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Chair

Mr. Leon Benoit

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• (1535)

[English]

The Chair (Mr. Leon Benoit (Vegreville—Wainwright, CPC)): Good afternoon, everyone. Pursuant to Standing Order 108(2), the committee will now proceed to a briefing session.

The witnesses for today's session are from the Department of Foreign Affairs and International Trade: Randle Wilson, assistant deputy minister of strategic policy, communications, and corporate planning; Peter McGovern, director general of North America commercial relations; Susan Gregson, assistant director general of the regional strategies bureau; and John Curtis, the chief economist.

Thank you very much for coming, ladies and gentlemen. We're very pleased you're here.

I know most members of the committee have received a briefing from your department in advance. This briefing, I know, will be focused. We will allow 20 minutes in total for the briefing, breaking our rule of having normally 10 minutes or less for witnesses. But because it's a briefing, we want to hear what you have to say first. The discussion will, however, be focused by the members and their questions, and I think that's what's most important here. So if you could, please go ahead.

Mr. Randle Wilson (Assistant Deputy Minister, Strategic Policy, Communications and Corporate Planning, Department of Foreign Affairs and International Trade (International Trade)): Thank you very much, Mr. Chairman.

First, I'd like to express on behalf of the departmental officials how pleased and honoured we are to be here to be your first substantive briefers, an honour that would normally go to our deputy minister, Marie-Lucie Morin, who is, however, in a plane going to India, even as we speak.

You of course have four initial briefers here, and I am joined by a number of colleagues who are able to engage on a range of other subjects, from trade commissioner operations through to elements of our bilateral and multilateral trade policy. So they will come up to the table as questions dictate, if that's all right.

I have to say, starting out, looking at the range and breadth of the questions posed by the members in advance, it occurred to me and to all of my colleagues that this really is a committee about international trade, all aspects of it.

[Translation]

This means that the scope of your questions goes far beyond the basic mandate of our department. I want to assure you that we have

committed to providing the committee members with the most detailed and appropriate answers possible. We have also committed to organizing, along with the committee clerk, if necessary, a joint appearance with any other department or agency responsible for issues related to the matter under consideration. As we stated, the scope of your questions goes far beyond to the mandate of a single department.

[English]

I am going to do a very quick scene setting. Those of you who have seen me in action before will not believe this, but trust me, I can do it.

The comments of the members are more than enough on this subject, but I will pass the floor to our chief economist, Dr. Curtis, who will speak within the time limit to issues such as the role of commerce in the economy, and some of the questions that have been flagged, like the dollar and the exchange rate impact. I will then turn the floor to Mr. McGovern to speak about the North American agenda, and then to Ms. Gregson to speak about emerging markets, in particular. Of course, we are more than happy to engage in any other question.

The background, as members know, is that Canada is a country that not only lives by trade, but has done extremely well by trade. When I say trade in the 21st century I mean a whole range of international economic engagements: investments, science and technology partnerships, strategic business partnerships, and many other forms of exchange. This is taking place against the rapidly evolving business models that are generally described as global value chains, or global supply chains. The issue for a country like Canada against this background is how to ensure that our business community, our country, remains well positioned.

The challenge isn't just one for business, however. There is a challenge to us at the national level from other countries that are taking advantage of the opportunities enabled by technological advances, especially in telecommunications and transportation. Countries like China and India are on everybody's lips, but there are many others that are deliberately positioning themselves, with all the attributes of a competitive, globally engaged economy.

I will leave to Dr. Curtis the traditional economist's role to be gloomy about where Canada sits in this picture—all right, he's from British Columbia and has a rosy view—but the fact is that the short and dirty answer on that one is there is no room for complacency.

The fundamentals of success going forward are obviously the right domestic framework and the right international framework for the orderly development of international and domestic commerce. It's a problem for this committee, naturally, because it means there is no hard and fast line between what is domestic and what is international.

• (1540)

[Translation]

That said, thanks to the existence long-standing economic analyses by the OECD and other organizations, we are cognizant of the factors that contribute to the productivity and international competitiveness of an economy such as ours. These factors are, namely, openness to international competition, investments in labour and, above all, in training the Canadian workforce, a regulatory regime and a fiscal regime adapted to needs and which encourage innovation and the expansion of trade. In short, there is a wide range of factors, most of which fall under the jurisdiction of different levels of government.

[English]

Already, you will of course see that this is therefore a national challenge in every sense—federal, provincial, territorial, municipal.

The single most important factor in driving this reality home, from our parochial perspective, is international investment, where it is the judgment of international investors as much as anything else that will matter. That's not a judgment that we will necessarily see happening, as boardroom decisions are being taken in Hamburg, in Rotterdam, or New York.

The right international framework is, of course, more familiar to us. It is the framework of multilateral, regional, and bilateral trade agreements, augmented by other agreements like investment agreements, science and technology cooperation, air agreements, regulatory cooperation agreements. In other words, for every aspect of modern global business, you will find an international intergovernmental structure, and very often an international business structure that addresses this, just as, for example, in air transport you have ICAO and IATA.

Deploying these instruments, the government traditionally pursues three paths. There's the rules agenda that I just referred to, namely trade agreements and trade in the very broad sense. There's the international and pan-Canadian network of government offices run by the Canadian Trade Commissioner Service, which works with business in about 160 cities around the globe, including a dozen in Canada, to identify and pursue business opportunities. You also have buttressing that a very considerable domestic network that intersects with our regional offices, but also extends through other agencies and departments, like Industry Canada and the regional development agencies, which offer the front-line support to business in Canada. Again, I come back to the point that growing a business in Canada is not necessarily something that can be envisaged as a purely domestic activity.

I'll cut off my remarks there, Mr. Chairman, so as to allow my colleagues some time, because the rest of our story becomes regional, and of course I have Ms. Gregson and Mr. McGovern to tell that story.

The Chair: Thank you.

We have about eleven minutes left of presentation time.

Go ahead, please.

Mr. John Curtis (Chief Economist, Department of Foreign Affairs and International Trade (International Trade)): Thank you, Chair.

I'll be very brief. I'm particularly interested in hearing the questions and discussion with the members present.

Let me very briefly bring to your attention and highlight what many of you know—that is, the state of the world economy, the state of the Canadian economy in the international context, some of the risks, as well as the opportunities—and then perhaps we can turn to questions later on.

I'd just remind members that the world economy as a whole is doing extremely well at the present time. In fact, we're in the fourth year of very strong worldwide economic growth of between 4% and 4.5%. This includes not only this country and the United States, on our own continent, but the recovery has spread both to Japan for the first time in a decade and to parts of Europe, although some member states of the European Union aren't doing as well as others. Russia has recovered spectacularly in the last five years or so, as well as, of course, Asia, which my colleague has mentioned, not only China and India, but many of the other countries of Asia. And Africa has had for the past two or three years really quite spectacular growth. So overall the world economy is doing well, notwithstanding very high energy prices, as we all know, notwithstanding the natural disasters of the last couple of years.

I think that should be, if I may suggest, the context in which we think of the performance and the prospects for the Canadian economy. We have a fairly benevolent world economy at the present time. There's strong demand, low inflation, and fairly stable financial markets. It's not bad overall with these risks, which we can talk about.

Secondly, the Canadian economy—which of course has been reported on by the Minister of Finance over the past week—within the context of the world economy is one of the star performers, mainly because of very strong worldwide growth. When the world grows, Canada grows. It has regional impacts and sectoral impacts. In particular, at the moment it is having a major impact on the value of our currency relative to other currencies. Perhaps you'll want to speak to that a bit later on.

But in fact the Canadian economy is fairly robust, with double-digit trade numbers and increasingly strong investment numbers, both in and particularly out. It's a strong economy overall, recognizing the very serious problems in certain communities in the country and certain sectors of the economy. Like anything else, for economists there are things on the one hand and on the other, and of course we can't agree on whether things are good or whether things are bad.

Finally, as to the risks, just to point this out, both for the world economy and our own, one is, of course, the pressures on energy prices and on inflation, something that most of us have forgotten about since the nasty 1980s, but inflation can in fact return, and there are signs that it is returning. There are tightening fiscal conditions, such as higher interest rates; the state of the United States consumer, which we can talk about if you wish; the global imbalances, the evil twins, particularly in the United States, of both fiscal deficit as well as trade and investment problems; and other risks to the prospects of the world economy, particularly the risk of a world-wide influenza outbreak, and in fact the thickening of borders because of security.

I think that's a brief overview that might give us a chance to carry on later, if there are further economic questions you want to raise.

Thank you.

• (1545)

The Chair: Thank you.

Mr. McGovern, are you going to make some comments as well? Great.

Mr. Peter McGovern (Director General, North America Commercial Relations, Department of Foreign Affairs and International Trade (International Trade)): Yes. I have a prepared text here, and I'll either talk very fast or just skip to the chase right away.

For four years I spent my time as a consul general in Milan, Italy. When I came back I was made the director general for the U.S., and everybody was talking about Brazil, China, and India.

The Conference Board has made some projections for 2025. They see that trade with China is going to increase 600%, to about \$40 billion. They project that our trade with the United States is going to be \$780 billion. In a nutshell, that's what it's about.

If you look at some of our statistics, for instance, we do \$62 billion worth of trade with Michigan. That's in auto parts, machinery, and energy. In California, we do \$27 billion worth of trade. Those numbers are only going to grow. Thirty-seven American states count Canada as their principal trade partner. Of what we now do in the United States, 22% doesn't enter the border in a truck; it crosses the border on a high tension wire or in a pipeline.

In many ways we don't compete with the Americans, we build things with the Americans. It's an integrated process. We owe a lot to the NAFTA. If you watched the Super Bowl, the NAFTA was like the half-time show. The NAFTA is like the Rolling Stones; it's kind of wrinkly, but it still makes the best music around, and that's the way it is.

On our current activities in the department, we are in the process of preparing a U.S. commercial strategy. The purpose of our strategy is to define those sectors where we think we can really have an impact on the activities we provide through our network of consulates general, consulate offices, and the embassy in the United States.

I am more than willing to answer questions on that, but I will stop here. I can get the message on the States, and I'll allow my colleague

Susan Gregson to speak about the 14% of our exports that don't go to the United States.

• (1550)

The Chair: Thank you very much.

Ms. Gregson, are you going to make some opening comments?

Ms. Susan Gregson (Assistant Director General, Regional Strategies Bureau, Department of Foreign Affairs and International Trade (International Trade)): Yes, if there's more time to be had, Mr. Chair.

The Chair: There are four minutes still. The others have been very generous.

Ms. Susan Gregson: Thank you very much.

I'll just speak very briefly then to the strategies that are currently under development in my area.

For fiscal year 2005-06, we developed some initial strategies for China, Brazil, the U.S., and Mexico. You've just heard from my colleague about the U.S. strategy. For this fiscal year we'll be working on strategies for India, Korea, Russia, ASEAN, the Gulf Cooperation Council, and the European Union.

I'll be happy to answer questions further on this, but right now I'll give you a brief overview of our approach to the important emerging markets of China, India, and Brazil.

First, why China? It's an obvious choice. It's clearly a priority because of the sheer magnitude of the market and the size of its population. The increasing prosperity of its citizens has made them greater consumers. China's infrastructure has undergone considerable development in recent years, making it easier to reach those consumers.

China is a key link to the global value chains that you heard about earlier, but we need to be conscious of other links in those chains. For example, we need to be conscious of the fact that when we export inputs to Korea, those inputs may then be re-exported to China. We need to know what's going on in the supply chain related to Korea so we can take advantage of China and that market.

We're identifying priority sectors in each of these markets. For China, we've identified the following sectors: agriculture and agri-food, information and communications technology, building products and construction, environmental equipment and services, energy resources and mining, and health and biotechnology. In order to reflect the growing priority of China for our clients, we're in the process of diverting some of our resources to our missions to better serve the Canadian business community.

India, of course, is also a priority emerging market. As with China, this is due in part to the magnitude of the market itself and the size of the population, but it's also due to the rapidly increasing educated middle-class and its rapidly expanding economy. For India, the priority sectors include agriculture and agri-food, information and communications technology, infrastructure and transportation, building products and construction, environmental industries, energy resources and mining, life sciences, and enabling services including financial services and education. In order to reflect India's priority, we are proposing to add a new science and technology position to our mission in New Delhi.

Brazil is the third market that I will talk to you about today. This is a priority market due to its dominant political and economic power in South America. It is the centre of future continent-wide road, river, rail, pipeline, and electrical power transmission networks. It has enormous potential as a partner and as a client, but also as a competitor. Here our priority sectors are agriculture and agri-food, oil and gas equipment and services, electric power, environment, forestry, information communications technology, mining, and cultural industries.

I thank you very much for this opportunity to speak to you today. We all look forward to answering your questions.

The Chair: Thank you all very much. I do appreciate your keeping within the time.

We'll go to questions, but I just want to remind the committee that we haven't set the agenda of this committee yet. In the meeting we had when we elected the chair and vice-chairs, we did have some discussion on that. The researchers took that information and put together some initial thoughts. No doubt from today's meeting you'll also be considering what you want on the agenda, and I encourage you to get that information to the members of the subcommittee on the agenda so that when we have our first meeting next Tuesday, we'll be as well informed as possible.

No doubt there will be other ideas coming from the minister's appearance before this committee on Monday. From these three meetings and from your own thoughts from before we will at least make our first attempt at setting a long-term agenda for the committee.

So with that in mind I'll go directly to questions, first from the Liberal Party, the official opposition, for seven minutes.

•(1555)

Hon. Mark Eyking (Sydney—Victoria, Lib.): Thank you, Mr. Chair.

I want to thank the witnesses for coming and briefing us on all the trade negotiations and our trade situation.

I have two questions. My first one is on the WTO.

My understanding is that the window of opportunity is closing very quickly. If we don't have some sort of agreement this year, especially with the situation with the mandate from the U.S. Congress, also the rounds.... I guess this month and leading into the next month is going to be very important.

What's the status of it? And if there is no agreement between the Americans and the Europeans, what's the outcome? Where do we go from here, and what are the repercussions?

Mr. Randle Wilson: Mr. Chairman, I would like to invite up Bruce Christie, director of the multilateral trade policy division, who lives, eats, and breathes the WTO.

The Chair: Please go ahead. Thank you.

Mr. Bruce Christie (Director, Multilateral Trade Policy, Department of Foreign Affairs and International Trade): Thank you, Mr. Chairman.

Regarding your question on the state of play in the WTO Doha negotiations, where we are at present is seemingly where we always are—at a point of crisis. I briefed some members of this committee last week on the state of play in the negotiations. Essentially, in the follow-up to the Hong Kong ministerial conference in December we had set a new deadline to achieve modalities, the detailed formulas and commitments, in the core negotiating areas of agriculture and non-agricultural market access by April 30. The week before that deadline the director general had made an announcement that it was clear that members were going to miss that deadline and that he had decided at that point not to bring ministers together, but to launch a re-intensified negotiating process over a six-week period, taking us to mid-June.

So, essentially, where we are now is we're re-engaged in around-the-clock negotiations for members to overcome the difficult issues at hand in order to come up with that framework by mid-June. At that point there will be another stock-taking exercise, and our aim remains to come to an agreement on a deal by the end of July. We're certainly cognizant of the deadlines looming and certain constraints, as you mentioned, specifically relating to the exploration of the U.S. fast-track negotiating authority, which expires on July 1, 2007. Obviously, we'll need to come to a conclusion of this round by the end of this year in order to meet that deadline.

As you indicated, there is a lot of work remaining and there are a lot of challenges ahead of us, but the battle is ongoing.

Hon. Mark Eyking: How big is our role in the outcome? Do we have much sway in trying to get these parties on the same wavelength? Because our biggest role is to lower agricultural subsidies. That's what our main goal is, and everything flows from that.

What are the repercussions for us, besides our farmers still getting low dollars for their crops? What are the repercussions for Canada if this fails?

•(1600)

Mr. Bruce Christie: I think the repercussions will not just be for Canada but for all members, because this is really an opportunity to tackle some of the most egregious market access barriers, specifically in the agricultural sector.

We are an exporting nation. We rely heavily on our agricultural exports for our farmers' and producers' survival. Our role in this process is.... Well, we're engaged at many levels. We had been a member of a quad group of countries, with which I'm sure you're familiar, in previous years, along with the Americans and the Europeans and the Japanese.

That group has been overtaken by a core group of four countries—the Americans, the Europeans, the Brazilians, and the Indians—and they're essentially the four players who have to come to an agreement for this deal to move forward and for the remaining WTO members, such as Canada, to come to a final agreement. We are engaged in that process through very good linkages with all of those members on different issues in different negotiating areas.

There is also a new group that has emerged at the senior officials' or chief negotiating level, a group of 12 countries, and Canada is a member of that group. At the chief negotiator level, we're trying to draw the linkages necessary to drive a final deal forward. We have, I would argue, extensive influence in that forum. Our ambassador in Geneva, Don Stephenson, is the chair of the NAMA negotiations. That keeps us very closely involved in the critical issues being discussed there.

The outcome for us from not reaching a deal is, as I mentioned in the beginning of my comments, that it's really a missed opportunity. The WTO is the only forum where we can actually negotiate agricultural subsidies in key markets such as the European Union and the United States. These countries, as you know, do not negotiate bilateral deals in agriculture.

Outside of agriculture there are also tremendous opportunities—

Hon. Mark Eyking: I'm sorry, but on that point, we're almost certain to have low prices for our commodities for a few years to come if this negotiation fails; it's pretty well given.

Mr. Bruce Christie: I can't speak to that. It's certainly an implication of missing this opportunity. I don't think, if we miss our deadline for 2006, the sky will fall. As is the case in most of these multilateral negotiations, we need to take more time than we allot ourselves initially. The Uruguay Round took almost nine years to complete. I think we've been at it for about five now.

Perhaps we were too ambitious in thinking we could come to a final outcome this year, but it's not the end of the road. We can continue to negotiate through new deadlines. We may have to take a period of time next year to pause and reflect and wait for the U.S. to renew their negotiating mandate. But I think the commitment is still there, especially at the political level, among all WTO members, so the opportunity still presents itself.

Hon. Mark Eyking: Thank you very much.

The Chair: Thank you, Mr. Eyking. Certainly those are questions every member of the committee is very concerned about.

We now go to the Bloc and Monsieur Paquette, for seven minutes.
[Translation]

Mr. Pierre Paquette (Joliette, BQ): Thank you, Mr. Chairman.

Gentlemen, thank you for appearing before the committee.

In his initial presentation, Mr. Curtis said that the Canadian economy was strong and that exports were doing well. I want to be a little more specific. When I look at the figures, I note that exports increased this year by approximately 5.8 per cent, but this is mainly due to the increase in energy exports. Were it not for this boom in energy exports, particularly to the United States, this increase would be very slim, at a time when our imports increased by 6.6 per cent.

This means that our imports increased much more rapidly than our exports. This concerns me.

Second, I note that the percentage of Canadian exports on the American market went from 87 per cent in 2002 to 84 per cent in 2004. In other words our share of the American market dropped, even if the absolute figures remain positive. The reason we are doing so well overall is because imports from the US to Canada are dropping faster than our exports to the US.

Things seem to be going well. However, slowly but surely, the Canadian economy's ability to be competitive, particularly compared to other economies, is falling. I want to know if you share my concerns. I am not saying that the house is on fire, but I think that we should consider the details and encourage our exporters to be more vigilant.

I want to conclude by saying that profits are at record levels, but investments are low. For example, in Quebec, this year, investments were less than one per cent. I'm a little concerned because, despite appearances, it seems that the Canadian economy remains an economy with clay feet. I'd like to hear your comments on this.

•(1605)

[English]

Mr. John Curtis: Thank you.

Might I reply, Mr. Chair?

The Chair: Yes, go ahead, Mr. Curtis. When a member asks the question, just feel free to go right into the response.

Mr. John Curtis: Yes, fine.

I thought every question, certainly, was a very good one, and one has to be always nuanced. And that's why I, myself, was trying to say that while the world economy and the Canadian economy are doing fairly well, one has to worry about regions, one has to worry about sectors, one has to worry about communities. There's no question.

The economy is always changing, always—as we say in English—churning, particularly in the labour market.

I would like to make a couple of points, if I might. You're quite right, Monsieur Paquette, that energy and energy prices—and that is not only oil and gas but also minerals and metals, of which of course Quebec is a major producer—are particularly strong, and other export sectors are less so. But there has been, as you put it, an across-the-board increase in exports. And that includes, I might add, commercial services, which are doing extremely well. Of course, a lot of it is Montreal and Quebec based.

So I think one has to be, as you suggest, careful, but on balance, every year things will change. Some years it will be agriculture; some years it will be automobiles. Each sector, each year, is somewhat different.

With respect to your point about declining share, one can turn that around. Of course, we economists like to—I won't use the word play with numbers—work with numbers. I'll make the case that partly, because the rest of the world, for our markets, is growing, in fact the U.S. share, looked at that way, is declining. It's partly a reflection of the relative growth of demand on the part of the Americans as against the relative growth on the part of China, which has been referred to by my colleagues, and India. To some extent, it's other markets demanding an increasing amount from us that results in the share going to the United States looking as if it's declining.

But in fact, our exports overall to the United States from every region of Canada are doing extremely well. To some extent, it is through the United States, as well, that our exports, as well as our imports, are very strong.

The other point I'd make finally, if I might, Mr. Chairman, is the point Monsieur Paquette has made with respect to profits, particularly in Quebec. But this is true for many established firms in Canada. Because of the rise of the Canadian dollar, this will affect particularly those exporters who are finding their exports priced in U.S. dollars, which of course means that in Canadian dollars their profits are less.

But this is not necessarily a disaster in the long term. One has to take a fairly long-term view. This is not to be complacent. This is to say that one has to look at the entire picture before rushing to a judgment as to whether things are good or bad. So let's just say they're pretty good.

[Translation]

Mr. Pierre Paquette: I'm also an economist and I love to work with figures. Everyone always says that, when the Canadian dollar is strong, Canadian businesses should invest, since American machinery and technology is inexpensive. Normally, we could expect that, now, Canadian companies would take advantage of the fact that the dollar has reached 90 cents and invest heavily.

I think that we need to warn exporters, because the situation could quickly deteriorate. I think that we are losing market shares. I would like you to give us some figures. We are losing shares of the American market to emerging economies such as China and Brazil, with regard to lumber. Could you provide us with these figures? This is not an issue we follow closely, but we are taking advantage of your presence here to become better educated.

I want to ask a specific question about negotiations on the Free Trade Area of the Americas. Perhaps Bruce Christie could answer it. I want to know whether any negotiations are currently underway. There is still a schedule, but there's nothing else. Has anything happened in the last few months in terms of negotiations on the Free Trade Area of the Americas?

• (1610)

[English]

The Chair: Thank you, Mr. Paquette. Your time is up.

Perhaps we could get an answer from Mr. Wilson.

Mr. Randle Wilson: Yes, if I may invite Mr. Loken to the table.

[Translation]

Mr. Peter McGovern: Mr. Chairman, could I add to Mr. Paquette's question? The figures are interesting. It is true that our exports to the United States have dropped slightly, however, China represents our biggest competitor and 47 per cent of exports from China to the United States are actually trade between American subsidiaries and the parent company. So it's not really pure trade. This is rather typical of globalization, and I think it's important to state that.

I could add another interesting element to this debate. I am not an economist. Given that —

An hon. member: You have a beautiful tie on.

Mr. Peter McGovern: Thank you very much, but you must remember that I spent four years in Italy.

With regard to the strength of our dollar, there has been a very interesting development with regard to our figures. For the first time, Mexico has surpassed Japan and is now the second-highest source of our imports. This was just in reference to a point you raised. Canadian businesses are taking advantage of the possibility of buying machinery from, among others, Mexico, in order to modernize their equipment. This is clearly something we need to follow but I think this trend already exists. Thank you.

[English]

The Chair: Mr. Loken.

Mr. Martin Loken (Director, Regional Trade Policy, Department of Foreign Affairs and International Trade): Good afternoon. My name is Martin Loken. I'm the director of the regional trade policy division at Foreign Affairs and International Trade.

[Translation]

Mr. Paquette, thank you for your question about the FTAA. Not much is happening right now with regard to the FTAA. Perhaps you are aware that, in November 2005, at the Summit of the Americas, the leaders of most countries reaffirmed their interest in the FTAA, since this is a tool that promotes economic integration and the liberalization of trade in the Americas.

I believe that 29 of the 34 countries represented at Mar del Plata reaffirmed their support for the FTAA. However, there was no consensus with regard to the resumption of negotiations. The government of Colombia offered, in Mar del Plata, to consult with the FTAA participants and also to hold a meeting at the appropriate time. We are awaiting the results of this consultation.

In the meantime the co-chairs of the negotiations, the United States and Brazil, must resolve their differences with regard to the FTAA. There has not yet been a breakthrough in their negotiations. Therefore, there is no specific date on which negotiations will resume.

That said, the FTAA remains an initiative that Canada supports. We believe that it is important to improve the conditions for investment and trade in our hemisphere, and the FTAA is an extremely useful means by which to achieve this.

•(1615)

[English]

The Chair: Thank you, Mr. Loken.

Now we go to the government side, to the parliamentary secretary to the Minister of International Trade, Ms. Guergis, go ahead.

Ms. Helena Guergis (Simcoe—Grey, CPC): Thank you.

First, I was not present for your election, Mr. Chair, so I do want to give you my congratulations.

The Chair: I'll keep that in mind when it comes to allocating time for questions.

Ms. Helena Guergis: I'd also like to give my appreciation to all of the officials who are here from the department. Thank you for taking time out of your schedules to be here with us. We really appreciate the good information that you're giving us today and that I am sure you will continue to give us in further meetings.

Being that Canada has really only completed one free trade deal since 1997, while other countries, the United States and Australia, have.... Can you give us perhaps your opinion as to why you think Canada has not done so in the past? Also, there are many rumours out there about a free trade agreement with Korea, some media reports indicating that we're very close and also some media reports indicating that there are some issues with shipbuilding and the auto industry. I was hoping that you could clarify that for us and give us some specific details.

Mr. Martin Loken: Thank you for the question.

In terms of free trade agreements, first I'll step back. Canada has essentially been pursuing trade and investment liberalization on three important tracks: there's of course the multilateral work that we're doing in Geneva; there's the all-important work with the United States and Mexico in the North American context; and then for at least the last 10 to 15 years there's been a third track, which is the bilateral liberalization. We have a number of tools to promote trade and investment liberalization bilaterally, of which a free trade agreement is one, although an extremely important and powerful tool.

We have right now agreements with United States and Mexico, the NAFTA. We have agreements with Israel and with Chile; those two agreements were concluded in 1997. And more recently we made an agreement with Costa Rica, which was concluded in 2001 and went into force in November 2002.

We have a number of negotiations that are ongoing. In 2001 we launched free trade negotiations with Singapore as well as with four Central American countries, the CA4 we call them. There are also negotiations ongoing with EFTA, the European Free Trade Association countries, that started in 1998, and more recently Korea. And I'll come back to Korea in a bit more detail to answer the second part of your question.

Every negotiation presents its own set of challenges. We're working, and have been working for some time, with each of the countries that we're negotiating with to try to resolve the different issues that stand in the way of an agreement.

Probably the agreement that's the furthest advanced right now is the negotiations with the Central America 4. In fact, a small team of us are going to be heading down to Guatemala next week to meet informally with our Central American counterparts. It will be the first face-to-face meeting with them since February 2004. So we're going to take stock of where we're at and see if we can find a way to resume in a formal fashion and try to negotiate and conclude this agreement as soon as possible.

It's no longer, if it ever was, an academic notion that the free trade agreements that other countries have with Canada's partners can impact on our market access. We see this case now quite vividly in Central America where the United States has a free trade agreement with the four Central American countries we're negotiating with plus Costa Rica and the Dominican Republic. We're hearing reports that this is beginning to have an effect on established Canadian exporters to the region because now the United States is getting tariff-free treatment, at least for some products at the outset, in these countries whereas Canadian exporters are facing a tariff. I think this underlines the importance of resuming and trying to conclude that negotiation in particular.

But more generally on free trade agreements, we are working hard to figure out how we can make progress and finish up our negotiations with all of our current partners.

On Korea specifically, it's at a relatively early stage in the negotiation. We've only been formally negotiating with Korea since July 2005, and that was preceded by a thorough consultation process with Canadians. There is no schedule for concluding the agreement. We are not on the verge of concluding it. We do hear that the Koreans would like to conclude it by the end of this year, but Canada has not set out any target for concluding it. There is still an awful lot of work to do. These things are extremely complicated. We had the fifth round in Ottawa last month and we have the sixth and seventh rounds notionally scheduled for late June and late September of this year. So we have lots of work to do, but we're continuing to consult extremely intensively with a variety of Canadian interests, including the automobile industry and the shipbuilding industry.

Thank you, Mr. Chair.

Ms. Helena Guergis: Do I have a few more minutes?

The Chair: You have two minutes.

•(1620)

Ms. Helena Guergis: Two minutes, okay.

Quickly, let's go back to the agricultural subsidies and the issue of the negotiations at WTO. I'm sure that many of my colleagues around the table have spoken with many in the sector, and we're getting different opinions and suggestions and recommendations as to what Canada's position should be.

What do you see that Canada's position should be at the WTO negotiations in terms of agriculture?

The Chair: Mr. Christie, go ahead.

Mr. Bruce Christie: Thank you, Mr. Chairman.

Our objectives in the agriculture negotiations are to pursue, as best we can, the creation of a level playing field in the agriculture and agrifood sector globally. Most importantly, along with many other members, we're aiming to eliminate the massive agricultural export subsidies, especially in the European Union market. We're trying to substantially reduce the trade-distorting domestic support programs of some members. In that particular instance, we're looking at some of the farm aid programs provided by the U.S. government that make it difficult for Canadian farmers to compete in that market, but also, and equally important, we're seeking new, commercially real market access for agricultural producers in representing our offensive interests in the negotiations. That's a very ambitious set of objectives, and for most of us in the negotiations they can at times work at cross-purposes, because, let's face it, we're essentially down to the nitty-gritty here in the agriculture negotiations. This is the sector that we were not able to tackle through all the previous rounds of multilateral trade negotiations that we've had over the past fifty years.

So it's been one thing to reduce our industrial tariffs. In a country like Canada, for example, we're at a point where we have an average industrial tariff of about 5%, and we're still trying to seek opportunities for Canadian manufactured goods in some of these emerging markets that my colleague mentioned, like Brazil and India.

In agriculture we're hoping to pursue our offensive interests in obtaining new and real market access in key markets, but at the same time preserve our ability to manage some of our domestic programs, like our supply management systems and our Wheat Board. We're trying to defend those interests as particular institutions that serve Canada well and, arguably, aren't trade-distorting.

This is our objective in the negotiations. How it will all turn out in the end is a difficult question to answer, because the agenda, as I mentioned, is a very ambitious agenda and the negotiations are getting right down to the quick at this point.

The Chair: Thank you, Mr. Christie.

Before we go to Mr. Julian, could I just ask a bit of a follow-up question on that?

There was an agreement reached in Hong Kong on export subsidies, or at least there was a tentative agreement. Is that not correct? If it is, could you just comment on that and what it would mean? Has there been any kind of dollar value placed on what it would do to the price of agricultural commodities if export subsidies were eliminated on the schedule set in Hong Kong—or that was agreed to tentatively in Hong Kong?

•(1625)

Mr. Bruce Christie: The agreement that we reached in Hong Kong certainly did not go as far as we would have liked. As we and other countries entered Hong Kong in the weeks before the conference, we were forced to collectively recalibrate our objectives. We did so to avoid another all-out collapse of the conference, as we had seen in the previous ministerial conference in Cancun in 2003.

We were pushing very hard to set a target end date for the complete elimination of export subsidies by 2008, and at the end of

the day we couldn't get the Europeans, specifically, to agree to that timeline. We agreed to a date of 2013.

So it certainly didn't meet our objectives. It was at least an agreement of intent and showed the commitment by members to eliminate these massive export subsidies, but we see it as an interim step and we would hope to further reduce that deadline closer to where we are now. Hopefully we can achieve that by the end of the year.

The Chair: Thank you.

Thank you, Mr. Christie.

Now for the final questioner in the initial round, Mr. Julian, for seven minutes, and then we'll go to the second round.

Mr. Peter Julian (Burnaby—New Westminster, NDP): Thank you very much, Mr. Chair

And thank you to the witnesses for coming. There are a lot of subjects we want to go over, so we appreciate you being available so promptly.

Softwood lumber of course won't be on the agenda for today; it will be on the agenda for Monday. Mr. Chair, after the witnesses have finished, I'll have a procedural point to raise for next Monday's meeting.

Getting back to the broader trade agenda, I just want to follow up on the last set of questions to Mr. Loken and Mr. Christie. Specifically, in terms of the Canada-Korea agreement, what work have we done to obtain an automobile exemption? That's something that folks in the auto industry are very concerned about, so I'd like to know where the state of play is both for the auto industry and for shipbuilding.

Secondly, for the WTO negotiations, it has been a matter of some concern to the agricultural community, of course—we've seen it with the farmers who have been here a number of times over the last few weeks—about the impact if we compromise in any way on the supply management sector. You mention an ambitious agenda that we have, but I want to be sure that it doesn't mean compromising in any way on the supply management sector and the communities that depend on it.

So those would be my first two questions.

Mr. Martin Loken: Regarding Korea, if I understand correctly, when you refer to an exemption for automobiles, you're referring to exclusion from tariff elimination in the free trade agreement.

As a developed country member of the WTO, when we enter into a free trade agreement, we have to cover what's called "substantially all trade". This means we have to cover virtually all of the actual trade between our two countries. There isn't a strict threshold, but it's accepted that at least 90% of the trade between countries has to be subject to tariff elimination.

Something in the order of 30% of our imports from Korea are automobiles, so I think the notion of trying to outright exclude automobiles from tariff elimination would be very difficult to consider. In fact, in all our free trade agreements to date, the Canadian approach has been to cover all industrial products through the tariff elimination and then have exemptions in only very limited areas, among agricultural products.

Automobiles and ships and all other industrial products would be subject to tariff exclusion or elimination in the FTA with Korea. But that doesn't mean the government doesn't have other levers with which to address the sensitivities of the automobile industry. For example, the length of time over which the tariff would be phased out with Korea is negotiable.

Also, we're working very closely with the automobile industry to look at how we can address non-tariff barriers in the Korean market, because this is one of the issues they brought to our attention quite forcefully, that there are some challenges getting their product into Korea. We're working with the industry to figure out what kinds of provisions we can build into the agreement itself to deal with the non-tariff barriers in Korea.

• (1630)

Mr. Peter Julian: Those are two ways you're dealing with the concerns that the auto industry has expressed. They're very valid concerns, as I'm sure you realize.

Mr. Martin Loken: Well, the consultations are very close. And yes, the main avenue is to try to get information from them on the non-tariff barriers in the Korean market so that we can then determine how best to structure disciplines in the agreement. The concerns about the potential impact of tariff elimination from the industry are being heard loud and clear, and we factor that into our positions with the Koreans.

You have to bear in mind with Korea that you already have Kia and Hyundai that have set up, or are setting up, manufacturing facilities in the United States. Once they meet the required rules of origin, they will soon be able to send vehicles to Canada duty-free under the NAFTA. Our assessment is that the incremental impact of eventual tariff elimination on automobiles from Korea will be quite limited.

The Chair: Mr. Christie, go ahead, please.

Mr. Bruce Christie: Thank you, Mr. Chairman.

Our government's position in the agriculture negotiations is to continue to support and defend Canada's supply management system, and we'll continue to aggressively defend supply management in these negotiations.

As I mentioned earlier, we have a two-track set of objectives here: we're trying to preserve our domestic programs, like supply management, but at the same time we're trying to provide opportunities for export-oriented industries, which represent roughly 90% of the farm-gate receipts in Canada.

What I can say is that in the negotiations on sensitive products, proposals on the table, in terms of the number or percentage of tariff lines that members would be allowed to protect in an overall tariff reduction offer, range from 0% to over 12%. We have been part of those negotiations, and continue to be actively engaged in those

negotiations. We have also argued for seeking the kind of flexibility in the treatment of sensitive products that would imply zero tariff reductions to those sensitive sectors. But that's the negotiation going on right now.

Japan would also like to protect its 1,000% tariff on rice. Other WTO members would like to gain better access into the Japanese rice market. This is the kind of pressure we're facing, too. Certain WTO members want access to our dairy, poultry, and egg markets. We continue to defend them vigorously in the negotiations.

Mr. Peter Julian: I guess my next question is whether ultimately this is a deal-breaker if supply management is reduced. It's currently 11%. In the last discussion we had with the trade negotiator, he indicated that the American position was 1% but the Canadian position was 11%, and ultimately the compromise would be somewhere in between.

On behalf of the communities that depend on supply management, I'm hoping the instructions are that supply management will not be compromised. Having it reduced from 11% to 5% is still losing potentially half of that supply-managed sector.

I understand there are a number of agenda items. My question to you is whether this is a deal-breaker for Canada, and whether if we stand behind the supply-managed sector and it's compromised in any way, we wouldn't go any further.

• (1635)

Mr. Bruce Christie: At this time I can't answer the question of whether that would be a deal-breaker for Canada, because we don't know what deal is on the table. We don't know what a final deal could look like. We may not get there.

But specifically, if your question is how far we would go to compromise within a sector coverage percentage, that really is a question that you should direct to Agriculture and Agri-food Canada and our chief negotiator. It would also depend on what the entire package would look like.

This is a negotiation. We are seeking new market access, and we're hoping to, as many members are, protect our domestic industries. What the final package will look like is a decision for the cabinet to make, as is whether the trade-offs involved in that hypothetical package would be worth accepting on behalf of Canada.

I can't answer the question of whether it would be a deal-breaker. We're not at that juncture right now.

The Chair: Thank you.

We'll go to the second round, the five-minute round.

Is there someone from the Liberal Party?

Mr. Lui Temelkovski (Oak Ridges—Markham, Lib.): Thank you very much, Mr. Chair.

I'd like to thank the department for coming out and doing a good job on the briefing. This is my first time on the committee, and I look forward to working with all of you as time goes on.

The number one issue I have to raise with the chair is that I came prepared for softwood lumber, and somehow that got switched. Mr. Paquette had such a passionate request for the softwood lumber, supported by Mr. Julian, that I hope we have an opportunity to have the information on that, although the ink may not be dry on the document yet.

The Chair: The minister will be before the committee on Monday, and of course members are always free to ask the minister any question they like. The minister will answer what he or she can.

Mr. Lui Temelkovski: Thank you.

I also hope that the people from the department will be accompanying the minister, because he is still fairly new in the position and alone may not be able to do it.

My first question would be that last year in its May report, entitled "Dispute Settlement in the NAFTA: Fixing an Agreement Under Siege", the committee unanimously put forward 20 recommendations designed to repair the NAFTA dispute settlement mechanism found in chapter 19 of the agreement. Furthermore, the report argued that it was time for the Canadian government to take a more aggressive stance on the trade dispute file with its American counterparts to ensure that the original intent of chapter 19 is respected. Can you comment further on this report, and whether it has been reviewed by the department? What actions have been taken, if any?

Mr. Randle Wilson: Thank you, Mr. Chair.

Clearly this is part of the general context that was considered and analyzed by the department in formulating advice to the new government, in particular in preparation for the NAFTA commission meeting in Acapulco and the first meeting of the leaders that follows I think a couple of weeks later in Cancun.

The immediate concrete follow-up has taken three forms. First and foremost, the priority given by the government to resolve the softwood lumber issue was obviously intended to take out and neutralize the single biggest thorn in our side. That said, there is work underway right now to follow the evolution of the last stages of that file—and I don't want to raise false hopes, because in fact those last stages in the softwood lumber file are still playing out—and see what elements can be used to handle other issues constituting irritants under NAFTA.

Secondly, there is and continues to be high level direction from leaders under the Security and Prosperity Partnership of North America to pursue a work program addressing the underlying causes of the disagreements. In some cases, those are no more than regulatory diversions, and there has been a longstanding NAFTA work program. But I can promise you that with the energy it's been given by both ministers at the NAFTA commission and at the leaders level at the SPP, this has a lot more momentum now.

Thirdly, NAFTA itself has been engineered to be able to continuously reinvent itself. That said, NAFTA is a five-letter word in certain parts of the continent, so there are ways of addressing the operation of NAFTA dispute settlement. There are concrete ways

that are being explored and gradually worked out for implementation that do not in any way involve attempting to modify the treaty as such, which of course would be a recipe for a standstill. But these are ways that relate to the procedure, the standards of review—in other words, to all the lessons we have learned from years of American harassment on the softwood lumber file, to be blunt.

• (1640)

The Chair: To the Bloc member, Mr. André, for five minutes, please.

[*Translation*]

Mr. Guy André (Berthier—Maskinongé, BQ): Good afternoon, everyone. Thank you for being here.

This is the first time I have spoken on this committee. I am a newcomer.

Earlier, you said that the Canadian economy was doing relatively well and similarly so was Quebec's economy. However, some industries have been hard hit by the rising of the Canadian dollar and competition from Asia. In some municipalities, competition from Asia has seriously hurt textile companies. These two factors will result in job losses in the Quebec furniture industry, particularly if the Canadian dollar continues to rise. This is hurting the production and sales of many industries that export to the United States.

I want to know whether the government has put in place mechanisms, programs or measures to ensure that the problems experienced by the textile industry, which suffered significant job losses, will not occur in the furniture industry or other sectors, including the bicycle manufacturing sector, which has also been hard hit by foreign competition.

My second question concerns supply management, which, in the agricultural sector, is a significant concern. Many farmers believe that supply management is protected. However, Quebec and Canada receive imports of what are called milk proteins, and this is very detrimental to farmers. For example, in Quebec, various statistics show that farmers have lost approximately \$500 million. These losses are significant, and they are having a direct impact on dairy farms. I would like to hear your comments on this subject.

Mr. Randle Wilson: Thank you, Mr. Chair.

First, I want to answer your question about the industry. I have already indicated our wish to respond as best we can, but I want to be clear: my minister does not have a mandate to propose aid packages or structural changes.

Obviously, this context is extremely important with regard to the department's plans. That said, the minister's main objective — without putting words in his mouth — is to create jobs and generate productivity.

In the past few decades, we experienced similar shocks. In the 80s, the threat did not come from China, but rather from Japan and the United States. One of the most important lessons we learned from those experiences was to realize that the government cannot really predict the direction that the economy or an industrial sector will take.

For example, people had predicted as early as the 1980s the imminent disappearance of the furniture industry due to competition from the United States.

So, it is important to note that industries and companies operating in a flexible economy are better able to ensure their own survival. Quite clearly, we have seen a considerable change in the nature of jobs. For example, the textile industry has focused on design and retail sales, but it is important to note that the very nature of trade itself is escaping us. We can no longer rely on data about trade across our borders. The flow of trade no longer takes into consideration the complexity or totality of trade. This means that the government's most important role — and the minister insists on this — is to ensure a healthy economic environment, both nationally and regionally. That is why we are working with the municipalities to attract new investments and create and generate other prospects. Obviously, this is only one of the things we are doing. It is a way to ensure that wherever jobs are lost or are threatened, other jobs can be created to make up for that loss.

I see the chair looking at his watch.

I will talk briefly about supply management, if possible. It is important to first understand that it has been the policy of the Government of Canada, during these negotiations, to ensure that Canadian farmers continue to be able to decide how they want to do things. So, we have never tried to make decisions for farmers, but rather to give them a choice. The department also opposes export subsidies, or internal subsidies, which distort trade. The department wanted to allow them to remain competitive through their own efforts instead of through government funding.

With regard to milk proteins, we see on the one hand an evolution in the technology and on the other hand a market organization that goes back, in the case of the dairy industry, to the 1950s for cheese and to the 1960s for the Canadian Dairy Commission. The problem is that neither the industry nor the government is really able to predict the impact of technology related to the production of dairy products based on proteins or other ingredients.

Obviously, you are more up-to-date than I am on the recent rulings of the Canadian International Trade Tribunal. Consequently, when it comes to the challenges faced by the dairy industry, I'm sorry, but this falls under the mandate of the Minister of Agriculture and Agri-food, Mr. Strahl. This has to do with agricultural policy and not trade policy.

•(1645)

[English]

The Chair: Thank you, Mr. Wilson.

We have time for one more questioner. Mr. Julian has indicated he would like to discuss something briefly before the meeting adjourns, so I recognize Mr. Menzies, for five minutes, then we'll deal with that business.

I have a very short issue I'd like to bring to the committee at that time, too. We'll deal with these things quite quickly, I would hope.

Go ahead, Mr. Menzies.

Mr. Ted Menzies (Macleod, CPC): Thank you, Mr. Chair, and thank you to our expert witnesses. It's a most interesting and timely subject. It's unfortunate we don't have more time to discuss it.

I want to clarify one comment Mr. Julian made about the farmers who were lined up on Wellington Street a few weeks back. My understanding from talking to most of those farmers was that they were not concerned about our government's defence of supply management as much as they were trying to raise awareness of their commodity price returns to their farms. Specifically, it was the grains and oilseeds industry that were raising the awareness of the crisis they were in.

I just wanted to clarify that. Unless I didn't meet any of the right farmers, that was the discussion I had with them, and I think it's important to remember that.

Going back to Mr. Christie's comment, about 90% of our agri-food gross returns come from those agricultural and agri-food industries that are dependent on exports. I'm confident that our negotiators—and excellent negotiators they are—are working hard to make sure we can somehow bring down those 600% tariffs that are keeping our products out of some of these countries.

We need to also remember that this is the Doha development round. We have had a lot of depressing comments here, but we did gain in Hong Kong the agreement that 97% of products coming out of the least developed countries would move quota free and tariff free. That's a plus. We should have gone 100%, but we're working on it.

Maybe this should go to Mr. McGovern. We're hearing a lot about the extension of the U.S. Farm Bill. Should I be as concerned as I am about that? I see that Congressman Collin Peterson has signed on today to that. I'm not only concerned that we have an issue at the WTO; what gains are we going to get in lowering U.S. domestic support if they simply extend the U.S. Farm Bill?

•(1650)

Mr. Peter McGovern: Mr. Menzies, that's an issue that's outside my competence. It falls more properly in that of our trade policy individuals, but we certainly can get a read for you and get back to you with it, if that would be all right.

Mr. Ted Menzies: I guess I'm very interested.

Mr. Peter McGovern: It is a very important piece of legislation, which would be wide-ranging in its effects, and we should have proper....

Economists always like to make sure I'm very precise. I'm Irish; I go big all the time. But it could have wide-ranging effects, and we should get a report for you, if you wish, on the actual status of the legislation right now.

Mr. Ted Menzies: Mr. Chairman, I know they haven't completed their 2007 bill, so if we're reverting back to the 2002 bill, then I'm concerned.

On a point of clarification, Mr. Christie, you talked about this new G-12, as I assume we're calling it. Who are those partners that we're in with, and has the Cairns Group fallen right off the map?

Mr. Bruce Christie: No, the Cairns Group hasn't fallen off the map, and our good friends the Australians would never let that happen. As to the G-12, we're not actually calling it a G-12, maybe because it's not a group functioning at the ministerial level but is at the level of senior officials.

The current membership—and I say current because it is an ever-expanding group.... It started as a group of nine; it's now up to twelve. The G-4 group I referred to earlier—the United States, the European Union, Brazil, and India—are members, along with Australia and Japan, and the group has been expanded to include Canada, Malaysia, Norway, and Egypt, and China decided that they should be a member of this group, so we added them as the twelfth.

How many am I at now? I'm at eleven. Norway, Egypt, Malaysia.... Malaysia is the twelfth. But I can send it to you. That's the current group right now.

Mr. Ted Menzies: This would be to Mr. McGovern, following up on your comment about the U.S. strategy. I sensed that you wanted to elaborate a little bit on that. Obviously, they're our largest trading partner. What are the potentials, and how are we going to access those?

The Chair: You have about two minutes, Mr. McGovern. I would invite you to send any thoughts on that when you send a response to Mr. Menzies' question. If you could send that around to the clerk, he'll get it to all members of the committee.

Thank you.

Mr. Peter McGovern: Effectively, we have to be smarter in how we're working in the United States, in terms of the services we provide to the network of consulates, offices, and consulate generals in the embassy. We're proposing to approach the United States as a market of markets. Effectively, we've identified 15 markets: 14 of them are regional, the 15th being U.S. government procurement, which is effectively the defence sector. We want to focus our efforts on seven priority sectors—and I'll have to count them, but I can give them to you—where we see major value-added in terms of potential for Canadian exporters. The sectors are: aerospace and defence; agriculture food and seafood; automotive and transportation; bioscience and health; energy and environment; building products; and information, communications, and telecoms. Those will be the areas that we will concentrate our efforts on as an element of this strategy. It doesn't mean we're not going to stop doing the whole range of activities we do, because that continues on whether we're there or not, but this is where we think there is real potential for growth and opportunity.

•(1655)

Mr. Ted Menzies: How many offices do we have in our expanded...?

Mr. Peter McGovern: In terms of the expanded network, we have 22 offices, and I'd be very willing to provide where all those locations are, if that's of interest to you.

The Chair: Mr. McGovern, in your response to Mr. Menzies' earlier question, which will be circulated to all members of the

committee, if you could give a list of those offices, I think that would be good for us all to know. It's such an important market.

Mr. Peter McGovern: Absolutely. I'll provide the names of principal trade contacts and who the consulate generals and consuls are, because I think that would be of use to you.

The Chair: Thank you.

Thank you all, ladies and gentlemen, for coming today. I know you have a lot of work to do. We do appreciate very much your appearance here.

I would ask all the members of the committee to forgo the usual handshakes with the committee members at this time, so we can get directly to what should be five minutes of remaining business of the committee.

Again, thank you very much. Let's get right down to the further business.

An hon. member: What an autocrat!

The Chair: Mr. Julian, please go ahead. Ignore these people on this side; they're out of order.

Mr. Peter Julian: I always do, Mr. Chair.

The Chair: That's your jeopardy, Mr. Julian.

Mr. Peter Julian: We've invited the minister to come, and I'm very happy to hear that he will be here next Monday to talk about the softwood lumber agreement. Since there's been a little uncertainty around whether it's an in camera session or a regular standing committee meeting, I'd like to propose that it be a normal standing committee meeting. It's an important issue of public policy, so it should be a public meeting.

The Chair: Mr. Julian, I believe at the last committee meeting we did decide to go in camera. I could just say that the depth of the answers certainly would be affected if it were made a public meeting, because all we have in place is a framework agreement. Negotiations will be ongoing for, I think the Prime Minister anticipates, at least a year. Clearly, we cannot be getting into the detail of what will be in this final negotiation in a public meeting. In an in camera meeting we can get into a lot more. So that was the reasoning. I believe that was what the committee agreed to at the last meeting.

Is that correct, gentlemen?

An hon. member: I believe you will find a seconder for the motion.

The Chair: Are we going to go to a motion on this? We had agreed to go in camera.

Ms. Helena Guergis: Did it meet the timeline for motions to be presented?

Mr. Ted Menzies: I received nothing.

Ms. Helena Guergis: I received nothing.

The Chair: Quite frankly, the minister had agreed to come. He's agreed to come very quickly; he's obviously cooperative on this.

Ms. Helena Guergis: There are timelines for motions to be presented.

The Chair: Mr. Julian, if you are going to a motion, I think it is necessary to have the 48-hour notice. If it were something to discuss that we could deal with, that wasn't going directly against a decision made at the last meeting, I would say let's go ahead and try to cooperatively just do it, but I think this is something else. I would ask you to give the 48-hour notice.

Mr. Peter Julian: Mr. Chair, we didn't have a 48-hour notice for the initial discussion. It's a minor procedural point—it's an important one—but I think we can discuss it now. We're present here in committee. It's perfectly reasonable for us to have the discussion.

The Chair: Any further discussion on that?

Mr. Paquette, I believe you indicated you'd like to make a comment, and then Mr. Menzies.

[*Translation*]

Mr. Pierre Paquette: I want to say that, since we first started talking about it, I visited the department's website and I saw that the framework agreement is there. I also noted that the industry, particularly in British Columbia, is talking about this agreement. People have noticed that things are not very clear. I believe that it is in the government's interest to respond to the questions people have.

Here is one of those questions. There is no mention of interest being paid on the duties being repaid to the Canadian industry. As a result, I think that we should hold a normal public meeting. I believe that the minister will find the answers to reassure the industry.

I agree with you that, without unanimous consent, we will have to table a motion. Mr. Julian or I will send it to you. I wanted to tell you that we intend to do this.

• (1700)

[*English*]

The Chair: You could ask for unanimous consent if you would like, Monsieur Paquette.

[*Translation*]

Mr. Pierre Paquette: Is there unanimous consent to make this a normal public meeting?

[*English*]

The Chair: Then I will ask if there is unanimous consent to forgo the normal 48-hour notice for notice of motions. Is there unanimous consent?

Some hon. members: No.

The Chair: No, there is not, so if you could send a notice in, we'll deal with it in that way.

Mr. Julian.

Mr. Peter Julian: Mr. Chair, for Monday we would then need a committee room that is set up for a public meeting. I suggest we would have to meet earlier on Monday in order to resolve this issue, so that the public can be advised that the meeting is open.

The Chair: I'd like to see the will of the committee. Is there agreement to have a special meeting before the minister's appearance

on Monday? I believe it would have to be unanimous consent for that as well.

Mr. Menzies.

Mr. Ted Menzies: To go back to your comment, Mr. Chair, we didn't demand a 48-hour notice on the request to bring the minister as a witness. We were trying to be conciliatory and agreed to that without the 48-hour notice, but to change the format of the meeting after it's been agreed—I don't find that acceptable.

The Chair: Mr. Julian, on your earlier point, the clerk has pointed out that at the organizational meeting, the normal 48-hour requirement to discuss issues and to bring forth motions is different—it's a special case. That's why we could make a decision to have the minister here. We wanted to do it so we could accommodate and get the invitation out to the minister as soon as possible.

Clearly, you would have to provide notice. At the next meeting, either at the Monday meeting or the Wednesday meeting, we could deal with your motion.

Mr. Peter Julian: Well, no, Mr. Chair; that is effectively torpedoing the will of the committee. My sense is that the majority of committee members would prefer to have this done—this is public policy—at the regular meeting of this committee.

You're saying we're changing the rules of the game while that's in course. I don't think it should apply to this motion. We had a practice at our first meeting in which a motion was brought forward and was adopted. Now we have a motion, and you're saying we need delay. If you're saying you want to move to a formula requiring 48 hours be given, then I think it should apply for subsequent motions. I don't think we should change the game rules in midstream, which is effectively what's happened.

The Chair: Again, Mr. Julian, I was taking the advice of the clerk. He was the person who indicated that the organizational meeting is a different situation, and that 48 hours is required. There is no motion before this committee because we haven't received the 48-hour notice, so could we put that to bed?

If you want to have the minister again, you're completely free to bring that to the committee—

Mr. Peter Julian: What I'm suggesting, then, Mr. Chair, is that it be the first motion we vote on. We would have to have the decision prior to the minister's actually beginning his presentation.

The Chair: You're saying that at the start of the next meeting—

Mr. Peter Julian: At the start of the meeting we would have the motion; we would vote on it, and then we would proceed to the minister's presentation.

The Chair: Yes, Mr. Menzies.

Mr. Ted Menzies: We voted on it at the last committee meeting and it was defeated. I see no reason to overthrow that. I see no reason why it would be voted on any differently.

The Chair: I guess all we can do now is the 48-hour notice of motion. If we receive that and it has the appropriate 48 hours before the time of the meeting, we'll decide at that meeting how to deal with it.

• (1705)

Mr. Peter Julian: At the beginning of the meeting.

An hon. member: No.

Mr. Peter Julian: Yes. If you're playing procedural games, the committee—

The Chair: We will—

Mr. Peter Julian: Excuse me, Mr. Chair. I'll complete my comments.

Here we have a situation where we are saying that it will take a 48-hour pre-notice. In that case, given the importance of the meeting on Monday, we would vote on that at the beginning. I'm certainly willing to abide by the will of this committee, but it has to take place before. Otherwise, it's an effective veto on the will of the committee to establish the parameters around the appearance.

The Chair: Well, what we would be doing is changing the decision of the committee.

Ms. Guergis.

Ms. Helena Guergis: Let me say that I really think this conversation is unfortunate. I think the minister has been ready, willing, and able to come before the committee and work with us to answer our questions, to give us information, to be as open and as transparent as he possibly can, yet we're seeing that members opposite are disrespecting that.

In my opinion, if you want to waste the majority of the time that we have with the minister going through another motion or even waste 10, 15, or 20 minutes of precious time of the minister in going over another motion, I absolutely disagree with that. I think this is something that has already been decided.

Perhaps at the meeting you can ask the minister in your questions if he would like to come back and have it more public. I'm sure his answer would probably be yes. But at this point I think we need to proceed with the original schedule.

The Chair: Thank you.

We'll have to handle this issue at the next meeting.

I did have one more.... Yes, Mr. Julian.

Mr. Peter Julian: But at the beginning of the meeting, Mr. Chair. The vote will take two minutes. We've had the discussion today. We would simply call the question. We will bring the motion forward, and that would be the first thing voted on prior to—

The Chair: That's something we'll have to determine—

Mr. Peter Julian: No, Mr. Chair. I think—

The Chair: I'll be discussing this with the clerk and we'll see what is the appropriate procedure. We'll certainly follow appropriate procedure, Mr. Julian. I can assure you of that. So I will have that discussion and we'll decide on that.

It would be very unfortunate.... I've seen this happen before—I intend this to be a very helpful and friendly comment—where we've ended up taking the minister's time, sometimes all the time, in a

discussion on a motion to change the basis upon which the minister is attending. He agreed to—

Mr. Peter Julian: That's because you're not permitting the vote today, Mr. Chair.

The Chair: Well, we agreed at the founding meeting to have a 48-hour notice of motion. That has not been given. There certainly has been a week since we had that founding meeting, so I'm only following the rules. I'm not going to start doing things that impede the ability of opposition members, or any member, to carry out their jobs. I'm not trying to interfere in the will of the committee. I simply think we have to follow the rules.

If we could quickly.... Everybody has it in front of them, in both official languages, I think, on the subcommittee. We discussed it last time. When we had the discussion last time we said we should have one member from each party. The subcommittee will operate on consensus. I feel there would be a conflict if the chair—and I would also be chairing the subcommittee on the agenda—is also putting forth the position of the government. So I would prefer the chair to be a chair, not to be trying to determine the agenda and not to be trying to pitch, in this case, the government's position. What this would mean is we'd have the chair, the two vice-chairs, and one government member and a member of the New Democratic Party on the steering committee. Is that agreeable?

Mr. Julian.

Mr. Peter Julian: Are you moving the motion, Mr. Chair?

The Chair: No, we can deal with this—

Mr. Peter Julian: Well, I believe you asked, "Is it agreeable?" I get the sense that you're actually moving a motion for a vote.

The Chair: I haven't given 48 hours' notice. I don't know whether or not that's required on a motion like this. I'll ask the clerk.

Certainly, Mr. Julian, if you'd like to do that.... If we do that, we'd have to take some of the time from the minister's appearance to deal with this at the next meeting. Or we can put it off until later, in which case we won't have an agenda set for the committee for some time.

I'm certainly willing to do that if 48 hours' notice is in order—no problem.

All right?

• (1710)

[*Translation*]

Mr. Pierre Paquette: Either we follow the rules or we don't follow them. Since you are inviting us to follow the rules, we will settle this matter on Monday. There will not be a long debate on this issue in any case.

[*English*]

The Chair: No problem. We'll wait for next week and deal with establishing the subcommittee on the agenda. We look forward to the minister's appearance on Monday. If we get a notice of motion, we will deal with that sometime during Monday's meeting as well.

Thank you very much.

The meeting is adjourned.

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