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**Wednesday, June 14, 2006**

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**Chair**

**Mr. Leon Benoit**

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Wednesday, June 14, 2006

• (1530)

[English]

**The Chair (Mr. Leon Benoit (Vegreville—Wainwright, CPC)):** Good afternoon, everyone.

We're here today to work on a study on a trade agreement between Canada and the Republic of South Korea.

We have as witnesses today from the Department of Foreign Affairs and International Trade: Ian Burney, director general, bilateral and regional trade policy; Marvin Hildebrand, director, bilateral market access division; Gilles Gauthier, director, investment trade policy division; and Pamela Simpson, deputy director, regional trade policy division.

We have as well, from the Department of Agriculture and Agri-Food, Denis Landreville, deputy director, regional and bilateral negotiations.

From the Department of Human Resources and Skills Development, we have Anthony Giles, director general, Human Resources and Skills Development Canada.

I recognize that's a lot of people for a short time. I'm not sure if we'll have three presentations today to start off, or just two, but if you do want to make a presentation, I'd ask you to keep it to five minutes if you can. Then we'll go directly to questions. We'll probably only get one round of questions from each party in the initial round of questions.

We'll start with Mr. Burney.

**Mr. Ian Burney (Director General, Bilateral and Regional Trade Policy, Department of Foreign Affairs and International Trade (International Trade)):** Thank you very much, Mr. Chairman.

Actually, we're only going to be making one presentation. I brought a big group to help me with the tough questions, but we'll limit ourselves to the one presentation.

Thank you, Mr. Chairman, on behalf of the whole delegation, in giving us this opportunity to speak to you about the Canada-Korea initiative, for which I lead Canada's negotiating team.

To set the stage for the discussion of the Korea negotiations, let me start with a little bit of context, picking up on Minister Emerson's comments to you from the committee hearing last week.

As the minister noted, and as was confirmed in the document *Annual Report on Canada's State of Trade for 2006*, which was released later in the week, Canada is actually in very good shape

from an overall economic and trade perspective, with strong growth, record export levels, rising investment, and impressive job creation. However, as he also cautioned, these are not grounds for complacency, given the extent to which this performance is linked to inherently volatile commodity and energy prices, and given our relative trade performance beyond North America, particularly compared to some of our key competitors.

To sustain job growth and prosperity at home, we need to do more to reach out to the world and engage key commercial partners.

[Translation]

In terms of trade policy, Canada's efforts to break into international markets and find its place there are linked to three key areas: maintaining and increasing its access to the US market; participating in the WTO process; and implementing regional and bilateral initiatives.

I will not spend time on the first two areas because they have already been dealt with separately by this committee. I will point out however, that in the past, we have focused our attention almost exclusively on those two areas.

However, the situation is evolving, and it now apparent that we need to place specific emphasis on our bilateral program beyond North America, including initiatives such as a free-trade agreement with Korea.

Some of the main reasons are as follows: continued globalization of the world economy and the increased number of new and important economic players; the uncertainty surrounding the WTO negotiations; and especially, the rapid growth in activities by our trade partners to obtain preferential access to traditional and emerging markets on a bilateral basis.

[English]

So how is Canada doing on this front, the bilateral front? Well, apart from the NAFTA, Canada has trade agreements now with Israel, Chile, and most recently, Costa Rica. While we can look back with some satisfaction on those accomplishments, the reality is that we're no longer keeping pace. While Canada, as I mentioned, has four FTAs covering five countries, the U.S. has 12 FTAs covering 18 countries, and Mexico has 13 agreements covering 43 countries. And the vast majority of those deals were concluded in the last five years.

Australia too has been aggressive in pursuing free trade agreements, and even countries that have traditionally been averse to pursuing FTAs, like Korea and Japan, are now increasingly active in this area. So the hard truth is that Canada is the only significant trading nation that has not concluded a single FTA in more than five years. These agreements can and do have a significant impact on Canada's competitiveness in international markets.

Unless we can offer competitive access to global markets from Canada, we risk losing important export markets, putting our investors and service providers at a disadvantage, and over time making Canada a less attractive place for investment, whether foreign or domestic.

This is no academic concern, Mr. Chairman. We are hearing from Canadian companies right now that they are losing sales in foreign markets due to the FTAs of others, and there is a mounting concern that Canada needs to take urgent corrective action to level the playing field for our companies. So looking ahead, we'll continue to strengthen our NAFTA ties, and of course we'll continue to work to secure the successful outcome at the WTO, but at the same time, we have to put a much greater emphasis on our regional bilateral agenda, including initiatives like the free trade agreement initiative with Korea.

Beyond Korea, we have ongoing FTA negotiations with four Central American countries—El Salvador, Guatemala, Honduras, and Nicaragua—which I understand the committee will be looking at next week. We also have an FTA going with the four countries of the European Free Trade Association—Iceland, Liechtenstein, Norway, and Switzerland—and with Singapore. Moving forward on our negotiating agenda and preparing to engage new partners will feature prominently in the government's trade policy in the coming months and years.

Let me now turn to the specifics of Korea—which is the focus of the committee's deliberation today—which we see as an opportunity not only for creating opportunities in Korea, but also from a strategic standpoint in providing an entrée for Canadian countries to the wider Asia-Pacific region.

With a population of 48 million and a GDP approaching \$890 billion, Korea is the largest of the four Asian tigers. Following its rapid recovery from the 1997 Asian financial crisis, it has emerged as the world's 11th largest economy and 12th largest trading nation.

In short, this is the most ambitious FTA negotiation that Canada has entered into since the NAFTA was completed more than 10 years ago.

What we are seeking is a comprehensive, high-quality, NAFTA-style agreement. This includes chapters on trading goods, rules of origin, customs procedures, trade facilitation, services, investment, and so forth. Consistent with past practice, Canada is pursuing environmental and labour cooperation agreements in parallel with the free trade agreement. In the core areas of market access for goods, services, and investment, we are seeking comprehensive coverage and a high level of ambition in terms of liberalization commitments.

Given the concerns of our stakeholders, a particular area of emphasis in these negotiations continues to be on non-tariff barriers,

such as regulatory and transparency issues. Fundamentally, this initiative is about enhancing opportunities for Canadian business. Korea is already our seventh largest export destination. Our exports last year reached an eight-year high of \$2.8 billion. To put that into perspective, that is more than what we exported to Brazil, India, and Russia combined.

Korea is also becoming a major services market for Canada, with about \$600 million in services exports in the last year for which we have statistics—2003. Two-way investment now stands at over \$1 billion. So trade and investment flows are clearly strong and growing, but an FTA could do much more to generate business by dismantling the still significant tariff, regulatory, and other barriers to commerce that limit opportunities.

Korea continues to maintain relatively high tariffs—12% on average—versus only 3.9% for Canada. So the elimination of tariffs in an FTA would therefore generate substantial opportunities for Canada, and one could argue it would have a disproportionately favourable impact on Canada.

The Korean market is particularly important for the agriculture and resource-based segments of our economy, with an FTA expected to generate gains in areas such as agrifood, fisheries, metal, metal products, forestry and wood products, and coal and other minerals. In the agriculture sector alone, average Korean-applied tariffs are in the range of 53%, which is substantially higher than Canadian tariff levels. In the fisheries sector, average tariffs are 17% versus just over 1% for Canada.

● (1535)

However, I must emphasize that this initiative is not just about resources. We also expect gains in a variety of industrial sectors: chemicals; aerospace; urban transit; power generation; medical devices; cosmetics; prefab buildings; environmental goods; and machinery and equipment, to name a few.

As well, we believe there are opportunities in the service sectors of our economy, wherein 80% of new jobs are created today in Canada. Some examples include financial services, high tech, and environmental services.

[Translation]

A free trade agreement would also foster a safer and more foreseeable environment for Canadian investors in Korea and would in addition help to attract Korean investors to Canada. In turn, that would help to open up neighbouring markets to Canadian businesses, markets such as China and Japan. Indeed, intraregional trade is growing exponentially, and Korea could become a first-rate gateway.

As I indicated earlier, Canada's bilateral free-trade agreements program is also guided by the need to help Canadian businesses deal with competition on an even-playing field.

Korea is perhaps a newcomer in the world of free trade agreements. However, it has already signed agreements with Singapore, Chile, the European Free Trade Association and most of the members of the Association of South East Asian Nations.

Furthermore, Korea is currently in negotiations with Japan, Mexico and India, and I would like to draw the committee's attention to the recent launch of negotiations between Korea and the United States. Clearly, this raises the stakes for us and underlines the importance of maintaining Canada's competitiveness in the Korean market.

• (1540)

[*English*]

So where are we now?

Since launching the negotiations in July 2005, we've had five rounds of talks with Korea at roughly two-month intervals. The next is scheduled for the end of this month in Seoul. We've made good progress to this point, but are now increasingly bumping up against the key sensitivities on each side, which will prove more challenging as we go forward.

I should emphasize that contrary to some claims that the government is fast-tracking these negotiations, we are moving forward at a measured, deliberate pace. Before the government even launched negotiations, we conducted extensive analysis that included government-to-government exploratory talks, as well as comprehensive domestic consultations here in Canada. This consultative process, launched in January 2005, revealed significant and broad-based support for an FTA with Korea from a wide spectrum of economic sectors across the country.

Intensive consultations with stakeholders have been, and continue to be, of central importance to the government as we pursue this initiative. In terms of our timetable, we are not working to a fixed or arbitrary deadline. We are obviously conscious of Korea's other initiatives, but we will take the time necessary to achieve a good deal for Canada. The emphasis is on quality, not speed.

While we are making good progress, as Minister Emerson has indicated in the press, we still have work to do. It is work that will take time to conclude.

Let me now, before concluding, address head-on some of the issues that have been raised with respect to the automotive sector and the prospect for free trade with Korea.

Minister Emerson has repeatedly emphasized the government's recognition of the importance of the auto industry's contribution to the Canadian economy. Given that importance, we have established a dedicated automotive consultative group to support this negotiation. It meets regularly—in fact, most recently here in Ottawa last week—to ensure that industry views are well understood and reflected to the extent possible in our negotiations.

Indeed, the industry's views have played an important role in shaping our approach to this negotiation from the outset. For instance, Canada's auto sector is concerned about barriers to the Korean market, which is why the government has made addressing non-tariff measures a priority in these negotiations and why we

created a separate working group dedicated exclusively to automotive issues within the Canada-Korea negotiating structure.

The industry also has concerns about the impact of tariff elimination in Canada on imports from Korea. We are, as I said, consulting closely with industry and are factoring its concerns into the specific positions we bring to the table.

I would add that our analysis suggests that any negative impact on the automotive sector from an FTA with Korea is likely to be very limited, reflecting a variety of factors. These include current trading patterns; the relatively small tariff level, which would decline further in the event of any successful outcome to the Doha negotiations; the fact that the vast majority—about 85%—of Canadian-made vehicles are exported to the United States; and the new Hyundai plant in Alabama, which is expected soon to be supplying vehicles duty free to Canada under the terms of the NAFTA.

While some have suggested that an FTA with Korea is undesirable because of our large deficit in bilateral automotive trade, our view is that it is not realistic to expect that Canada would have a positive trade balance with all countries or in all sectors with every given country.

The reality is that Canada has a significant global trading surplus in automotive products. However, our marketing focus is almost entirely in the United States, with which we had a \$26 billion surplus in automotive trade last year. While it is true that our automotive exports to Korea are low, it should be noted that Canada is not a major exporter of motor vehicles to any offshore market. More than 99% of our automotive production is sold in the North American market.

The aim of an FTA is not to eliminate trade surpluses or deficits in specific sectors. It is to expand opportunities for bilateral trade and investment on both sides. With Korea, as I've indicated, we believe there are major opportunities for Canada. This includes the automotive sector, within which we think stronger investment rules and tariff elimination could significantly enhance opportunities for Canada's auto parts companies.

[*Translation*]

In closing Mr. Chair, free trade negotiations constitute an increasingly important tool for promoting Canada's trade interests throughout the world and for ensuring Canada's prosperity.

Our competitors are negotiating agreements at an unprecedented speed. Canada cannot simply stand by and do nothing. Of all the negotiations currently underway, none are as potentially advantageous as those with Korea.

The government remains determined to reach an agreement that allows the promotion of all Canadian interests in this market. To do that, we will continue to consult closely with all Canadian stakeholders.

• (1545)

[English]

With that, Mr. Chairman, my delegation and I would be pleased to take any comments or questions.

Thank you very much.

**The Chair:** Thank you very much, Mr. Burney, for the overview. I know you're going to have some tough questions today.

We'll start with the Liberals. Mr. Maloney is first.

**Mr. John Maloney (Welland, Lib.):** Thank you, Mr. Chair.

You're right. The automotive industry is not very happy with the prospect of a free trade agreement with Korea, predominantly because of the non-tariff barriers. I heard what you said. But why are they lobbying so strongly against it, as is the Canadian Auto Workers?

Certainly with the Canadian automotive industry under stress, this is of real concern for Canadian workers. You've indicated that you're addressing non-tariff barrier measures. Could you elaborate on what you mean by that?

**Mr. Ian Burney:** Absolutely. Thank you for the question. As to why the industry is opposing the measure, I understand there are going to be witnesses at the next session. That's probably a better question to put to them.

Non-tariff barriers are what the industry has brought to us as being their principle concern with this initiative. They've focused on the lack of access to the Korean market in their presentations to us. We've made it very clear to them that it is a priority also for us in pursuing this initiative. We've basically asked that they come forward and share with us every specific example they can think of in terms of pursuing non-tariff barriers in the Korean market. That's primarily what we're trying to do through this consultative group that I mentioned in my opening remarks.

They tend to fall into many different categories. Non-tariff measures can be a pretty expansive concept when you get down to it. The industry is concerned about taxation measures in Korea, which are focused on engine displacement, and therefore tend to have a somewhat discriminatory impact in terms of imports. But there are also a lot of concerns about the regulatory process in Korea.

What we're trying to do through this negotiation is find a way to open that process up to make sure that foreign companies can participate in the regulatory process before the decisions are actually taken. It's clear that standards can become significant impediments to commerce. This is the focus of the consultations we're having with industry. We've indicated, and I can confirm again today, that every single measure that's brought to our attention we're prepared to take on and take up with the Koreans and, as appropriate, pursue in the context of the FTA.

**Mr. John Maloney:** Are you prepared not to proceed with this agreement until you reach assurances that those non-tariff barriers in fact will be eliminated, not just proposed or a possibility, but in fact eliminated? Or can you guarantee that?

**Mr. Ian Burney:** Ultimately the decision on whether or not the agreement is accepted would be taken at a political level. My

responsibilities are to negotiate the best agreement I can. Yes, I wouldn't close an agreement that I didn't think was in the best interests of this country and one that I didn't think was worth bringing back for ministers to consider. As I've indicated, we think tackling non-tariff measures in Korea is an important objective and we're actively pursuing it in negotiation.

I should mention that apart from specific measures—because the industry is also concerned that whatever you negotiate today could be replaced by different measures tomorrow—arguably what's more important is to build into the FTA appropriate mechanisms that you have going forward for being able to address these measures, something that basically holds officials' feet to the fire, so that every time a measure comes up, you've got a mechanism for pursuing them. I think that would also be an important outcome in the agreement.

All I can tell you from the standpoint of a negotiator is that my team and I are putting a very high priority on addressing non-tariff measures in this. But whether it's ultimately signed will be a political call made by the government.

**Mr. John Maloney:** I understand the U.S. has negotiated an agreement with Korea with respect to auto parts. Do you think there may be a really good prospect that our auto parts exports to Korea would increase? I understand that hasn't been the case in the United States. Could you explain or provide more information on that?

**Mr. Ian Burney:** We actually have auto parts companies that are investing and pursuing strategic partnerships in the Korean market. Right now Korea has an 8% tariff on automotive parts, and that applies to U.S. parts as well because the U.S. does not have a free trade agreement with Korea right now, so U.S. parts makers are also facing that tariff.

Our hope and expectation is that as the 8% tariff comes down, as it would in the context of an FTA, that would strengthen the ability of Canadian parts companies to sell into that market. We're already seeing quite a bit of an interest from the Canadian parts companies in terms of forming investment and joint ventures in the Korean market. So we definitely see that as a growth opportunity.

I think the U.S. agreements that you alluded to earlier were the MOUs they concluded awhile back, but they were not trade liberalization agreements. There was no provision on tariff reduction. Under an FTA with Canada, Korea would be obliged to eliminate its 8% tariff on parts.

• (1550)

**Mr. John Maloney:** We've been talking about the automotive industry. Are there also concerns with respect to other commodities as well, such as electrical components and things like that? There's certainly a huge trade imbalance. Why will this not get worse?

**Mr. Ian Burney:** During the consultative process I alluded to, we did receive something in the order of about 100 submissions. I would say that the opposition came from the automotive sector and to some extent from the shipbuilding sector. We had broad-based support from virtually every other area of the economy. There were some concerns from the beef sector—you'll be hearing from them later this afternoon—but my understanding is that this is not linked specifically to the FTA issue itself but to a lack of access they continue to have in the Korean market by virtue of the BSE issue.

If you're asking me what the other concerns were on the part of stakeholders in Canada, the primary ones were autos and ships, and there was broad-based support from virtually every other quarter of the economy.

**Mr. John Maloney:** Regarding shipbuilding, we're just hanging on by the fingernails to our own shipbuilding industry. What are your thoughts on this? Would this be the end, the *coup de grâce*, to our shipbuilding industry, which provides a lot of jobs here in Canada for Canadians?

**Mr. Ian Burney:** That is again a very good question. There's no doubt there are concerns on the part of the shipbuilding industry. My sense is that their primary concern is not the free trade negotiations with Korea. I think the challenges facing that sector are much broader than any one trade negotiation. Clearly, there are concerns about dismantling the tariff, which is still significant in that sector.

When you look at Korea, it's obviously a major player in the global shipping industry. There's no doubt. Korea tends to be at a segment of the market that is very different from where the Canadian industry is. Korea produces the really huge stuff—the drill ships, the supertankers, the very, very large ocean-going ships—which are by and large not what we produce in Canada. We're producing tugs and inshore vessels, considerably smaller vessels that are not directly facing competition from Korea.

There are I think greater concerns on the part of the Canadian industry and on the part of some of the other countries around the world, but I don't think Korea is the focus of their anxiety. As I said, I think their concerns are broader in focus. The shipbuilding policy framework that's in place has been trying to work with the broader competitive challenges facing the industry, and I think those kinds of issues are of greater concern to the industry. Those, though, go beyond the mandate of my responsibilities; they lie with the Department of Industry and with Minister Bernier.

**The Chair:** Thank you, Mr. Maloney.

Next is Monsieur Paquette, for seven minutes.

[Translation]

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

In your document, you say that the purpose of an FTA is not to eliminate trade surpluses or deficits in certain industries, but rather to increase bilateral trade and investment opportunities for both parties.

If we balanced trade in all industries so that, for example, there is as much Korean rice in Canada as Canadian rice in Korea, that would make no sense. However, we must ensure that within the framework of a free trade agreement, the spin-offs are as great for Canada as for the other country involved. When we negotiate a free trade agreement, we are securing access to markets. In fact, NAFTA was one of the main reasons why Canada wanted to negotiate.

In the case of Korea, things are not so clear, given the trade that is going on. We essentially export agricultural products, minerals, metals and wood pulp. Those are the raw materials needed by Korean manufacturers. So, we're not securing anything, because

Koreans need those products. Given the growth in China, they are even more eager to ensure access to those raw materials.

However, they export vehicles, automobile parts, electrical devices, computers, rubber and steel. So it seems to me that in the context of an agreement with Korea, what we're securing is access for Korean products to the Canadian market rather than the opposite.

I still do not understand why Korea has suddenly become a target of choice for negotiating a free trade agreement, unless, as you said, it will lead to other agreements with Japan, China and countries of Southeast Asia.

In that context, I understand even less why, at the APEC meeting in Santiago in 2004-2005, Canada rejected the recommendation that had been made to enter into negotiations with the economic community of countries from the Asia-Pacific region. I still do not understand why Korea rather than another country.

The shipyard matter was broached, but you did not talk about it in your presentation. So, I would like to know in very concrete terms where the negotiations are at.

Finally, you spoke obviously about investment and business opportunities. I would want to make sure that within the framework of this free trade agreement, we would not end up with a mechanism like the one in the North American free trade agreement that this committee denounced on a number of occasions. I am referring to the mechanism set out in chapter 11 regarding the protection of investments.

We are in favour of the protection of foreign investment here and the protection of Canadian investment abroad. However, we believe that the mechanism set out in NAFTA is excessive because it gives companies the possibility of bringing States before special groups. We prefer the OECD mechanism.

So with regard to the protection of foreign investment, what formula are you considering, if indeed that is the case?

• (1555)

**Mr. Ian Burney:** Thank you for your questions. I will ask my colleague, Gilles Gauthier, to answer the third one which deals with negotiations about investments.

Why Korea? I tried to answer this question in my presentation. Clearly, Korea is one of Canada's major partners, it ranks seventh as far as trade is concerned.

We think that this market holds many opportunities for expanding our exports. Certainly, this is important for agriculture and resources. These are very important sectors in Canada and they benefit from a high degree of protection in Korea. There might be very substantial advantages for Canadian farmers. Also, as I said in my presentation, we believe that there might be great opportunities in the industrial sectors, where Korea has tariffs twice as high as Canada's.

We received many bids from Canadian companies who want to support this initiative and who think that a free trade agreement with Korea would offer many opportunities. Both strategically and bilaterally, it is important for the promotion of Canada's interests in other Asian countries. Also, it is important to demonstrate that Canada is ready to enter into a free trade agreement. We entered into one five years ago.

Thus, for all these reasons, we think that it is important to reach this agreement.

Your second question dealt with shipyards, did it not?

**Mr. Pierre Paquette:** Yes. The Lévis-Lauzon shipyard can build the same kind of ships that the Koreans build. It was bought recently by some Norwegians, if I remember correctly. I hope that they are also taking part in the consultations you are holding.

**Mr. Ian Burney:** I think that I just explained our point of view regarding shipbuilding. In our consultations, the representatives of the industry said that they were much more worried and concerned with the negotiations with Norway, which is a member of the European Free Trade Association, than with the negotiations with Korea. They want to discuss with government representatives about the possibility of a new political framework.

With your permission, I will continue in English. It will be easier for me because I will be using some rather technical terms.

• (1600)

[English]

The challenges, as I was saying in response to the earlier question, are I think much larger than the question of trade liberalization. We've seen a sector in Canada under considerable pressure for many years, even with the 25% tariff. I think the industry understands that.

In the context of the trade negotiation, certainly we are aware of the sensitivities, and we would be trying to accommodate those sensitivities in how we approach specific provisions in the agreement. Certainly in areas that are sensitive for Canada we would not be looking for an immediate phase-out of the tariff. We would be looking for a fairly long transition period to facilitate the entry into force of that agreement.

The other important point to note is that one of the most important aspects for the industry has been procurement decisions by governments in Canada. We will do nothing in the free trade agreement to compromise the ability of governments in Canada to procure made-in-Canada ships should they wish. We exempt shipbuilding from the procurement obligations that we take in our trade agreements, and that would remain in place.

Canada also has the Coasting Trade Act that puts certain restrictions on the kinds of ships that can ship in inland waters in Canada, and we would fully reserve that legislation in the context of the free trade agreement. We would do nothing to compromise that legislation.

My sense is that the concerns from that sector can be managed in the context of the negotiations with Korea.

[Translation]

Now I would like to give the floor to Gilles Gauthier so that he can answer your third question.

[English]

**The Chair:** And a very short answer, please. His time is up, so if you could, make it a short answer, Mr. Gauthier.

[Translation]

**Mr. Gilles Gauthier (Director , Investment Trade Policy Division, Department of Foreign Affairs and International Trade (International Trade)):** Thank you, Mr. Chairman. In brief, setting up a dispute resolution mechanism between the investor and the state is an important issue in all investment agreements around the world. Korea has provided such mechanisms in all the bilateral agreements it has signed. The same applies to Canada.

We also intend to consider including such a mechanism in the agreement with Korea. However, we can easily refer to our experience with NAFTA. Some amendments were made in order to reassure people regarding the transparency of the procedures and their impact on regulations. In this way, the interpretation of the agreement does not go beyond normal standards and does not interfere with the usual regulatory process. These opinions, gleaned from our experience with NAFTA, will be included in the proposals regarding the mechanism between investors and the state.

[English]

**The Chair:** Thank you.

We go to the government side. We'll start with Ms. Guergis, and then we'll go to Jeff Watson.

I understand you want to ask all the questions, then have them all responded to at once, so we'll do that.

**Ms. Helena Guergis (Simcoe—Grey, CPC):** Yes. Thank you, Mr. Chair.

**Mr. Jeff Watson (Essex, CPC):** For her or for me?

**Ms. Helena Guergis:** For both of us.

I'm going to ask quickly, and then my colleague will ask, and then we'll wait for the answers.

**Mr. Jeff Watson:** I'd rather have an interchange, I guess, but....

**Ms. Helena Guergis:** Thanks very much for the witnesses being here. We appreciate you taking the time out of your schedule.

I'll be brief in my questions, because I do want to give my colleague as much time to put his questions forward.

Are we working with the United States? What is the likelihood of having a joint U.S.-Canada-Korea agreement?

The United States has, I believe, a 2% tariff on Korean autos. What are the differences between the U.S. and Canada with respect to the auto industry's concerns? I understand that there are some differences, but I wonder if you could explain those to us.



If Korea were to negotiate a deal with the United States and Canada did not negotiate a deal, what would this mean for our auto industry, and what could this mean for the other sectors that have been identified as those that would benefit from a free trade agreement with Korea, such as agriculture, wood, fish, pharmaceuticals? Are you able to give us any quantitative information as to how much those other sectors may benefit if we do have an agreement?

**The Chair:** Mr. Watson, you have about six and a half minutes in total.

**Mr. Jeff Watson:** Thank you, Mr. Chairman, and thank you to our guests.

I'm a parliamentarian, but in my previous life I was an auto worker. Looking through the briefing notes, imports in 2005 to Canada from Korea were \$5.4 billion, with, as it says here, vehicles and parts leading the way.

That trade deficit with Korea was about \$2.5 billion that year. The Canadian Vehicle Manufacturers' Association says that two-thirds of that deficit is auto-related. Do you agree with that number? If not, what is the auto-related deficit in our trade deficit?

• (1605)

**Mr. Ian Burney:** Thank you very much.

I guess I'll take these in the order they were presented. I'll try to be as brief as possible.

Are we talking to the U.S.? Definitely, we're talking to the U.S., but not in any kind of formal sense. Obviously, given the integrated nature of the Canadian and U.S. economies, we take more than a passing interest in developments in the U.S.-Korea negotiation. They had their first round of discussions last week in Washington. The consultation is quite close and it's of an informal nature, but I am in fairly regular contact with the chief negotiator on the U.S. side. We do touch base from time to time and keep each other up to speed in terms of what's going on.

I think there's a great deal of interest on the part of the auto industries on both sides that there be this kind of cooperation between the governments. That has taken place specifically in the auto sector, where we've had an opportunity to hear the concerns first-hand from both industries in a meeting with both governments.

On the differences in perspective between the U.S. and Canadian auto industries, again, that's perhaps something that can be best put to the industry participants who will be here later this afternoon. Obviously, we start from a higher tariff in Canada. The automotive tariff in Canada is 6.1%; it's 2.5% in the United States.

To the extent that you're talking about the big three, in Canada these are the subsidiaries of the global companies that are based in the United States. Those are global companies with global interests. You could make an argument that there's more of an export interest on the U.S. side of the industry because it's a global company; it's perhaps less likely that cars would be shipped directly from the plants in Canada to Korea. So you could infer that there's greater export interest on the side of the U.S. industry and more of an import sensitivity on the part of the Canadian industry. Again, those

questions are perhaps best put to the industry participants themselves.

I think on most issues related to the Korea initiative they have had very similar positions. In the discussions we've had with government, we've heard the same points of view, by and large, presented from the two sides of the industry—an overriding concern for non-tariff measures in the Korean market.

I think your third question was, what would it mean if we didn't have a free trade agreement, and what kind of modelling or quantitative assessments have been done? Basically, the analysis we did at the front end of this, before launching, showed a fairly significant welfare benefit to Canada from an FTA with Korea. I think the internal analysis, which was based on CGE modelling, had a welfare benefit of about \$500-million-plus. There were other studies, which tried to build in a dynamic element, that put the benefit at over \$2 billion. I think all these models tend to underestimate the impact of trade liberalization a bit, just because of the limitations of modelling.

In my presentation, I think I went through all the high tariffs that remain in Korea in the various segments. What we would lose is an opportunity to get those down to zero for Canadian companies and the likelihood that they would be shipping in against preferential arrangements for all their competitors. If the Americans succeed in their negotiation and we walk away from it, not only will we not have derived the tariff preferences from our agreement, but we would be facing competitive disadvantages vis-à-vis the United States and everybody else that Korea negotiates with. As I've tried to address, this is the story that's been playing out in other negotiations. It would be a replay of that.

Turning to the question from Mr. Watson, do we agree with the auto deficit figure, my understanding is that the current import range for auto imports from Korea is about \$1.6 billion. We're exporting virtually nothing, so that would be the automotive deficit.

Again, as I mentioned in my opening remarks, we are running a huge global surplus in automotive trade. With the United States alone, the surplus is \$26 billion. So this idea that it should be in balance with every country—

**Mr. Jeff Watson:** With all due respect, I have some other questions to get to.

Has your department done an analysis of South Korea's expected gains in a bilateral free trade agreement? You've obviously forecast a minimum of \$500 million per year for us. Have you done any kind of analysis on what to expect in terms of dollars per year for them and how much of that is in the auto sector? Are there any expected gains for Korea in our markets?

On the impact on dealerships of eliminating a tariff, if applied directly to the hood—that is, to the price tag of an automotive vehicle—when you typically have a 2% to 3% margin in negotiating your price over the MSRP with a customer, adding that tariff elimination to the price tag will have some competitive advantage to certain vehicles in our market as opposed to others. Have you done any assessment—particularly in Canada as a small-vehicle-buying market—of what that impact will be on Canadian auto dealerships, particularly for the big three?

On this automotive consultative group—I'd like this question answered first—what date was that started?

• (1610)

**Mr. Ian Burney:** Taking the last question first, we basically started that immediately after launching the FTA negotiations in July 2005. The consultative group was struck about then; I think the first meeting was in the late summer of 2005.

To your question about impact assessments, the government does a whole range of internal assessments and analyses before we enter into FTAs. In my response to an earlier question, I think I alluded to some work that was done on modelling the benefits for Canada. I don't have the document in front of me, and to be perfectly honest, my recollection is that we also did model some impacts for the Korean side, which showed considerably less benefit to it.

We're in the process of basically updating and refining that study, and our intent would be to make the results of that public when they're available, but it may not be until later this fall.

With respect to the auto sector, we have also done internal analyses and assessments of the impact in the automotive sector. As I mentioned in my opening remarks, the conclusions were that the impact would be very, very limited, as a result of the factors I mentioned. We're starting from a low tariff, and 85% of what we produce is sold in the United States. Basically there are three kinds of Korean cars coming into our market: those made by Hyundai and Kia, which will be produced in the United States and shipped duty free under NAFTA at a certain point; and those made by Daewoo International, a company owned by GM and accounting for about 30% of what's coming in from Korea. So these are coming in from General Motors. The other two companies, as I say, will be producing in the United States. Alabama is already open; they haven't met the NAFTA rules of origin yet, but they intend to do so. Kia has announced that it will be constructing a \$1.2 billion facility in Georgia, and that will account for Kia vehicles.

**The Chair:** Thank you.

To the last questioner of these witnesses, Mr. Julian.

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

I appreciated Mr. Watson's questions. I'm going to follow up on them.

But I would like to start with your presentation mentioning the prosperity coming from NAFTA. I do think it's important to say for the record that the latest Statistics Canada figures actually show that since 1989 and the signing of the Canada-U.S. Free Trade Agreement, for 60% of Canadian families, their income has gone down in real terms; for another 20% of Canadian families, their income has stagnated. So what we've actually seen is only the top 20% of Canadian families, according to income level, actually gaining since 1989. In fact, the concentration of wealth now is such that the top 20% actually has 50% of the national income. I think that's a real problem; it's an issue that should be part and parcel of any discussions we have around other agreements. If what we're doing essentially is exporting our natural resources to create jobs elsewhere, we have a problem.

I'll come back to that if I have time, but I have three specific questions to start. The first comes off Mr. Watson's questions around the automotive consultative group. I'd like to know who are members of that group. You mentioned that they started work in the summer of 2005. How often do they meet, and what is their mandate or role as part of the negotiating process? That's my first set of questions.

Secondly, in terms of the analysis that you've done, you did mention that the impact on the automotive sector and auto parts would be relatively minimal. What are the figures, though? If you've run the analysis and you've run the model, what are the figures in terms of lost jobs and lost sales? Those kinds of impacts are important for us to know. And more broadly than that, if you've done similar analysis with shipbuilding and tool-and-die machinery, it would be helpful for us to know what the impact in lost manufacturing jobs might be.

Then my third question is about your negotiating instructions. What are they in terms of this agreement, and have they changed since the election of the new government on January 23?

• (1615)

**Mr. Ian Burney:** Wow. Well, answering the easiest question first, on the consultative group, basically we are consulting with all segments of the industry. That's the main point. The consultative group itself has the CVMA, which includes the big three, as you know. We also have the CAW and Honda and Toyota.

Now, Marvin is the lead on that and he can correct me if I've missed anybody, but I think those are the formal members of the consultative group.

**Mr. Marvin Hildebrand (Director, Bilateral Market Access Division, Department of Foreign Affairs and International Trade (International Trade)):** As you said, we consult extensively. The automotive consultative group represents those organizations or companies that have manufacturing or labour interests in Canada. We also consult outside of that with other groups regularly and on request.

The consultative group meets the head of every negotiating round

—

**Mr. Peter Julian:** How often is that?

**Mr. Marvin Hildebrand:** We've had negotiating rounds roughly every two months; we've had five since last July. That provides an opportunity to provide a debrief on the last round and we are also to discuss issues that will be relevant in the coming round. In terms of the mandate of the group, we discuss all issues of interest to the sector: rules of origin, tariff elimination, and, as was already mentioned, tariff barriers. We have spent considerable time discussing the industries' concerns, understanding exactly how these measures affect them, and what the best ways are to tackle them in the context of these negotiations.

**The Chair:** Mr. Burney.

**Mr. Ian Burney:** With respect to the auto studies, they are being finalized. As I was mentioning earlier, in the context of the broader government analyses that were done and are being refined, our intent would be to release those also when they become available sometime in the fall. The results have been shared on a confidential basis with our automotive consultative group, so they have an indication of what the magnitude is. All I would say at this stage is that we're talking about very, very low numbers, especially when you look at the production base. If we're talking about production of units, we're talking about a very low number when you compare it to the fact that 2.6 million units are being produced every year. In terms of job implications, we're also talking very, very low numbers.

**The Chair:** I've asked the clerk to actually write a letter, so that once the study is complete we do get this information as soon as possible. I'll ensure that it gets to all members of the committee.

Go ahead.

**Mr. Ian Burney:** I think there was a third question pertaining to negotiating mandates, which I obviously can't discuss in a public forum.

**Mr. Peter Julian:** Have they changed?

**Mr. Ian Burney:** I would prefer not to comment on the subject of my negotiating mandate. Nothing should be inferred from that.

**The Chair:** Mr. Julian, you still have two minutes, if you'd like to ask more questions.

**Mr. Peter Julian:** I didn't do too well on the last round.

**The Chair:** I'm sure Mr. Watson would love to have the time, if you don't want to use it.

**Mr. Peter Julian:** Obviously, if there are concerns about this agreement, the release of those studies would allow us to have a better sense of how legitimate they may be in terms of the actual impact. It might potentially work in favour of the negotiations. So the earlier those figures get out—provided they're solid numbers, which have been done with the view of honestly addressing the impacts—I would suggest, the better.

Coming back to the issue of the NAFTA model, as I mentioned earlier, we're seeing a situation now where manufacturing jobs have been eroded since 1989. Ultimately, what that has meant is that 60% of Canadian families are earning less in real terms than they were in 1989. That's the bottom line of any trade strategy.

I come back to the issue of a NAFTA model. We've seen some real difficulties with dispute settlement because they're not being used, either by the current government or by the previous government; the chapter 19 provisions of NAFTA have not been put into effect, and that is to our detriment.

As part of the approach that the ministry took in looking at this agreement, were there any discussions of other models of trade agreements that might be more effective in terms of meeting that bottom line, which actually is having family incomes come up rather than go down?

• (1620)

**Mr. Ian Burney:** With respect to the first point about releasing the studies, all I would say is that there is a bit of a tension between the

interests of wanting to be as transparent as possible and also preserving our negotiating coinage at the table by not releasing too much of the internal analysis about how the impacts are going to play in one sector or another. That's one of the challenges we wrestle with. I've heard the message loud and clear, and as I've already committed, we will endeavour to put as much information in the public domain as we can.

On the second question, when we assess whether to pursue a trade initiative with a country, we look at the full range of policy options that are at our disposal, including FIPAs, air services agreements, and so forth.

I don't think that quite addresses your question. If your question is whether we looked at alternative approaches to free trade agreements, perhaps I would need a bit more specificity. We do have some variations in how we pursue trade agreements. We don't always pursue services and investment chapters, for example; it depends on the market. We have, in most cases. For Canadian business, the most comprehensive model we have is the NAFTA model, so that is our natural default. Unless there are overriding reasons as to why we shouldn't be pursuing a comprehensive, high-quality agreement, that would be the route we would tend to pick.

Maybe I didn't follow the first part of the question, in terms of what the problem is with the model.

**The Chair:** Mr. Burney, that's a discussion for another day, I guess. Mr. Julien's time is up.

We won't start another round with the current witnesses. We do have a motion to deal with at the end of the meeting today, and we want to give the other witnesses a fair chance. I know we have questions for them as well.

I'd just like to thank you all for coming. I do appreciate the background information that you gave today in the answers to your questions.

We'll take a two-minute break, and I'd ask members to get back to their seats as soon as they can. We'll switch witnesses and get on with the next round of witnesses.

Is there a point of order?

[*Translation*]

**Mr. Pierre Paquette:** Before we go to the next panel of witnesses, I would like us to consider my motion. I would not like this to wait till 5:30 p.m.. The motion was tabled less than a week ago. I know that it is not because of any lack of goodwill that the committee failed to deal with it at the last meeting. But we were supposed to look at it at the beginning of this meeting.

We could perhaps say goodbye to our friends. We will certainly be seeing them again.

[*English*]

**The Chair:** Mr. Paquette, the motions will be dealt with at 5:20, unless you put a motion forward to look at them earlier. That motion would have to pass, and then we could look at them.

But out of respect for the witnesses who are here, I suggest that we break at 5:20 or so. To be fair, Mr. Paquette, we were ready to deal with this motion in the last meeting. I understand you had to leave for some reason, but we did it. We're not trying to stall in any way.

[*Translation*]

**Mr. Pierre Paquette:** Mr. Chairman, last time we said we were going to consider my motion at the beginning of this meeting. That is what we agreed at last Wednesday's meeting. If you read the proceedings, you will see that this is what we agreed.

The witnesses were there, and the meeting began. I did not insist on having my motion considered. But this time, I do insist. I would like it to be dealt with immediately, and I think that the entire committee is of the same mind.

[*English*]

**The Chair:** Mr. Paquette, you can ask for a motion to do that, but there's no stalling. We'd have time at 5:20 to deal with it, and it will be dealt with.

[*Translation*]

**Mr. Pierre Paquette:** Mr. Chairman, I'm trying to explain that we were to deal with this issue two weeks ago on Wednesday, but did not have time to do so. Again, it was to be a priority last Monday, but it was not dealt with. Now, I am asking that the committee consider my motion immediately.

[*English*]

**The Chair:** If you do want to deal with it now, if you insist on that, I'll just ask the committee first of all.

•(1625)

**Ms. Helena Guergis:** I'd like to say something.

**Hon. Denis Coderre (Bourassa, Lib.):** It's a point of order.

**The Chair:** As I've said—

**Hon. Denis Coderre:** A point of order.

**The Chair:** Just before the point of order, as I said, the way to bring this on the agenda earlier—

**Hon. Denis Coderre:** There's nothing before a point of order, Mr. Chair, I'm sorry. This is the process.

**The Chair:** Go ahead with the point of order.

**Hon. Denis Coderre:** I move that we deal with the motion immediately. This is my motion.

**The Chair:** Just a minute, please.

Mr. Coderre, of course, you can't make a motion on a point of order. If we could just get on to the next witnesses, we will leave time.

[*Translation*]

**Mr. Pierre Paquette:** The clerk will explain what the procedure is for us to go immediately to consideration of my motion.

[*English*]

**The Chair:** Ms. Guergis, a point of order.

**Ms. Helena Guergis:** Thank you very much.

All I'd like to say is that I think it's pretty evident around the table that this motion is going to require a little bit of a discussion. It's not

going to be a quick five or ten minutes, and I'll let you know now that I have a friendly amendment to the motion, which we will be discussing. It will take some time.

I think out of respect for the witnesses we should not be making them sit there and wait for 20 minutes for us to get on with our discussion with them.

I do hope you did actually hear what I said. Do I need to repeat it for you? I know you were talking.

**The Chair:** Mr. Paquette.

[*Translation*]

**Mr. Pierre Paquette:** Mr. Chairman, I suggest that the agenda be amended so that at the next meeting, that is after the break, the very first item is consideration of my motion.

[*English*]

**The Chair:** Let's go to a vote on that, unless there is discussion. The motion is that we deal with Mr. Paquette's motion, which was given proper notice, immediately. We'll just go to a vote on that, if everyone is ready.

(Motion agreed to)

**The Chair:** Mr. Paquette, you may present your motion, and let's dispose of this.

[*Translation*]

**Mr. Pierre Paquette:** Mr. Chairman, I think we could quickly come to some agreement.

[*English*]

**Ms. Helena Guergis:** Is this a public meeting?

**The Chair:** Ms. Guergis, it is a public meeting. Let's just deal with this as quickly as we can so we have time with the witnesses. But Mr. Paquette—

[*Translation*]

**Mr. Pierre Paquette:** I believe that all committee members have had a great deal of time to look at the motion. It reads as follows:

That the Committee on International Trade prepare a report including recommendations to the government regarding the Canada-U.S. Softwood Lumber Framework Agreement based on the testimony it has heard and table this report in the House.

Since the House will soon be adjourning, I would like the report to be available by next Monday. I don't expect it to be 50 pages long. Some of the pages setting out the testimony we heard during the first two meetings would be sufficient.

Next Monday, we will be dealing with softwood lumber. For chrysotile asbestos, we were able to submit a very short report quickly. So we could settle the issue next Monday, or Wednesday at the latest, if the committee is of that mind, of course.

The issue is very simple. We can clarify matters by pointing out that the softwood lumber report will be considered by the committee next Monday. I know our research assistants, and they do excellent work.

[*English*]

**The Chair:** Your amendment to your motion was what, Mr. Paquette?

[Translation]

**Mr. Pierre Paquette:** The amendment to my motion would involve adding that the report by our research assistants should be available to us by next Monday for an initial discussion, or even a final discussion.

• (1630)

[English]

**The Chair:** Mr. Paquette has already moved an amendment in his comments on his motion, and I'm trying to find out whether it's in order to—

[Translation]

**Mr. Pierre Paquette:** Well, the debate on the issue could well be over by next week. If this motion is to have any meaning, the committee should have access to the report by Monday. We could simply agree to that and pass the motion as is.

[English]

**The Chair:** Ms. Guergis has a comment.

**Ms. Helena Guergis:** Thank you very much. First, I do want to apologize to any of the witnesses who are here for our delaying your opportunity to give us your information.

I'd also like to say that for Monday, we do have other additional softwood lumber witnesses on the agenda, so how are we going to include their testimony in a report if we're having a report ready for discussion on Monday? I think that's not really very respectful to those who had agreed to be here for Monday, so I don't agree with that.

I also have here, in both official languages, my own friendly amendment to Mr. Paquette's motion, and Mr. Chair, I'd like to know whether this is the opportunity for me to discuss my amendment, or I should wait?

**The Chair:** You can informally present the amendment and see what the reaction is. It may save time.

**Ms. Helena Guergis:** I just wanted to ensure that we can add that the report be structured into sections that would include a conversation on litigation, on what it has cost us in the past and on whether there is a potential for it in the future, and perhaps talk about litigation that has been won or lost in the past. I'd also like to have the report have some specific conversation on stability for the industry. I thought it would be helpful if we could have a long process on that. The amendment is in both official languages.

**The Chair:** You've heard the suggestion from Ms. Guergis. I'm sure she'd be willing to make it into a friendly amendment, if you would like to consider that.

In terms of the timeframe you're talking about, Mr. Paquette, I don't understand how we could do that. We have witnesses for the meeting on Monday. Wednesday's meeting is booked. How are we going to get a report out?

[Translation]

**Mr. Pierre Paquette:** Mr. Chairman, during the previous session, before the summer break, we prepared a report on chrysotile asbestos in two meetings. Mr. Ted Menzies was there at the time.

If necessary, we could work next Monday evening. Personally I see no problem in doing that. We are not talking about a 50-page report, but a report based on the two first witness panels' testimony. We might have to make some adjustments next Monday after we hear the witnesses, but writing the report quickly is something we are quite able to do. We have done it before, and I don't see why we could not do it again for softwood lumber, an issue that all committee members are very familiar with.

[English]

**The Chair:** I'm sitting here as chair, knowing that we have a full agenda on Monday and a full agenda on Wednesday. How can we possibly deal with a report, which could take another meeting? We don't have a meeting to deal with the report.

[Translation]

**Mr. Pierre Paquette:** We will deal with it on Monday evening, Mr. Chairman.

[English]

**Mr. Peter Julian:** This is not appropriate. This is argumentation.

**The Chair:** Mr. Paquette, if the House does sit beyond June 23, we could certainly deal with this on the next Monday.

[Translation]

**Mr. Pierre Paquette:** That is absurd, Mr. Chairman. We could sit on Monday evening. For Bill C-2, you had the committee examining the bill sit in the morning, in the afternoon and in the evening. If we run out of time to deal with the issue on Monday, all we would have to do is add a meeting, on Monday evening or on Tuesday after the votes.

[English]

**The Chair:** That's a separate issue, of course.

Yes, Mr. Julian.

**Mr. Peter Julian:** We have the right to make this decision, and I would call the vote.

**Ms. Helena Guergis:** What about my amendment?

[Translation]

**Mr. Pierre Paquette:** We are still on the motion.

[English]

**The Chair:** We're dealing first with Mr. Paquette's amendment, then we'll go to Ms. Guergis' amendment, and we'll take it from there.

Go ahead, please, Mr. Menzies.

**Mr. Ted Menzies (MacLeod, CPC):** I would like a bit of clarification. Do our clerks say this is doable? Can we prepare a report of any consequence when we haven't heard from all the witnesses? Is it appropriate? Why have we bothered to call witnesses in if we're not going to listen to their testimony and enter that as part of the report?

**The Chair:** First of all, for clarification, we will carry on with the meeting on Monday. We do have a full slate of witnesses.

• (1635)

**Mr. Ted Menzies:** So then in that case, a report is absolutely inappropriate until we've heard all the witnesses.

**The Chair:** The only way it could be done is if we agreed to a meeting, and I'm not sure what the process is for that. I'd have to consult.

Yes, Mr. Paquette.

[*Translation*]

**Mr. Pierre Paquette:** Point of order, Mr. Chairman.

I have not moved an amendment. I cannot move an amendment, since I am moving the main motion. I would like the question to be put on my motion, as Mr. Julian requested.

**An honourable member:** Let's have the vote!

[*English*]

**The Chair:** There is more discussion, Mr. Paquette, so let's have that discussion. Just because a member of the committee asks that the question be called, it's clearly at the discretion of the chair. And I want to make sure that we're ready for the vote before we go to it.

Mr. Julian, you had—

**Mr. Peter Julian:** I challenge your decision, Mr. Chair. It is up to the committee to make the decision of whether they are ready to vote or not.

**The Chair:** It is up to the committee?

**Mr. Peter Julian:** I challenge your decision on whether to proceed to a vote. It is now up to the committee to determine whether they are ready to proceed to a vote.

**The Chair:** Mr. Julian, I'm told by the clerks that in fact you are not allowed to call for the question at a committee. So we will carry on.

Mr. Cannan, go ahead, please.

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

I sit here very frustrated by the actions of the committee. I'm a new member trying to bring some honourable decorum to the procedures here. I have waited patiently.

I can support a report's coming to the House. But I think the motion that was being proposed needs some sort of framework, some meat, some, I guess, definition. It's too vague, to my mind, for one thing. I agree with the concept of working together on a report. What are the terms of reference? Are we just going to look at some of the witnesses who have come, as has been alluded to? We still have a whole panel of people who are coming on Monday.

I think, ultimately, the timing is important. We have to wait until we hear from all the people who are speaking, for and against. We know that there are a lot of concerns, and I want to—

**Ms. Helena Guergis:** He's not even listening.

**The Chair:** Yes, just continue, Mr. Cannan.

**Mr. Ron Cannan:** Thank you.

**The Chair:** It's the choice of committee members whether they listen or not, Mr. Cannan. But you go ahead and carry on.

**Mr. Ron Cannan:** I just think it's important that we do present a factual report, with as much information as we can, to the rest of the

members of the House. We would be doing them a disrespect if we didn't wait until we had heard from all the witnesses.

Thank you, Mr. Chairman.

**The Chair:** Mr. Watson.

**Mr. Jeff Watson:** Thank you, Mr. Chair.

There are two groups of witnesses who are being thoroughly disgraced by petty opposition parties and politics: those who are sitting here waiting for this meeting to get on and those who are scheduled to appear before this committee on Monday.

**Mr. Peter Julian:** [*Inaudible—Editor*]

**The Chair:** Order, members, please.

**Mr. Jeff Watson:** I didn't speak while you were speaking, Mr. Julian.

**The Chair:** Give Mr. Watson a chance to present his comments, please.

Go ahead, Mr. Watson.

**Mr. Jeff Watson:** I don't think that's a route the committee should be taking. If I were a witness appearing before a committee, I would certainly want my testimony to be factored into whatever report the committee puts forward.

I had the lack of an honour, shall I say, to sit on a committee last year that totally cut swaths of testimony by witnesses on the Kyoto issue from its final report. That was politics and disrespectful to the witnesses who appeared.

Now I'm sitting here before a committee that wants to further disrespect witnesses who are going to be coming. I think it's time to put the narrow agendas away; let's get on with the full testimony and then write a report.

**The Chair:** Thank you, Mr. Watson.

Mr. Paquette has made a motion to amend his motion. His original motion was given—

• (1640)

**Mr. Pierre Paquette:** No, you're totally wrong on that.

**The Chair:** Sorry, so you just want to vote on the motion as is? I'm sorry, I misunderstood, Mr. Paquette. There was no need for that at all.

If you want to make an amendment, go ahead and do that, Ms. Guergis. I'm sorry, as you had indicated that intention.

Ms. Guergis has an amendment to your motion, Mr. Paquette, that she'd like to move.

Go ahead. I understand she has it translated.

**Ms. Helena Guergis:** I do have it translated in both official languages.

I was just hoping that we could amend and add to the motion: And that the report be structured into sections to include litigation, stability, job losses, and the return of duties.

I'm open to anybody else adding any other sections they think should specifically be acknowledged within the report, so that we do capture all of the information that was gathered from our witnesses.

**The Chair:** Ms. Guergis' amendment is the only amendment on the floor right now.

(Amendment negatived)

**The Chair:** Now we'll go to the motion for which proper notice was given by Mr. Paquette.

(Motion agreed to)

**The Chair:** Go ahead, Mr. Cannan.

**Mr. Ron Cannan:** I just wanted to clarify with the mover of the motion if he could verify whether the witnesses who are going to be here on Monday will be included in this report.

**The Chair:** There's really no option on that; the committee has agreed to that list. We'll go ahead with Monday's meeting as scheduled and we'll carry on from there.

Thank you, Mr. Cannan.

If we could now get to the witnesses immediately... If the witnesses could come forth, we have three-quarters of an hour.

We just need a couple of minutes. We'll suspend the meeting for just a minute at the request of committee staff.

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