal pressure these changes would put on individuals, employers and provincial health insurance plans is of particular concern for New Democrats, as prescription drug costs comprise the fastest growing portion of total public health care costs. Reliance on more expensive brand name drugs will impact the pocketbooks of millions of Canadians, particularly seniors who rely disproportionately on prescription medicines, individuals who either pay or share the costs of their prescription medicines and private sector employers who fund extended health insurance plans.

It is regrettable that while the Conservative government has expressly acknowledged these impacts by promising to compensate provinces and territories, it has refused to release internal information quantifying the amount or provide compensation to individual Canadians and employers who will face higher drug costs. In addition, witnesses pointed out that it will be individual Canadian taxpayers who will bear the cost-burden in any event, as it is their tax dollars that are transferred from the federal government to provincial and territorial ones.

Investor-State Dispute Settlement (ISDS)

New Democrats have long expressed concerns about ISDS chapters and their potentially adverse effect on the ability of governments to legislate in the public interest. These concerns are shared by many in the international community and robust conversations are currently ongoing in jurisdictions as diverse as Australia, Brazil, India and the European Union about the desirability of ISDS provisions in trade agreements. France and Germany have recently indicated that they will not support ISDS provisions in any EU-US trade agreement.

Numerous witnesses raised serious misgivings during CETA hearings about the repercussions of increasing investor rights vis-à-vis Canadian taxpayers and our democratically-elected governments. Witnesses warned that the ISDS model would subject governments at all levels in Canada to investor lawsuits simply for enacting legislation in the public interest. Areas of concern included legislation targeted at health, social and environmental objectives, and several witnesses pointed to real examples, both in Canada and abroad, of precisely this type of litigation that has already exposed, and would further expose, Canadian taxpayers to liabilities in the billions of dollars. It was also noted that the mere presence of potential liability may create a "chilling" effect on governments who might decline to enact such public interest legislation for fear of liability and/or the legal costs of simply defending such actions.

As Howard Mann (Senior International Law Advisor, International Institute for Sustainable Development) testified, ISDS provisions *"will inevitably lead to increases in the number of arbitrations against Canada, for both federal and provincial measures, and resulting pressures not to regulate in key areas such as the environment, human health, anti-tobacco practices, and so on."*

Moreover, witnesses expressed concerns about structural deficiencies typical of arbitration tribunals established under ISDS provisions. These include conflicts of interest among adjudicators, the lack of security of tenure of adjudicators and the absence of an effective appeal mechanism. Concerns were also raised about insufficient transparency in proceedings before ISDS panels and the over-riding issue of transferring ultimate judicial power from national courts, with their attendant safeguards and structures, to unaccountable international tribunals.

> *I'd say that investor-state provisions trouble me, not only in this agreement but in general… It's not clear to me that it is in the Canadian national interest to have these provisions."*
> **-John Curtis, C.D. Howe (appeared as an individual), December 5, 2013**

We note that Canada has significant experience in ISDS through existing trade agreements, and has seen the costs and threats ISDS provisions pose to public interest regulation. New Democrats believe that existing safeguards should not be weakened and that any ISDS provision in CETA must not undermine the rights of democratically-elected Canadian governments to legislate and regulate in the public interest.

Government Procurement & Public Markets

Several witnesses expressed concern about CETA's impact on the flexibility of sub-federal government procurement and service delivery. Witnesses representing several municipalities highlighted the important role of government procurement policies in local economic development initiatives. They testified that CETA's provisions could undermine local development plans by according new rights to European firms bidding on procurement contracts and limiting their ability to support local goods and service providers. They expressed concern that policies directed at environmental enhancement or local food sourcing might be negatively impacted. Witnesses warned the Committee that CETA would increase the administrative, legal and financial burdens on municipal governments every time they tendered procurement contracts. Witnesses also worried that CETA might place restrictions on the ability of governments to re-assert public delivery of services that have been privatized.

> *"CETA will also make re-municipalization very difficult. Once privatized, a service will have to stay open to private sector providers. If a municipality decides to bring those services back into the public sector, EU corporations will be able to bring suits against this move."*
> **-Graham Cox, CUPE, March 4, 2014**

> *"We asked Canadians how they felt about that: Should municipalities retain the right to prefer bids from local or Canadian companies? In fact, an impressive 77% of people said they should hold on to that right."*
> **-Stuart Trew, Council of Canadians, January 28, 2014**

It was noted that some 50 municipal, rural and local government bodies have passed motions expressing their opposition to these effects and requesting the ability to opt out of CETA provisions affecting their jurisdiction.

New Democrats believe thresholds in the procurement chapters of CETA should not significantly impair the flexibility of sub-provincial procurement policies to pursue local economic development objectives. We believe that governments in Canada should have the freedom to de-privatize service delivery if they decide this is necessary for public objectives. Finally, sensitive areas including, but not limited to, social services, public interest programs, municipal drinking water and water treatment, utilities, health, culture and education must be effectively protected through permanent reservations for all levels of government.

Dairy Sector

New Democrats are firmly committed to maintaining the Canadian supply management system and its three pillars. This structure has allowed supply-managed industries, including the Canadian dairy sector, to flourish and sustain thousands of quality jobs, farms and rural communities across Canada. It has served the Canadian public well, providing safe, healthy, local and competitively priced food to Canadians for decades.

New Democrats stand resolutely behind the supply management system and believe it must be firmly defended in all trade negotiations. It is disappointing that the integrity of this system has been compromised at the CETA negotiation table by the Conservative government.

As witnesses from the dairy sector expressed, CETA will create serious challenges to the industry with the increase in Tariff Rate Quotas for European cheese imports.

Yves Leduc (Director, International Trade, Dairy Farmers of Canada) estimated that new EU access of 17,700 tonnes of cheese will cost Canadian farmers some $150 million annually, and cumulative losses of $300 million industry-wide. He maintained that the fine cheese market will be the most affected. Most dairy witnesses rejected the claim that increased EU access would provide meaningful profits for Canadian producers, nor would increased domestic cheese consumption make up for the losses in market share to EU producers. Mr. Leduc noted that it was Canadian dairy producers themselves who invested their own money to build up the Canadian market, and it was unfair for the Conservative government to give market share away to EU producers.

> *"We are losing future growth in which we have heavily invested over the past 15, 20, 30 years. That growth did not occur just like that; it's the result of the investment that farmers have put into growing that market. This is what we're losing. We are estimating, depending on whether the agreement is implemented over a five or seven-year period, losses of income at the farm level between $600 million and $750 million."*
> **-Yves Leduc, Dairy Farmers of Canada, November 21, 2013**

New Democrats are concerned by testimony suggesting that high European agricultural subsidies that create an uneven playing field for the Canadian dairy and cheese sector have not been addressed in CETA. It was noted that European cheese makers pay a lower price for their milk, and European farmers receive state subsidies as high as 40% to 50% of their income. Several witnesses expressed their concern that CETA may be the "thin edge of the wedge", opening the door to further expansion of foreign imports of supply-managed products into Canada *via* future trade pacts (eg., Trans-Pacific Partnership).

In the event that CETA is signed with an increased foreign import quota of cheese products, New Democrats believe that CETA ought to provide the Canadian dairy sector with adequate adjustment time by ensuring the longest possible implementation period. Fair, reasonable and transparent compensation and adjustment measures acceptable to the dairy producers must also be granted to farmers affected by the agreement.

Infrastructure

A trade agreement is only successful if importers and exporters effectively realize new market access opportunities. New Democrats are therefore concerned by the testimony of many industry representatives regarding inadequate transportation infrastructure in Canada. Business leaders repeatedly told the Committee that Canada's dated transportation infrastructure presents an impediment to expeditiously shipping their goods to market. The rail backlog in the prairies during the winter of 2014 starkly exemplified this reality. New Democrats believe the Canadian government must improve investment in comprehensive transportation infrastructure, from rail to port, in order to support Canadian importers and exporters in their efforts to meet new market access potential created in CETA.

NDP Recommendations:

1. That the Government of Canada provide access to all Parliamentarians to the latest draft text of CETA between Canada and the European Union, and agree to release a finalized agreement, if reached, for public comment before Canada is formally bound.

2. That the Government of Canada promptly disclose all costing estimates relating to potential increases to prescription drug costs to all provinces and territories, individual Canadians and employers, resulting from CETA's proposed changes to patent laws, as well as details of financial compensation that may be paid to Canadian provinces, territories, individuals and employers.

3. That the Government of Canada implement strategies to encourage investment in research and development by pharmaceutical companies in Canada.

4. That the Government of Canada ensure that CETA contain a binding provision clearly permitting each jurisdiction the continued right to legislate and regulate in the public interest.

5. That the Government of Canada engage in public consultations to examine the impacts of ISDS provisions and the implications of including them in trade deals, including CETA.

6. That the Government of Canada ensure that the broadest possible range of public interest areas, including health, social services, public interest programs, utilities (eg. drinking water and waste water services),

education, environment and culture are explicitly protected through effective reservations.

7. That the Government of Canada ensure that any provisions or thresholds concerning local procurement be broad enough to permit sufficient local economic development, social and environmental considerations.

8. That the Government of Canada seek a clear and broad exclusion for public services including protection for future policy flexibility at all levels of government to expand public services or return privatized services to the public sector.

9. That the Government of Canada ensure that the integrity of Canada's supply management system is protected in CETA.

10. That the Government of Canada ensure that a sufficient phase-in period for any increased EU cheese access be established and sufficient, transparent compensation and adjustment measures acceptable to Canadian dairy producers be delivered.

11. That the Government of Canada promptly disclose all costing estimates resulting from CETA's proposed elimination of minimum processing requirements for fish/seafood, as well as details of financial compensation that may be paid to any Canadian province and territory involved.

12.That the Government of Canada develop strategies and programs to assist Canadian fishing communities adjust to CETA and take full advantage of its provisions.

13.That the Government of Canada ensure that CETA offer sufficient market access to the EU for Canadian beef and pork producers to make required domestic sectoral transition cost-effective.

14. That the Government of Canada invest in necessary transportation infrastructure to efficiently handle increased imports and exports.

15. That the Government of Canada make the protection and promotion of standards in environment, labour and human rights core elements of CETA, establish the highest standards currently in effect as base standards, and create effective monitoring and enforcement mechanisms to ensure compliance.

16. That the Government of Canada encourage the development of sustainable and value-added goods and services, and make them a priority focus of trade negotiations, including CETA.

SUPPLEMENTARY REPORT BY THE LIBERAL PARTY OF CANADA

THE CANADA-EUROPEAN UNION COMPREHENSIVE ECONOMIC AND TRADE AGREEMENT

INTRODUCTION

The Liberal Party of Canada supports free trade, believing that free and fair trade agreements open markets to Canadian goods and services, grow businesses, create jobs and provide Canadians with more choices and fairer prices. We are also broadly supportive of the *Canada-European Union Comprehensive Economic and Trade Agreement*, or CETA, which, if fairly implemented, would remove existing trade barriers, widely expand free trade between Canada and the European Union (EU), and increase opportunities for Canada's middle class.

A wide range of testimony was received by the Committee on the topic of the CETA. While much of the testimony indicated the promise of the CETA for Canada, witnesses testified that their support for the CETA is conditional at this time. A common refrain was "the devil is in the details," and it is hard for Canadians to give outright support to an agreement when they haven`t yet seen the text but only the technical summary. As the Committee heard, technical discussions on a wide array of issues are continuing, and we don`t know when the final agreement will be concluded or what the final outcome will be.

CONSULTATIONS

Witnesses disagreed regarding their view of the consultations that the federal government undertook regarding the CETA. While a number of groups noted that they were satisfied with the nature of these consultations, a significant number of other witnesses expressed that the consultations by the government were either superficial or non-existent.

With something like a trade agreement, which has broad and significant impacts on a great many Canadians and Canadian businesses, consultations must be considerably more thorough, transparent and ongoing than was felt to be the case during the CETA negotiations. As free trade agreements continue to be pursued, we can only hope that the government learns from this experience.

SPECULATION AND ASSESSING IMPACTS

Another issue that gave our Party cause for concern was that so much seemed to be speculative. No doubt this partly reflects the fact that the final text is not yet available. Without that text, all that witnesses are able to do is speculate about the possible gains, losses and/or other impacts of CETA on them or their sector.

The Committee heard an abundance of testimony on the CETA, but with so few details about the finalized text, it is very difficult for decisions and investments to be made with any certainty. Consequently, once the CETA is implemented, it may be too late for businesses to take full advantage of the CETA.

While some witnesses made positive comments about the impact of CETA on the Canadian economy, it should be noted that this view was not uniform. A number of witnesses raised specific concerns about how the agreement would affect their sectors, and have been left wondering how the federal government plans to support them in helping mitigate any negative impacts.

RECOMMENDATIONS BY THE LIBERAL PARTY OF CANADA

The Liberal Party of Canada believes that in addition to the recommendations in the body of the report, the following are some of the additional recommendations that should be considered since their implementation would, in our view, improve the quality of life of Canadians, enhance the economic standing of Canadian businesses, and ensure that trade with the EU is free and fair.

However, it is also important to recall previous recommendations and concerns expressed by the Liberal Party of Canada. First, the key Liberal recommendations from this Committee's 2012 report have not been addressed in this report. Second, as of the date of this report, there remains no final text of the CETA, only a brief technical summary, which limits analysis and debate. The indication by officials that a final document may not be ready for months is concerning. This report thus remains little more than a speculative exercise due to the lack of a final document.

The Liberal Party of Canada recommends:

Recommendation 1

That the federal government ensure that the final text of the CETA includes details about non-tariff barriers and the agreed means to deal with them so they will not impede trade between the two parties after CETA comes into force. At a minimum, the text should address issues such as labeling, traceability, and genetically modified organisms.

Recommendation 2

That the federal government, in developing an action plan to support Canadian businesses in their efforts to take advantage of the CETA, ensure that the plan includes the following actions:

- **increase the number of trade commissioners in EU member states;**

- **use the Export Development Canada to better advantage;**

- **introduce measures to promote Canadian brands.**

The government should also pay attention to supporting small and medium-sized enterprises (SMEs), which should be provided with the tools and other resources they need to take full advantage of the CETA.

This action plan and the supports specific to SMEs should be in place before the CETA enters into force.

<u>Recommendation 3</u>

That the federal government, in the context of the rules of origin in the CETA, recognize the importance of supply chains and ensure that the integrated nature of the North American automotive sector is recognized.

<u>Recommendation 4</u>

That, before the coming into force of the CETA, the federal government develop a strategy to help the dairy sector, cheese producers and fishing communities throughout Canada benefit from the CETA.

<u>Recommendation 5</u>

That the federal government ensure that the thresholds set out in the CETA for the acquisition of goods and services in relation to government procurement allow municipal, provincial and territorial governments to maximize local economic benefits, including through the provision of local employment opportunities.

<u>Recommendation 6</u>

That, before the CETA comes into force, the federal government clarify which European ships will be permitted to ship in Canadian waters and which Canadian waters these ships will be able to access.

<u>Recommendation 7</u>

That, if the CETA includes an investor-state dispute settlement mechanism, the federal government ensure that the mechanism is transparent, contains binding provisions to avoid conflict of interest for arbitrators, and does not limit the ability of governments to act in the public interest. As well, the mechanism

should provide different time frames for the resolution of disputes in different sectors.

Recommendation 8

That, before the coming into force of the CETA, the federal government conduct and publish a study assessing the financial impact of increased intellectual property protection of patented drugs in Canada on Canadian provincial and territorial health care systems and prescription drug costs. As well, the government should inform Canadians about likely delays in accessing drugs and/or any possible increases in prescription drug costs, and should ensure that access to health care is not jeopardized.