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Chair

Mr. Leon Benoit

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• (0905)

[English]

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

We have three items on the agenda today. We're going to hear from our witness first, and then we'll go to a discussion of the subcommittee report, just looking for approval or modification of the subcommittee report by the full committee. In that report we dealt with several issues, but first and foremost the study of North American trade and beyond. But I'll talk about that later. And finally, we have Mr. Julian's two motions, should he choose to bring them forth, and I think he's given indication that he will. So we will deal with those as well.

I'd like to start by thanking our witness very much for coming here on very short notice. Carol Osmond is the senior policy adviser for the Canadian Association of Importers and Exporters. The other witnesses apparently could not come, and we appreciate it very much that Ms. Osmond has agreed to come today.

You have a very short presentation, I understand, so perhaps we could be ready with questions as soon as possible. We'll probably go until about 10:15 with the witness and then get to the other business of the committee.

Again, Ms. Osmond, thank you very much for being here today. I just want to say one more thing before you actually get started. For several meetings now, we have been dealing with our study of North American trade and also trade beyond North America, and the proposal is to continue that until Christmas. But I consider this to be certainly a part of that study, and we'll talk about that once we have given the witness the chance to make her presentation and have gone to questions.

Go ahead with your presentation, please, Ms. Osmond.

Ms. Carol Osmond (Senior Policy Advisor, Canadian Association of Importers and Exporters): Thank you, Mr. Chair and members of the committee, for your invitation to be here today.

I understand it was a late night last night. I was actually watching the vote at the airport in Toronto, on my way to Ottawa.

I'm here representing IE Canada, the Canadian Association of Importers and Exporters. The association has been a leading voice of the trade community since 1932. This past October we had our 75th annual conference in Toronto.

The association serves small, medium, and large enterprises throughout the country, as well as a range of service providers to

Canada's trade community. Our members are manufacturers, distributors, and retailers from a broad range of industries, including food and food product, automotive, electronic, and textile and apparel. We have a growing membership that today exceeds 750 members.

Given the nature of our association, obviously issues relating to customs and the border are uppermost in our minds and a key priority.

I have been with IE Canada as its senior policy advisor for one and a half years. I am a lawyer by training. I practised customs and trade law with an international law firm for 12 years. I spent five of those years in Mexico, following the implementation of NAFTA, which makes me one of those Canadians who has been impacted significantly, both personally and professionally, by our free trade agreements.

More recently I've been involved in legal research projects examining implementation of trade facilitation measures in Latin America, and particularly central America, as well as issues relating to the global trade in pirated and counterfeit goods and border enforcement of intellectual property rights. I serve as vice-chair of the Canadian Anti-Counterfeiting Network, for which IE Canada serves as the secretariat.

I'd like to begin by reiterating some of the points that were made during the trade policy round table that was held by this committee on October 19. The first point relates to the integrated nature of trade.

Export Development Canada recently reported that the import content used to make Canadian exports has been growing steadily, and now averages around 35%. In many manufacturing industries, the ratio is 50% or higher. This is clearly reflected in the membership of our association. In a recent survey, 51% of our members indicated that they are primarily both importers and exporters. If we remove service providers, that number is over 63%. So imports are becoming an increasing percentage of our exports.

The second point relates to the importance of integrating our trade policy with our domestic policy. Together with modernizing and improving customs processes to take advantage of our trading relationships, we must ensure that we have the physical infrastructure in place at our border, as well as at our principal maritime ports, to move goods efficiently into and out of Canada.

For most importers and exporters, the current concern is not customs release times but the time it takes to get to customs inspection booths due to inadequate infrastructure at, and leading up to, major ports of entry. The problem will only be exacerbated in coming years as trade volumes increase. An estimated 58,000 crossings occur in the Detroit-Windsor region every day. By 2020 the number of daily crossings could exceed 90,000. The Port of Vancouver anticipates that by 2020, it will need to handle three times the volume it does currently. With current infrastructure, most North American ports will not be able to handle projected 2010 volumes.

Turning to our trading relationship with the United States, clearly that relationship is of far greater importance to Canada than it is to the U.S. As highlighted in *NAFTA@10*, a report prepared by the Department of Foreign Affairs and International Trade, the U.S. is far less reliant on foreign markets than is Canada, exporting 10% of its GDP compared with 40% for this country.

Exports to Canada account for less than 2% of U.S. GDP. Nevertheless, trade between Canada and the U.S. has grown dramatically since implementation of the FTA in 1989 and NAFTA in 1994. Our economies are becoming increasingly interdependent: 34% of our bilateral shipments of goods is comprised of intra-company trade, and over 70% is comprised of intra-industry trade.

Both Canada and the United States are facing intense competition from the Asia Pacific region, particularly China. China is competing with Canada as a primary source of U.S. imports, especially manufactured goods. To meet that competition, it is critical that we continue to work in very close cooperation with the United States as well as Mexico, through such initiatives as the security and prosperity partnership, to address North American competitiveness and issues related to the border.

• (0910)

Unfortunately, indications are that the Canada-U.S. border is becoming thicker rather than thinner. Despite significant investments made by both the public and private sectors to try to streamline and facilitate movement of goods and people across the border, initiatives such as the western hemisphere travel initiative and the imposition of the U.S. Department of Agriculture's APHIS or Animal and Plant Health Inspection Service fee at the border threaten to undermine those efforts.

We have to bear in mind in dealing with the United States that security continues to be a major preoccupation in the U.S. To maintain our access to that market we have to address U.S. security concerns, which makes the Ministry of Public Safety and the Canada Border Services Agency critical in our economic and diplomatic relations with the United States.

Finally, I would like to comment briefly on the issue of product counterfeiting and piracy. As I mentioned, IE Canada serves as the secretariat for the Canadian Anti-Counterfeiting Network. This is a coalition of broad-based associations as well as law firms and intellectual property rights holders that have joined together in Canada to address the issue of counterfeiting and piracy.

Lack of effective IP enforcement in Canada, especially at our borders, is a significant irritant in the Canada-U.S. trading relationship. Canada has been included on the United States trade

representative's 301 watch list for the past several years. The major source of counterfeit and pirated products is Asia, especially China. This issue of counterfeit and pirated products not only has an impact in terms of our relationship with the United States, but it is also directly relevant to our trading relationship with China and the competition that we face from China.

It's estimated that counterfeiting and piracy cost the Canadian economy billions of dollars annually. The goods coming into the country range from potentially counterfeit pharmaceutical products, to car parts, to luxury goods, to toys, to electrical products, and so on. They not only present a threat to our economy and our tax revenue, but they also present a serious risk to the health and safety of Canadians.

Unfortunately we do not have an effective system in Canada to address this issue of counterfeit and pirated products. Particularly, our enforcement at the border is very lax and is somewhat of an embarrassment, I think, to this country. Not only is it of concern to the Canada-U.S. relationship, but it has also been raised internationally.

I'll finish my comments here, and I welcome your questions.

• (0915)

The Chair: Thank you very much, Ms. Osmond.

Just to remind the committee, in previous meetings the committee agreed to study Canada's trade and investment policy in our major markets. Of course, we also have agreed to identify specific problems and try to make specific recommendations for solutions. Since the United States—and we agreed to this before—is Canada's largest trade and investment partner, then of course the United States is a key part of the study.

At the subcommittee, as you'll see later, we will recommend that because of the time left, we'll have meetings going until the Christmas break, and this is part of that. The purpose of this meeting is to discuss Canada-U.S. trade and investment issues. The goal is to begin to understand the current issues that may impede Canadians' ability to do business with the United States.

Your presentation, Ms. Osmond, is very much appreciated. There will be, of course, more meetings on this in the months ahead, but today, again, we appreciate your coming very much.

Going to the questions, first is Mr. Eyking.

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

Thank you for coming and meeting with us here today.

I have two questions. The first one is on the future of our trade with China. I'd like to get your opinion, as at present we have a bit of a chill in the relationship between Canada and China. What are the repercussions of that? How important is the political side in dealing with the trade side, and are we going to be left behind with other countries, like Australia?

The second question deals with ports. We know there is a move afoot to try to help the Pacific gateway, the Vancouver area. It seems they've maxed out the rail system and the port system on the west coast. How much potential do the east coast ports have for the future, considering that the Panama Canal might be widened and the Suez Canal can take post-Panamax vessels?

Ms. Carol Osmond: Okay. I'll start with the second question.

I detect a bit of an east coast accent. I'm actually originally from Newfoundland, and I went to school in Halifax.

Hon. Mark Eyking: What part of Newfoundland was that?

Ms. Carol Osmond: I grew up in Port aux Basques.

Hon. Mark Eyking: It's very close to Cape Breton.

Ms. Carol Osmond: It's very close. In fact, I often say Cape Bretoners have a stronger Newfoundland accent than Newfoundlanders do.

Hon. Mark Eyking: It could be.

Ms. Carol Osmond: Starting with your question on the ports, within our membership, particularly given the issues that arose in the port of Vancouver with the truckers' dispute a year or so ago, we're seeing that companies are looking to minimize or spread the risk. They are starting to look more and more at using east coast ports.

For a lot of companies, I think there's certainly a lot of importation of goods from China and Asia that would continue to come through the port of Vancouver. For a lot of our members, I think the port of Vancouver will continue to be the principal port they use.

We are certainly looking, because of the concerns with respect to our west coast ports. We're seeing more and more of our members potentially looking at Halifax and starting to shift some of their imports through the port of Halifax.

In terms of our approach to our ports, I think we definitely need to have a comprehensive and an integrated policy that looks at both the west coast and the east coast and at how they work together.

On the issue with China, it's actually unfortunate that Mary Anderson, who's the president of the association, isn't here. She's currently visiting Hong Kong and China.

China is clearly an extremely important trading partner for Canada.

I mentioned the issue of integrated trade and the fact that I think we've traditionally looked at exports as being good and imports as being bad. We want to promote exports and, I guess, discourage imports. We're finding more and more that companies are both exporters and importers.

We have increasingly integrated supply chains around the world. In order to be able to compete globally and to compete in the U.S. market, companies are looking for cheaper sources of supply for their parts and components.

I think that's important to bear in mind when we're looking at our trade relationship with China and at other emerging markets around the world. Being able to source in those markets can also help Canadian companies that are manufacturers and exporters compete globally.

• (0920)

Hon. Mark Eyking: Do I have any more time?

The Chair: Yes, Mr. Eyking, you have time. You have three minutes.

Hon. Mark Eyking: We have a motion at our table today dealing with restrictions and the restriction of access to our markets. My simple question would be this. Is government doing enough? Should they do more when dealing with investments from other countries in Canada? I'm talking about buying out companies or organizations.

In comparison to other countries, like the United States, do we have enough tariffs on products coming in that could be dumped here? How do you see the whole thing that we're shifting towards?

Especially when dealing with the U.S. political situation, where the Democrats seem to be taking more control of the Senate, their leaning towards it seems to be more for the protection of their markets. How do you see Canada fitting in to not only protect other countries investing in our companies but to deal with imports?

Ms. Carol Osmond: I'm not sure I fully understand the question with respect to protecting investment in Canada.

Hon. Mark Eyking: Over the last few months, we had companies like Falconbridge and this kind of thing happening in our country. Is there a concern among your group that it will become foreign companies that dominate the ownership of our companies?

The second question would be on protectionism. Is it a road we almost have to take because the United States seems to be going down that road?

Ms. Carol Osmond: On the issue of investment, that's not an issue we focus on in our association. Largely we deal with issues related to the trade in goods between Canada and the United States and amongst other countries. So investment and issues related to investment don't really fall within the mandate of the association.

In terms of the concern about protectionism in the United States, when I talk to some of the people I've worked with in the United States, I think the point they make is that issues related to trade and security and so on are bipartisan issues in the United States, and we cannot assume that because we have a democratically controlled Congress and Senate we're going to see a significant rise in protectionism in the United States, particularly as it might affect Canada.

Where there are concerns is in terms of U.S. negotiating authority, fast-track negotiating authority, and how the change in the composition of the Senate and the Congress will impact the United States' free trade negotiations, for example, with the Andean community and other countries, and whether or not those treaties will be passed by the U.S. Congress.

I was reading an article that appeared in the *Washington Post* recently, and there are negotiations going on. The Democrats are concerned about having environmental and labour issues addressed, just as they have in other free trade agreements. The key concern from a Canadian perspective is the implications for the multilateral trade negotiations and the Doha round. There is a sense that if there isn't significant progress by the spring of next year, by March of next year, we're probably looking to 2009 before we're going to have any more movement at that level.

• (0925)

Hon. Mark Eyking: What's happening, then, is that the United States is doing more bilaterals. So that leaves us kind of falling behind.

Ms. Carol Osmond: Right, and I think it's unfortunate.

As I mentioned, I've had some experience travelling in Central America. In fact, I was in El Salvador and Nicaragua just a few weeks ago, and of course those are countries we've been trying to negotiate a free trade agreement with now for a number of years.

I guess one of the challenges that Canada faces in negotiating these free trade agreements is that we're a small market for a lot of these countries, and they're more interested in getting a trade agreement with the United States.

The Chair: Thank you, Mr. Eyking.

We'll go now to the Bloc, to Monsieur Cardin, for seven minutes.

[*Translation*]

Mr. Serge Cardin (Sherbrooke, BQ): Thank you, Mr. Chairman.

Good afternoon and welcome, Ms. Osmond.

You represent the Canadian Association of Importers and Exporters. The committee has decided to focus its study on what could be called "the best possible foreign trade policy."

Your main concern, of course, is to represent all your members, both the exporters and the importers.

I imagine that for someone specializing in import and export, there could be a relative difference between the two activities, but that the important thing ultimately is that the individual in question be able to continue to do business and to prosper.

As far as we are concerned, we are in favour of trade with other countries, but we are concerned as well about competition from emerging countries such as China and India.

We really need to develop a strategy including some very specific points in order to compete with other countries. As my Liberal colleague mentioned earlier, we must do this in a context where the manufacturing sector here, particularly in the case of exports, has not necessarily followed quickly enough the trend toward development, modernization, the acquisition of new technologies and innovation.

You talked a little about safeguards. I think they are important for Canada, to give us some time to modernize in order to move forward—whether we are talking about the furniture, apparel or other industries. Are you in favour of safeguards? The fact is that your members would perhaps import less and would probably therefore

focus more on exports. What is your association's position regarding this potential dilemma involving imports, exports and safeguards?

[*English*]

Ms. Carol Osmond: I guess generally our association is in favour of the free movement of goods across borders. If we're looking at safeguard measures, we have to be very careful how we use those measures. Increasingly what we need to do in North America is develop a North American strategy when it comes to addressing competition that comes from China and other countries in Asia.

As I mentioned, the trade between Canada and the United States, and to a lesser extent with Mexico, is becoming increasingly integrated. Thirty-four percent of trade between Canada and the United States is inter-company trade. An oft-cited example is the auto sector, where a motor vehicle may essentially go back and forth across the border eight times before you have a finished product, with parts and components going back and forth across the border. Addressing issues related to the border is absolutely critical to the competitiveness of Canadian companies and companies generally in North America.

Also, I think we have to be strategic in our investment decisions within North America. When I spent the time in Mexico.... I'll give an example of a Canadian company. What they found when producing in Canada was that there were certain lines of product that were no longer economically viable for them to produce in Canada; they were no longer cost-competitive. But their customers were demanding a full line of products, so in order to be able to satisfy their customers, they needed to maintain their full product line, including those products that were no longer feasible, from a cost perspective, to produce in Canada.

What they did was build a plant in Mexico to produce those products, at a lower cost in the Mexican market, so that they could continue to supply the full range of products to their customers. It also gave them the added advantage of being close to the southern U. S. market, which they weren't accessing from Canada, or not as effectively from Canada.

So there are certainly opportunities. We have to take advantage of our geographic proximity within North America to meet the competition that's coming from offshore. That means we have to invest in our infrastructure, we have to focus on our borders, and so on, and work very cooperatively with our trading partners within NAFTA.

• (0930)

[*Translation*]

Mr. Serge Cardin: Natural resources, metals, wood and various other items form the basis of our trade, particularly in the manufacturing sector. The trend is to setting world prices, in the case of metals, for example. Consequently, the price of resources and metals should be balanced at the world level. However, there are some other considerations such as working conditions, social conditions and the environment.

For example, in response to the Canadian government's lack of interest in the Kyoto agreement, France has actually said that it might impose a special tax on Canadian products, because the government is disregarding the environment. So we do have to respect some international considerations. In addition, the WTO seems inclined to allow France to impose these special taxes. In such a case, we could talk about dumping. Some prices drop when there is a lack of concern for working conditions, social conditions of employees and the environment.

That said, there should be a trend toward the globalization of markets, and that will live us to the globalization of human, economic and social conditions. So there will be very few differences in the basic elements of trade and the ways of doing business. I think that we have reached the most important point, what could be called the knowledge economy and the ability to innovate quickly in order to stay ahead of one's competitors at all times. Without that, we will never get anywhere.

We have to make the rules fairer and more equitable around the world as regards social conditions and the environment. I know your association's objective is to do business and to facilitate trade as much as possible, but as I was saying earlier, you are in a bind. If your exports go up or down, your imports will go down or up accordingly. People will come out ahead. Your overall vision for moving the Canadian economy forward, to avoid what could be called social or environmental dumping—and I come back again to the issue of safeguards—in order to achieve a balance so that the competition—

• (0935)

[English]

The Chair: Mr. Cardin, excuse me. Your time is more than up. Could you close your question, and we'll go for an answer then?

[Translation]

Mr. Serge Cardin: I'm sure you understood the question underlying my comments. What do we need to do to come out ahead in our imports and exports within a balanced market?

[English]

Ms. Carol Osmond: There may well be certain instances, and we certainly have the procedures in place in Canada for companies to bring safeguard actions. You know, in private practice I was involved in dumping investigations and so on. We certainly have those remedies available in Canada. However, those remedies apply in very exceptional circumstances and under very specific conditions. They don't represent, obviously, a broad policy solution for addressing competition from foreign markets in the Canadian market. We can't rely on those types of protectionist measures, I think, to protect us from globalization and competition from other countries.

In terms of how we compete globally, first of all, as I mentioned, it's not a situation where exports are good and imports are bad. I think imports contribute to our ability to export, and imports are becoming an increasingly greater percentage of the value of our exports, so we have to be able to take advantage of those lower-cost sources of supply around the world.

Certainly if I look at the preoccupations of our members, clearly the cost, the global supply chains, being able to source globally, being able to reduce the costs associated with moving those goods around the world, and having visibility—you often talk about visibility in the supply chain—are critical concerns.

There was a study, actually, that was just released by Industry Canada, and one of the things they address in that study is how critical logistics and supply chain management are in the ability of Canadian companies to compete. In Canada we fall behind other countries, and I guess particularly the United States, in using technology and other procedures to measure the costs associated with logistics and turnover of inventory and so on.

So those are areas where in order for our companies to export and take advantage of export markets, they have to be able to reduce the costs associated with logistics and moving their goods into the country and into export markets. Issues related to logistics are becoming increasingly important in terms of being able to access export markets.

I mentioned the issue of counterfeit and pirated goods that are coming into this country from China. That's clearly a situation where China is not playing by the rules. And yet in this country we've actually paid very little attention to this issue. And our markets, not just the Canadian market but markets around the world, are being inundated with products that don't meet Canadian safety standards and are competing with legitimate products. It has a tremendous economic cost. It has an impact on our tax revenues, and there are health and safety issues as well. So that's another issue, I think, in terms of trying to compete, we need to address with China.

• (0940)

The Chair: Thank you very much.

We'll now go to the Conservatives, to the governing party. We'll start with Ms. Guergis, and then if there's time left, we'll go to Mr. Menzies.

Ms. Helena Guergis (Simcoe—Grey, CPC): Good morning. Thanks very much for being here.

I just have a couple of comments. Further to what my Bloc colleague and my Liberal colleague had touched on, the motion we have.... I'm just simply going to read it.

The Committee calls on the government of Canada to stem the current market disruption, in specific categories, in the Canadian apparel industry, by immediately invoking Article 242 of China's accession protocol to the WTO and putting in place restrictions or safeguards on the growth of specific categories of apparel imports from China.

Some of the information I have here indicates that in 2005 we had a few companies—in fact it was less than 1% of the Canadian apparel industry—that made general requests to the government to undertake these consultations with China with a view, of course, to imposing quotas on imports of Chinese apparel products. They were aware that the United States and the European Union had imposed these kinds of safeguards. And apparently these safeguards have caused some widespread disruption in the EU.

I'm wondering if you would have any insight as to what that disruption would be. Could you give us any information on what that was, if you do know anything, and how that might play out here?

Ms. Carol Osmond: Sorry, could you repeat the last part of the question?

Ms. Helena Guergis: I was telling you that there were some companies that had asked the Canadian government to impose import quotas on Chinese apparel products, to put the safeguard measures in place. I also had mentioned that the safeguard measures were actually put in place by the U.S. and the EU, and that there was some very widespread disruption within the EU. I'm wondering if you have any insight as to what that disruption was, how it played out, and what we think could happen here.

Ms. Carol Osmond: Unfortunately, I can't help with that question.

The Chair: Ms. Osmond, you were here to discuss Canada-NAFTA issues.

Go ahead, Mr. Menzies.

Mr. Ted Menzies (Macleod, CPC): Thank you.

Thank you very much to our witness for coming on such short notice. We realize that everyone's lives are very busy, and we do appreciate your coming.

I'm most impressed that you've been involved throughout NAFTA, in representing your industry. We recognize the importance of trade, especially to the people and industries that you represent.

When I look at the makeup of your membership, I think the thing that a lot of people don't recognize is that your members are not only exporters, but they're importers of parts of their products, so they need to be aware of import restrictions. They may import a piece, which they add onto before they export it. Most people think of exporters as just being exporters. One of my concerns—and I would like you to share your thoughts on this—is that we need to make sure that we, in our protectionist mode, don't put restrictions on imports that are a base product to which we add value before we export it. A lot of people like to put up barriers to stop imports coming in, and limiting imports can inhibit our Canadian companies from being competitive. Can you share your thoughts on that?

Ms. Carol Osmond: I think that was the point I made earlier. In terms of our membership, we have members who are service providers, brokers, and lawyers, and so on. In a recent survey of our membership that we conducted, if you just look at the companies that are importers and exporters, over 60% of them indicated that they are primarily importers and exporters. They clearly do both. It's critically important to those companies that they have access to foreign markets, to be able to source raw materials or parts and components, and to be able to bring those into the country and, as you mentioned, incorporate them into products that are then exported from Canada and that may in fact turn out to be components of other products before they're finished.

• (0945)

Mr. Ted Menzies: Do I still have a bit of time, Mr. Chair?

The Chair: You do indeed. You have three minutes.

Mr. Ted Menzies: You referred to the issue of APHIS. I'm trying to remember the expansion of the acronym. It's food trade, is it?

Ms. Carol Osmond: I had to write it down.

Mr. Ted Menzies: I was trying to remember what APHIS stood for. Is it agrifood import? Is that what it is?

Ms. Carol Osmond: It's an inspection.

Mr. Ted Menzies: Agrifood inspection service, is that what it is? We should have it accurately for the records. I guess we're caught in a bit of a conundrum with that. We realize that food safety has to be the ultimate goal in protecting consumers. Unfortunately, it can be misconstrued and be misused into being a non-tariff barrier. Can you share some of the concerns that your members would ask you to raise about that, keeping in mind that I understand that your members are ultimately concerned about food safety? How those can be used against them as a non-tariff barrier is my point.

Ms. Carol Osmond: Right. It's the Animal and Plant Health Inspection Services fee—APHIS.

Mr. Ted Menzies: Oh, okay. Thank you.

Ms. Carol Osmond: This APHIS fee applies to all imports into the United States, and traditionally Canada has been exempt from that fee because of the special relationship that we have with the United States. When the interim rule was published in the U.S., this was a key concern for many of our members, and not just members who are involved in the food industry and the agricultural food industry. It's important to realize that the United States is proposing to impose this fee on all commercial vehicles going into the United States, as well as on air passengers. That was one of the concerns—that it's across the board, that it will impact all imports going into the United States and all modes of transportation, and not just food and agricultural exports into the United States.

The other concern associated with the fee was the potential delays at the border, the delays that might be associated with collecting the fee. The fee is, I think, \$5.25 per vehicle, so they were envisioning border personnel on the U.S. border having to make change. For the majority of carriers that would not be an issue because they could pay the fee upfront and display a decal on their vehicle and so on, but certainly for a percentage of exports that was a concern. So it was collection of the fee. Also, it indicated that the United States planned to increase inspections of shipments going into the United States.

There are a couple of concerns here. First of all, is this really the best way for the United States to be addressing their concerns? The U.S. has indicated that one of the reasons they decided to impose this fee and to increase inspections coming in from Canada is that they perceived that the risk had increased of goods being transshipped from Canada into the United States. There were instances of Spanish oranges going into the United States marked "Made in Canada", so they perceived that there was a greater risk from Canada. Actually, there were a lot of responses from Canada from different associations, including IE Canada, but there was also a submission made by the Canadian embassy that went through, in considerable detail, responding to all the various risks that had been raised by the United States. It was a fairly detailed letter, and if you haven't read it, I would suggest that you take a look at it. I think it's very helpful. Essentially the argument from the Canadian government and from Canadian industry was that there are better ways of dealing with these issues, of addressing the concerns of the United States, and that we should work together cooperatively.

On a broader level, if we look at the expenditures made by government, as well as industry, we've been spending billions of dollars to try to facilitate trade between Canada and the United States and to ease the burden at the border. It's an uphill battle. As I mentioned earlier, the sense is that the border is actually becoming thicker, rather than thinner. We're investing all of this effort and resources in trying to improve our infrastructure and to improve customs processes at the border, and then suddenly a separate agency comes in with a new fee and an intention to increase inspections at the border, which clearly undermines this overall goal that we have of trying to facilitate movement of goods between Canada and the United States. I think it's an indication that we have to be constantly vigilant in terms of policies and procedures that are adopted in the United States that can hurt Canadian companies exporting into that market.

• (0950)

The Chair: Thank you.

Do you have a very short follow-up, Mr. Menzies?

Mr. Ted Menzies: I have a request.

Could you share that letter with the clerk of this committee, please?

Ms. Carol Osmond: Sure. In fact, I may have a copy with me. And I can also send on to you the submission made by IE Canada and some other Canadian associations.

Mr. Ted Menzies: Good, thank you.

The Chair: That would be very much appreciated. Thank you.

Mr. Julian, for seven or eight minutes.

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

Thank you, Ms. Osmond, for coming today on short notice. It's much appreciated.

I want to come back to the actual association itself, because you made reference to the 750 members. It would be interesting to know what the median size is of those businesses, and what the general ratio is between service and non-service. You cited some statistics, both including all manufacturers and service industries, and then without, just limited to manufacturing itself and the percentage of imported components within that manufacturing, and then in terms of sectors themselves.

Ms. Carol Osmond: I don't know if I brought my statistics with me, but as I mentioned, we have just completed a survey of our membership. We have just over 750 members, and I think close to a third of our members responded to that survey. I believe the breakdown was something like 20% of our members being service providers, so that would include freight forwarders, transportation companies, CN and CP, for example, which are members of our associations, lawyers, and so on. The other 80% would be companies that are engaged in importing and exporting.

In terms of the breakdown, we represent small, medium-sized, and large companies. Our members include some of the largest manufacturers and retailers in Canada, but we also have small and medium-sized companies as well. We represent a broad range of industries, food products, automotive, electronics, and so on.

Mr. Peter Julian: If we come back to the issue that Mr. Cardin raised, which is the whole issue of jobs itself, putting in place protections for some of the sectors where we're seeing imports basically gobbling up Canadian jobs, if we were to look at your association ten years ago as compared to now, and the average number of jobs per member ten years ago as compared to now, what would we see in evolution?

I'm asking about the quantity. I'm going to come back to you in terms of quality as well.

Ms. Carol Osmond: Right. I'm not sure. I don't have the statistics from ten years ago, so I'm not sure what the evolution would have been over the past ten years.

Mr. Peter Julian: Is that something you track as an organization?

Ms. Carol Osmond: I'm not sure how far back we've been doing these annual surveys, but I can certainly check that for you.

Mr. Peter Julian: Yes, because there's the issue of the quantity of jobs, and I think there's a very legitimate perception that over the last ten or fifteen years what we've seen is an erosion, both to a certain extent in the quantity of good jobs and also in the quality of the jobs that are available within the Canadian economy.

Some people, and I'm one of them, believe that our trade policies are in large part responsible for that, that what we're intending to do is substitute the good manufacturing jobs that we had in Canada in the past for lower-paid service jobs. In fact, Statistics Canada seems to back that up. In their most recent studies, they've indicated that most of the jobs created today in the Canadian economy are part-time or temporary in nature and don't come with things like benefits that existed in the past, such as pensions. So what we've seen is an erosion of the good jobs.

One of the reasons that people put forward is that we are putting all our eggs in one basket, and that is in trade with the United States, with 86% of our trade now going to the United States. That's something that a small-business person certainly wouldn't do. They wouldn't concentrate on dealing with one client, because that, of course, leaves you vulnerable to that client. We've seen with softwood lumber and with BSE that this vulnerability is something that can be a real problem for us.

So coming to the issue of trade diversification, is that something the association discusses? Do you have specific recommendations on how we can diversify our trade so we're not as vulnerable to our relationship with the United States and in a very real sense we're diversifying the possibilities around the world?

• (0955)

Ms. Carol Osmond: In terms of issues, really, given the makeup of our membership and the nature of the association, a key focus for our association is on issues related to customs procedures, regulations and requirements, and so on; issues related to the border and related to our ports of entry; issues related to security, or increased emphasis by governments on security programs such, for example, as the C-TPAT program when going into the United States; and proposals in Canada to enhance what we call our "partners in protection" program, which is our equivalent of the U.S. C-TPAT, and to make those programs compatible.

Those are the types of issues our membership is focused on.

Mr. Peter Julian: Is diversification an issue that some members have raised, or is it something that has just not been part of the association's discussion?

Ms. Carol Osmond: It's not so much a focus of our discussion. There's a recognition, clearly, that our trading relationship with the United States is going to continue to be our principal trading relationship and that we need to pay attention to that relationship, to pay attention to issues at the border, to work on initiatives such as the security and prosperity partnership.

But having said that, obviously it shouldn't be our exclusive focus. We need to be looking at our trade relationships with other countries, including our relationships with China and other countries in Asia, and to take advantage of opportunities in those markets not just as sources of supply, but also as potential export markets.

Mr. Peter Julian: How much time do I have, Mr. Chair?

The Chair: You have a minute or so.

Mr. Peter Julian: Thank you. I would like to move on, then.

In a sense, would it be fair to say that you're more concerned with the nuts and bolts of import/export and trading relationships rather than the overall strategy?

Ms. Carol Osmond: Yes.

Mr. Peter Julian: Coming back to the nuts and bolts, then—the issue of the physical infrastructure that you raised, and the very compelling figure you mentioned, that the port of Vancouver is looking at three times the trading volume by 2020—what would be the list of the three top issues, either in human resources infrastructure or actual physical infrastructure, that you believe the federal government needs to address? We know there's an infrastructure deficit. There's no doubt about that; I think all parties agree. But what would be the three issues you believe must be attacked directly, and what would be your recommendations?

• (1000)

Ms. Carol Osmond: There are obviously issues relating to the port infrastructure itself, and terminal capacity, and so on. There's also the issues of the infrastructure leading up to the ports—being able to access the ports and leave the ports. Those are critical to members.

The other issue that continues to arise is our rail capacity and the ability, once the goods have arrived, for example, in the port of Vancouver, to then move them from the port to points east. What we're finding is that, since the dispute that took place in Vancouver a year or so ago with the truckers, there has been an improvement. From what I'm hearing, instead of taking ten days on average for containers to be moved onto the rail, it's now taking something like five days.

But for some of our members, that's still a significant delay. What we're hearing is that the railways are allocating space on the trains to the various steamship lines. Now, having said that, I think the railways have made significant strides in trying to increase capacity, but I think it's going to continue to be an issue.

Another issue I referred to that our members face is this whole issue of visibility in the supply chain. With the issue of having your containers wait on average five days at the port to be put on a train,

the problem is you don't know whether it's going to be one day or five days, so in terms of your cost in maintaining inventory and so on, you have to plan for the worst case scenario, though in fact it may take less time than that.

The Chair: Thank you, Mr. Julian.

We'll go to the Liberal Party now, to Mr. Maloney, please, for five minutes. Let's keep it to five minutes so we can get through as many questioners as possible.

Mr. John Maloney (Welland, Lib.): On counterfeiting and piracy, you say it's costing us billions of dollars. How do you calculate that?

Ms. Carol Osmond: It's very difficult to calculate what the costs are, because it's basically a black market. When you're dealing with a black market, you obviously don't have clear figures. We base it on estimates that have been made globally and estimates in the United States. I believe in the United States they estimate that it costs the U. S. something like \$250 billion annually in loss to the overall economy. Given that Canada's economy is roughly 10% of the U.S. economy, we could be looking at a \$25 billion to \$30 billion loss to the Canadian economy.

The cost is something that is very difficult to estimate. Based upon those who have been involved with this issue over the past decade or so, I can tell you that the trend we're seeing is that the range of goods being counterfeited has expanded incredibly. It used to be that when you were dealing with counterfeit goods, you were dealing with fake watches or fake T-shirts. What we're finding now is that practically any product that can be manufactured is being counterfeited, everything from toys to Christmas tree lights, to bottled water, to baby formula, to prescription drugs, and so on. We're seeing an explosion in terms of the range of goods.

Mr. John Maloney: Who is doing this importing? You represent an association of importers and exporters and there are 750 members. I would assume that none of your members are doing these illicit—

Ms. Carol Osmond: Not knowingly, no.

Mr. John Maloney: Who is doing this importing? How do we apprehend them? What are the penalties?

Ms. Carol Osmond: Those are very good questions. It goes to the root of the problem that we have in Canada. Unfortunately, we don't have an effective border enforcement system in Canada for intellectual property rights. Part of the reason for that is we do not have a clear mandate for the Canada Border Services Agency to target and to detain and seize counterfeit goods.

The best source of information on this issue, I guess, would be our customs authorities. But because we don't have the proper legislation in place, because we're not dedicating the appropriate resources to this issue, it's difficult for us to know the extent of the problem and who exactly is importing these goods.

There are investigations that go on with RCMP, with local police. IP rights holders conduct their investigations, so they're able to identify who some of these offenders are. But getting a complete grasp on the issue to be able to address it effectively, we need to do more in Canada both in terms of our legislation and of the resources we're dedicating to this issue.

•(1005)

Mr. John Maloney: Looking into a crystal ball, this is a very serious situation, and few really have a concept of the seriousness of it. If the United States were to say there is so much coming across in transshipments or whatever, is there a possibility that they could conceivably put up more barriers for our transborder trade, because of the questionable...?

If they see a container load of Ralph Lauren T-shirts or something coming via China, they know they are knock-offs. Are we concerned about that, or should we be concerned about that label and make that border even thicker?

Ms. Carol Osmond: I think that's a potential concern. Certainly the United States takes this problem very seriously. It's been identified by the USTR and the Commerce Department in the United States as being a serious concern. In terms of the bilateral trade relationship, I think we shouldn't underestimate the importance of this issue to the United States.

The USTR will be coming out with its 301 report early in the new year. I think we can expect that Canada will be on the watch list, again, this year. We're almost equated with China, basically, as being a problem. So I think, yes, it does affect our relationship with the United States.

There is an initiative pursuant to the security and prosperity partnership of North America for the three NAFTA countries to try to coordinate their enforcement, but I think certainly we need to do more in this country. And in fact Canada has been identified at the World Customs Organization as a country that is not doing enough to address this issue.

Mr. John Maloney: Are there any self-policing initiatives within your own sector, within your own industry, or is it all up to government?

The Chair: Thank you, Mr. Maloney.

Could we have a short answer please?

Ms. Carol Osmond: Certainly the private sector is very much engaged in terms of conducting investigations and doing what they can to protect their intellectual property rights and to try to raise awareness of this issue. But when you're dealing with counterfeit and pirated goods, the civil remedies that we have available are just not very effective. If you bring someone to court and sue them for your lost profits and so on, chances are they have no assets. And even if you could get a significant award, they have very few assets that you could seize or obtain from the offenders. So it's certainly an area where we do need more help from the government, specifically dealing with counterfeit and pirated goods, not areas where it's questionable whether there's a legal issue as to whether a trademark or copyright is being used improperly, but in cases where it's clear that we're dealing with counterfeit and pirated goods.

•(1010)

The Chair: Thank you very much.

Mr. Valley has a short question he'd like to ask.

Mr. Roger Valley (Kenora, Lib.): You mentioned infrastructure problems and opportunities on the coast. You mentioned Windsor, with its huge volume predictions. From Windsor to the west coast,

can you tell me of any other border-crossing capacity difficulties we have? What other border crossings are you aware of that are causing problems for your members and your concerns?

Ms. Carol Osmond: Windsor-Detroit is probably the key crossing. I know there are members here who are from the west coast, and I think probably there are issues at the crossings between B.C. and Washington State. Also, there are the issues at the Peace Bridge, where there have been proposals for a long time to have a pre-clearance facility on the Canadian side of the border going into the United States, and that's a key issue as well.

Mr. Roger Valley: Thank you.

The Chair: Thank you.

Monsieur André, for five minutes.

[Translation]

Mr. Guy André (Berthier—Maskinongé, BQ): Good afternoon, Ms. Osmond.

I'm very pleased to meet with you today.

You mentioned to my colleague, Mr. Julian, that there are 750 members in your association. I would like you to tell me what they think about fiscal competitiveness. That is a very topical matter. We hear talk about reducing income taxes, about promoting innovation and investment further. Income tax reduction always has an impact on our society. I know this is a matter of great concern to exporters.

There is also the issue about companies that relocate. For about 10 years, have some of your companies moved or moved some of their activities in order to reduce production costs, and so on? Can you give us a percentage?

[English]

Ms. Carol Osmond: You might be interested to know that currently a study is being conducted by the University at Buffalo looking at the issue of how the border is impacting, or potentially impacting, investment decisions. Within, I guess, the last couple of years, the university has conducted the study to try to get a sense of the cost of the delays at the border, the additional security requirements, and so on, and how that was impacting Canadian companies vis-à-vis American companies. Not surprisingly, they found that it was an issue of much greater concern to Canadians. The cost to Canadians was higher than the cost to American companies.

What they're doing now is they're going back and interviewing some of the same companies they interviewed a few years ago to find out how they've adapted to those additional costs. Have they, for example, established distribution facilities on the U.S. side of the border in order to avoid delays and so on?

So that's something that will probably be coming out in the next little while that may be of interest to you.

Just to give you some anecdotal evidence, I was speaking recently with one of our members involved in the food and agricultural sector. They were finding that because of the nature of their product, they were subject to FDA inspections of their product going into the United States. Samples were taken of their product, and the samples were then tested. But because of the delays in terms of getting the test results, they found that their product was spoiling at the border, and they had to re-ship it. As a result of all that, they actually bought a facility in the United States so that they wouldn't have to deal with the border.

It's difficult to know how many Canadian companies have made similar decisions. Certainly other companies have found other ways to address the issues at the border and adjust their practices and so on. Still, I think it might be interesting for the committee to look at how the border is impacting Canadian investment decisions, or investment decisions vis-à-vis investment coming into Canada.

• (1015)

[Translation]

Mr. Guy André: Do I still have a little time left, Mr. Chairman?

[English]

The Chair: Very short, Monsieur André.

[Translation]

Mr. Guy André: We asked you a few questions about competition in the manufacturing industry, namely competition from Asia or elsewhere, in industries such as textiles and furniture.

There is a great deal of concern among companies in Quebec and Canada. People think that this competition could result in many job losses in rural communities, on farms, etc. Competition could have an important impact on the vitality of communities. We establish safeguards, and we want government policies that provide more support to industry to make it more competitive and productive.

In your opinion, how can we really take our place in the manufacturing sector or in the soft sectors, as they are called, in light of the competition from Asia? What steps should the government take to support the industry or perhaps not support it, depending on the issues involved?

[English]

Ms. Carol Osmond: I think it's interesting. I was recently speaking with a Quebec company that actually sources their fabric in China and produces finished products in Canada that are then exported to the United States.

We have to be careful when we talk about safeguard measures. They could have some unintended consequences.

Unfortunately, the textile and apparel sector is not a sector on which I can claim to have a lot of expertise and knowledge.

At the proceedings that were held here in October, I noticed there was reference to the wine industry and the furniture industry in Canada. Those industries were able to adjust and in fact even thrived as a result of the competition that came with free trade and, in the wine industry, the decisions that were made at the GATT and at the WTO back in the 1980s and early 1990s.

I think we have to be careful in terms of how we go about protecting our industries. Rather than trying to protect them, shouldn't we help those industries adjust to this competition?

The Chair: Thank you, Ms. Osmond.

Merci, Monsieur André.

We'll go to Mr. Cannan for a very short round.

Mr. Ron Cannan (Kelowna—Lake Country, CPC): Thank you, Ms. Osmond, for your presentation.

There were very interesting questions.

I'm not sure if you had a chance to review the Conference Board teaser article that was in *Maclean's* magazine.

Ms. Carol Osmond: I saw it.

Mr. Ron Cannan: It was a recap of what we're hoping to see from this committee on the three-volume Conference Board report, the three-year report showing some of the real inefficiencies in our trade policy and where we need to improve.

One of the areas it talks about is the service sector. I believe the whole segment has potential export growth and wealth creation that's being unfulfilled. About two-thirds of our industry is service, and you mentioned that about 20% of your members comprise the service sector.

From your perspective and your experience of working in the United States on the NAFTA agreement, we're sending more and more of our raw materials to the U.S. and a smaller proportion of manufactured goods. Do you have any suggestions on how we can improve on expanding the service sector and capitalizing on a potential growth area that's not being fulfilled today?

• (1020)

Ms. Carol Osmond: The focus of our association is primarily on trading goods and the movement of goods back and forth across the border, rather than services.

The service sector our association represents is largely service providers to that industry, the import and export industry. They're involved in things like customs brokerage, logistics, transportation, and so on.

I actually think it's interesting that in the customs brokerage industry, in order to service U.S. customers, many Canadian companies actually serve as the importer of record into the United States. They're not only exporting to the U.S.; they're actually engaged in the process of importing the goods and complying with all the requirements in order to import those goods into the United States.

What has been allowed to happen is Canadian customs brokerage firms have established operations in the United States. They're some of the largest service providers in that sector in the U.S., because they have a contingent of Canadian exporters that also serve as importers into the United States.

As I mentioned, the logistics of ensuring the efficient movement of goods into the country, across the country, and into our export markets have also become increasingly important to the import and export community. I think it's potentially an area where Canada could have an advantage.

Mr. Ron Cannan: I have one supplemental on that.

The Chair: Mr. Cannan, please, can I have—?

Mr. Ron Cannan: The theme of this is possible sustainable prosperity for Canada. The major theme of it is that the NAFTA agreement is past its due date. The changing global economy is rendering it insufficient. Do you agree with that statement?

Ms. Carol Osmond: I think we obviously need to continue to build on the NAFTA. There have been a lot of changes in the global economy since NAFTA was negotiated. The negotiations finished almost 14 or 15 years ago. Certainly there have been significant changes that have taken place in the global economy since then. North America is not isolated, and we're all impacted by those changes. I think, yes, we do have to continue to build on the NAFTA agreement and address issues related to competitiveness on a North American level instead of just on a national level.

The Chair: Thank you, Mr. Cannan.

Mr. Julian, do you have one? We do want to get to your motions and to the other business. Go ahead, Mr. Julian.

Mr. Peter Julian: I was wondering if you could make available to us the results of the surveys you have been doing now for five years, I believe.

Ms. Carol Osmond: I'm not sure how long the surveys have been conducted.

Mr. Peter Julian: Would it be possible to make them available to the committee?

Ms. Carol Osmond: I will have to check into that. I will definitely check into it and get back to you, yes.

Mr. Peter Julian: Thank you.

The Chair: We will pursue that, Mr. Julian.

Thank you very much, Ms. Osmond, for coming today, again, on such short notice. It's a tough gig in Mexico, especially when it's minus 40 degrees out in Calgary and Edmonton today.

Ms. Carol Osmond: Actually, one of the reasons I moved back from Mexico was that I decided it was getting too hot.

The Chair: Thank you very much. We do appreciate it.

We're going to go right into the next part of our meeting. You can just leave as you will. Thanks very much, again.

Let's go now, before we get to Mr. Julian's motions, to the study plan. If you go to page 2 of the document prepared by researchers called "Study Plan Prepared for the House of Commons Standing Committee on International Trade", there is a timeframe. Could you just go ahead and kind of look through that?

This is what the subcommittee decided to bring to the full committee here. From now until Christmas we have the meetings laid out. There are only, I believe, four or five left. Today's meeting, of course, is complete. Next Tuesday we propose to have these four groups, and three have agreed to come. CAFTA, the last one, the

Canadian Agri-Food Trade Alliance, we haven't been able to contact yet, but we're hoping to have all four at the table for the two hours. We know there's a lot of interest in agriculture trade here.

On Thursday, December 7, and on December 12—those of you who haven't been involved in the discussion may not know what we're proposing here—there is a two-day seminar, which just happened to correspond to our committee times, starting at eight o'clock and going to ten on each of these two days. It's here on the Hill, right in Centre Block, I believe. It is sponsored by the Department of Foreign Affairs and FIPA, the Inter-Parliamentary Forum of the Americas. The topic of these meetings is trade knowledge networks for parliamentarians.

We thought it would be good if the full committee tapped into these meetings. What we're proposing is that from ten to eleven, which completes our normal committee time, we have one-hour sessions, the first one dealing with the order in council appointment of Daniel Ross, a director of the Canadian Commercial Corporation.

•(1025)

Ms. Helena Guergis: Will we get a chance to talk about this after you read the whole thing.

The Chair: We will discuss it. That's right. Yes.

Ms. Helena Guergis: Thank you.

The Chair: I want to lay out what the proposal from the steering committee is first.

Then the second hour, the hour from ten to eleven on the twelfth, we're proposing to have the Conference Board of Canada. They haven't unveiled their study yet. We're not sure whether they would be willing to come and discuss that in any detail yet.

Another possibility would be to have the Conference Board after Christmas for maybe more than one meeting, possibly a couple of meetings, because they've done a very major study, as we heard before this committee about a month ago. It could be quite interesting. That leads to the second part after Christmas, from January 30 to March 29. What the subcommittee proposed is that we do a study on Canada-U.S. here—it should really be NAFTA, I would think, NAFTA trade. Possibly we could have the Conference Board of Canada, who have done a major study on NAFTA, to one or more meetings in that timeframe.

And then from April 17 to the end of June, should we not have an election before that time, we could go to stage two of the long-term study, which would expand beyond NAFTA. We can define that more later on.

That's just a rough guideline. Could we go to discussion on that now? There's a bit more information on stage one on page one of the study plan, which is Canada-U.S. trade, but again, I think we should probably refer to it as NAFTA trade and include Mexico, certainly. I would consider this to be a continuation of the study. We've had several witnesses on this already, and it would probably be more accurate to reflect this as a continuation.

Ms. Guergis, would you like to discuss this proposal?

Ms. Helena Guergis: I just want to comment on having this Daniel Ross come before committee. My understanding is that we have never really just had a board member. Usually that's left for presidents or CEOs to come before us. He is a civil servant. It is my understanding that he is an ADM. They don't get paid, and the reason why most ADMs or public servants sit on boards is just to have an open line of communication between the two. That's always been my experience, even before I came to work here as a member of Parliament, as political staff in the past.

I'm not sure why we would have Daniel Ross come before us. I think it would be actually unprecedented. I don't think it's something we've ever had, just a normal board member come before, so I'm a little bit curious as to why we have that on here. If it were a political appointment or a paid appointment or something like that, I could understand why we would do that, but this is just a normal board member and a public servant.

•(1030)

The Chair: Yes, thank you, Ms. Guergis.

Actually that is something the clerk had just pointed out to me now as well.

Ms. Helena Guergis: That it's not normal.

The Chair: I wasn't aware that was the case, that that was what the appointment was. I don't think anybody probably at the steering committee was aware of that, so we might want to reconsider that, certainly.

Ms. Helena Guergis: Most definitely.

The Chair: It makes good sense. We can discuss that.

Is there anyone else on that and on the proposal generally—the two-stage study and also the meetings leading up to the end of this session? Is there any other discussion?

Mr. Julian.

Mr. Peter Julian: Thank you, Mr. Chair.

I just want to mention that there's a bit of an omission. When we talked about the January 30 to March 29, certainly it reflects that we would spend most of our time on the study itself of NAFTA, not just the challenges and obstacles, but what the results have been as well. But we had mentioned specifically during the meeting of the steering committee that we may hold additional meetings on Chile, on the European free trade agreement, and also on the WTO because of the negotiations starting there. So I want to flag that, because that wasn't something that appears to have been brought forward, but I think it was explicitly acknowledged that we might come back to that issue during February and March.

The Chair: That's a good point, and on page 3 actually that is mentioned, Mr. Julian, I believe, or at least most of it is—certainly having Chile and other South American countries at a meeting is, and also February 6, a meeting on the European free trade agreement

Mr. Peter Julian: It's the WTO that's missing.

The Chair: The WTO, yes, we had agreed to that too.

Mr. Peter Julian: That's what I'm mentioning is the omission. We mentioned three things, and two of them are here.

The Chair: We'll add the WTO. That should have been in here as well.

You're right, we did agree to that, and we will then have that as part of the proposal.

Mr. Ted Menzies: That's point three, then.

The Chair: On the last page. These are meetings to fit in with our study.

With the European free trade agreement, was that not an informal meeting? Were they going to be before the committee as a formal—?

The Clerk of the Committee (Mr. Normand Radford): We have to work out the arrangements, but there will be a luncheon involved as well.

The Chair: We were talking about a luncheon and kind of an extra meeting for those who wish to go to that, possibly inviting some members from industry as well. Is my memory serving me correctly?

The Clerk: That's correct.

Mr. Ted Menzies: I was wondering, who is that committee?

The Chair: That is an incoming committee that's travelling to Canada. The dates aren't firmly set yet; we don't have the firm dates, but that's what it is. It's more to accommodate them on an informal basis outside of committee time. That's my recollection of that.

Mr. Ted Menzies: If we have that settled, can we go back to our stage one process?

The Chair: From now until Christmas?

Mr. Ted Menzies: Sounds like a long time, doesn't it?

The Chair: Are you talking about that?

Mr. Ted Menzies: I guess I'm talking about the overall strategy. We've had a number of witnesses come to us and make some negative comments about Canada's slow reaction to catch up to the rest of the world on FDAs, whether it's support of WTO, whether it's a more aggressive position at the WTO, to be able to take advantage of trade opportunities that are out there with countries we haven't even talked to yet. I'm concerned that we're too Canada-U.S. or even NAFTA focused. Why are we keeping it so narrowly focused?

We have this big opportunity we've talked about with the western hemisphere. We have this Central America free trade agreement. Our most recent witness said we're missing out on some huge opportunities there. Why are we keeping such a narrow focus down to only our NAFTA partners? Why aren't we looking at the opportunity?

We've kind of studied that one to death. Let's look outward. Let's look at what our businesses are asking us to look at, which is future trade opportunities with countries we haven't established a working agreement with.

The Chair: Yes, we have been asked about both. That's the second phase, Mr. Menzies, starting from April 17 to the end of June. That was our proposal, to expand it beyond that. But of course we agreed to have a meeting on the WTO sometime within that first session, from the time we get back until the end of March. Sometime in there we'll certainly schedule a meeting on that.

Some were suggesting we do that before Christmas, but I don't think we're getting useful information yet. It's the proposal to re-start that's in motion, but I don't think it's far enough along to get much good information, so the steering committee suggested we do that after Christmas.

I think we'll deal with all the things you're talking about.

• (1035)

Mr. Ted Menzies: I'd hate to see us focus only on NAFTA, because that agreement has been in place a long time. I think all of the industries in Canada understand the fundamentals of NAFTA. I don't think we're doing our industries any service. Our industries want us to develop new markets, rather than focus on something we've been doing for a long time.

The Chair: This is what the committee said, and anyone can comment. We've heard from several very prominent witnesses on this issue and they all pointed to North America as the area that would certainly warrant a lot of focus, but beyond as well. The steering committee proposes that we have two studies, or a two-part study. The first part would be on NAFTA, January until the end of March, and have the report to the House by the end of March. The second part is to go beyond that, to exactly what you're talking about. I think we're trying to accommodate what you are saying.

In the time leading up to the Christmas break, the four meetings or whatever...for example, next Tuesday, if the committee approves, we'll have the witnesses from the agriculture groups. I certainly expect some discussion on the WTO to do with that, and other countries outside of North America.

We have Mr. Julian, Monsieur André, then we'll go back to Ms. Guergis and Mr. Eyking, in that order.

Mr. Menzies.

Mr. Ted Menzies: The only thing I was going to suggest is that if we can't get the Agri-Food Trade Alliance, perhaps we can get the Grain Growers of Canada, another group that's represented here in Ottawa. That's if we can't get the Agri-Food Trade Alliance, but I'd surely try hard for them, because you commented that—

Hon. Mark Eyking: We could bring in the Wheat Board.

Mr. Ted Menzies: Yes, but we're talking about international commerce; their international powers are gone.

If you can't get the Canadian Agri-Food Trade Alliance, that would be an option, but I would certainly push for the Agri-Food Trade Alliance, because they represent food processors and producers.

The Chair: Thanks, Mr. Menzies.

Monsieur André, I believe, was next.

[*Translation*]

Mr. Guy André: I find the proposed schedule acceptable.

However, I would like us to take time to look at the following matter. Some companies are in a crisis situation at the moment: they are experiencing difficulties. We should take some time—I do not know exactly when, before the elections, I hope—to analyze these companies here at the Standing Committee on International Trade. I know that Mr. Julian will be putting forward a motion on the textile

industry, for example. We know that this market is currently experiencing major difficulties as regards international trade. I am also thinking of the furniture industry.

We, the members of the Standing Committee on International Trade, should take the time to review this so that we can put forward some recommendations as to how to support these industries, which, at the moment, are experiencing some significant problems in their trade with the United States, China, etc.

If our committee does not deal with these matters, we will be missing the boat. I think this is something we must do.

[*English*]

The Chair: Monsieur André, you know, of course, that during any of these meetings you are completely free to bring up those issues with the witnesses. That's certainly an opportunity that's there.

[*Translation*]

Mr. Guy André: I will do that, Mr. Chairman.

[*English*]

The Chair: Merci.

Now, I think Mr. Julian.... I'm just going to check the list.

Actually, Ms. Guergis is next.

Ms. Helena Guergis: Thank you. I think Mr. Julian was before me.

The Chair: Yes, Mr. Julian.

Mr. Julian, go ahead.

Mr. Peter Julian: I appreciate that.

The Chair: I'm sorry; actually, you were on the list first.

• (1040)

Mr. Peter Julian: And there was also Mr. Eyking.

The Chair: After Ms. Guergis, it's Mr. Eyking.

Mr. Peter Julian: Just briefly on Mr. Menzies' point, you explained very well, I thought, Mr. Chair, that essentially we're talking about two parts: the first part NAFTA and SPP or deep integration; and then we were dealing with the conundrum of a possible election in March.

So do we map out a full spring agenda, or do we put it in two components and, assuming potential for an election, have a first component and then, if there is no election—it's up to this Parliament to decide, of course— move on to the second component of it?

What you've raised, I think, is contained within that second component.

The Chair: Of course, Mr. Julian, as you know, the Prime Minister has announced the election date for the next election, October 19, 2009. But in the event that it does come sooner, that's right; that was a consideration.

Next is Ms. Guergis.

Ms. Helena Guergis: Are we talking about the second part of the study?

The Chair: Whatever you want—the proposal—and we'd like to deal with it as soon as we can, if everybody could keep comments as short as we can. We have two motions to deal with.

Ms. Helena Guergis: I wanted to add a couple of countries, or a few of them, that I believe probably offer some potential for a substantial increase for Canadian commerce. I was thinking we could have the Gulf Cooperation Council, the Association of Southeast Asian Nations, and—I know we've talked a little bit about and have had representatives from Australia and New Zealand—how about Brazil and Russia? That's it.

The Chair: Okay. Thank you. That would be for the second part of the study, from April until June.

Are you on this issue, Monsieur Cardin?

[*Translation*]

Mr. Serge Cardin: Mr. Chairman, we often come back to the issue of the election. You always say that it will happen in October 2009. However, if it should happen earlier, and very quickly, I would like to reassure the committee that my colleague and I will be here to guarantee that there is a follow-up afterwards.

Some honourable members: Oh, oh!

[*English*]

The Chair: You're out of order.

Now we go to Mr. Eyking.

Hon. Mark Eyking: Thank you, Mr. Chair.

I have to commend the steering committee for putting this together.

I agree with Ms. Guergis about bringing these countries in, but I suggest Mr. Menzies' idea. Why don't we flip it so that we do these other countries first, as soon as we get back after the holidays, and then do the NAFTA afterwards?

Just flip it. That's what I'd suggest.

Ms. Helena Guergis: I absolutely support Mr. Eyking's proposal.

The Chair: I'm certainly here at the will of the committee.

You've heard the proposal, gentlemen. The proposal is that we reverse the order and deal with countries beyond NAFTA, starting at the end of January and moving into that time period.

Mr. Julian.

Mr. Peter Julian: Mr. Chair, I'd like to speak against the amendment.

When Mr. Temelkovski raised the issue in the steering committee, he was raising it in the context of perhaps this committee as well choosing to have some focused travel. It was determined at the steering committee level that we wouldn't be able to do that in this fiscal year. If we wanted to map that out early in the new year, we could certainly do that, but there would need to be time in order to do that.

Mr. Temelkovski is not here to discuss what he was proposing, but that's why we have the logic of doing the NAFTA and SPP deep integration component first, and then having the second component later in the year, which is also the next fiscal year. So I would be

opposed in switching that back arbitrarily, because there was some plan and forethought provided to that, and Mr. Temelkovski could provide the details to Mr. Eyking if he wanted to know more.

The Chair: Yes, Mr. Eyking.

Hon. Mark Eyking: Just on my amendment, I think flipping it would not be a problem, and if we have to travel in the new fiscal year, we could still travel in the context of what we learned in the first month about these countries. We could still learn about these countries in trade committee and then travel to these countries in the next year. I don't think that is a big problem.

The Chair: Okay, we're going to have to deal with this.

Apparently they're setting up a conference or video conferencing, or something for later on, and need a little bit of time. We have two motions to deal with.

I don't know where to go with this. The steering committee came with the proposal in this fashion. There has been an amendment proposed. Can we just deal with that with a show of hands very quickly, those who would favour the proposed amendment to move the NAFTA to be the second part of the study and to move what is now the April to June portion ahead to when we get back after Christmas, and those opposed?

(Amendment agreed to) [See *Minutes of Proceedings*]

• (1045)

The Chair: So we will reverse the order. We will work on that, then, and go ahead with that.

We'll continue until Christmas with what's planned here.

Thank you very much.

We'll now go to Mr. Julian's motions. Go ahead, Mr. Julian.

Mr. Peter Julian: Thank you, Mr. Chair.

I'll move first the motion on the apparel industry:

The Committee calls on the government of Canada to stem the current market disruption, in specific categories, in the Canadian apparel industry, by immediately invoking Article 242 of China's accession protocol to the WTO and putting in place restrictions or safeguards on the growth of specific categories of apparel imports from China.

I don't think there will be much debate or disagreement with this. We've had 50,000 jobs lost in the last four years. I'm not as eloquent as Mr. Menzies is on this particular issue, so I'll just read his words into the record, because I know he stands by them.

In reference specifically to safeguards, he said on November 8, 2005:

A Conservative government would stand up for Canadian workers and work proactively through international trade policies to ensure Canada competes on a level playing field.

And the official opposition at that time, the Conservative caucus, including leader Stephen Harper, supported a motion in Parliament on February 8, 2005, which called on the federal government to negotiate safeguards with the Chinese government, implement measures to encourage the use of Quebec and Canadian-made textiles, and to create programs to support older workers in the industry.

Mr. Menzies was absolutely right. I agree with him completely. It's nice when we can get all-party agreement on these things. He said it extremely eloquently. Mr. Chair, given his eloquent words, I cannot but agree with him, and I hope that all members would support this motion.

The Chair: Thank you, Mr. Julian.

Mr. Peter Julian: I believe there's an amendment as well that Monsieur André or Monsieur Cardin brought.

The Chair: We have actually Mr. Eyking and Ms. Guergis first. Could we make the debate discussion as short as possible? We could move the meeting to the room across the hall if we want to go beyond a couple of minutes before eleven, but let's try to deal with this in a short time.

Mr. Eyking.

Hon. Mark Eyking: Thank you, Mr. Chair.

Yes, Mr. Julian, what Conservatives say before an election and after it always seems to change, and that's consistent.

That being said, Mr. Chair, on Mr. Julian's motion, I'll be brief. We have a problem with putting caps on. What we want to see is more discussion on it and witnesses come forward to discuss the repercussions of it, especially the department and the industry. Just to go out and put caps on an industry sometimes is not going to solve the industry's problem, so we'll be voting against it because of those concerns.

The Chair: Thank you.

Ms. Guergis.

Ms. Helena Guergis: Thank you.

I will be voting against it. With respect to some of the points I had raised earlier, in 2005 there were few companies, less than 1% of the Canadian apparel industry, that actually approached the government and asked it to proceed with this process. That was in 2005, less than 1%. My question was, have they done it since? I got the answer back, no, they haven't. So I would want to hear from the industry before we embark down this path. If they haven't asked the government since then and there's been no request, then why are we proceeding with them? I'd like to speak with the industry, as Mr. Eyking has said. I'd also like to speak with department officials, before we make any decisions on voting on this.

I did raise a question today, but unfortunately we couldn't get an answer. We saw that there was widespread disruption in the EU with proceeding with this process. I want to know what the possible disruption could be here in Canada for the industry before we make a decision. I think it would be irresponsible for us to just simply vote in favour of this without having these questions answered.

So we will not be supporting it. Thank you.

The Chair: Thank you very much, Ms. Guergis.

I'm detecting a mood of the committee here.

Monsieur Cardin.

● (1050)

[Translation]

Mr. Serge Cardin: Thank you, Mr. Chairman. I am somewhat surprised.

It is true that it could be interesting to meet with witnesses from various industries and even union representatives from the apparel and textile sector. But where were we all, where were the Liberals and the Conservatives when all the job losses in the apparel and textile industries started happening?

It was not just yesterday, Mr. Chairman, that we started meeting with industry representatives and talking to them. People will remember the steps that were to be taken had already been announced in the House under the Liberals, and nothing was done at that time. Now the Conservatives are in power, but apparently there are fewer apparel and textile companies in most of the rest of Canada. However, all the people involved in Quebec—the industry, the unions and the employees—have been consulted at length. That is a consideration as well.

Moreover, two weeks ago, the representative of the Clothing and Textile Workers Union called for safeguards once again, because of the situation that has been deteriorating rapidly for months, even years. If we do not take action immediately, we can say farewell to the clothing and textile industries. And that would be a bad thing in some cases. So we need to move forward with this proposal. My colleague, in his legendary wisdom, would like to move an amendment.

[English]

The Chair: Can we just go to the question?

Mr. André has an amendment.

[Translation]

Mr. Guy André: I would like to move an amendment to Mr. Julian's motion. I would add the words “textile and” between the words “Canadian” and “apparel”.

[English]

The Chair: So it's “and textile”—

[Translation]

Mr. Guy André: I would also add the words “textile and” after the word “imports”. So the motion would refer to the textile and apparel industries in two places.

Next, after the words “apparel imports from China”, I would add the following:

Since the purpose of the safeguards is to give the industry time to adapt and modernize, they should be accompanied by such assistance measures as:

- Improvement of the CANTEX program and its extension to the apparel industry
- An income support program for older workers who cannot be reclassified

—which is something that was promised by the Conservative government, of course—

Measures to encourage the use of Canadian textiles

In accordance with the desire expressed by the House on February 8 and October 15, 2005.

And that the committee report to the House.

[*English*]

The Chair: Thank you. We've heard the proposed amendment. Can we quickly go to a vote on that?

Go ahead, Mr. Julian.

Mr. Peter Julian: I would accept the amendment, Mr. Chair. I think the amendment has actually reinforced and improved the motion.

Given the time that we have right now and given the concerns Mr. Eyking raised about having witnesses—earlier today we essentially identified blocks of about three hours over the next week during which we could bring in witnesses, both from the clothing and textile workers and from the industry—what I would like to propose is that we table this motion and come back to consideration of the motion following those witnesses next week. That would allow us the opportunity to hear from the witnesses and then have debate, and then hopefully we would have acceptance of the motion.

The Chair: The tabling motion proceeds, so we can go ahead with the vote on the tabling motion.

Mr. Peter Julian: We are tabling with provision to invite witnesses from workers and from the industry. Next week we have three hours available over the next two meetings, and then we would come back to consideration of that motion following those witnesses.

•(1055)

The Chair: We'll go to a vote on the tabling motion.

Go ahead, Ms. Guergis.

Ms. Helena Guergis: Mr. Chair, I would be inclined to agree with that if we can be sure to include witnesses from the government to ensure that the industry has asked the government to proceed.

The Chair: I am sure Mr. Julian would agree with that. We have to have a balance of witnesses.

Mr. Peter Julian: The industry and workers certainly would be balanced, Mr. Chair, but if we wanted to have additional hearings and if we bring the ministry in first, that shoves aside other witnesses. We know we need to hear from the workers and the industry. If there was additional time after that or if we wanted to schedule additional sessions, I would be fine with that.

Ms. Helena Guergis: Do you mean prior to voting on the motion?

Mr. Peter Julian: That's not part of what I've—

Ms. Helena Guergis: Well, I don't agree then. That's not fair. You can't just choose which witnesses you want in order to support your argument and not hear from everybody else.

The Chair: We're going to have to deal with this.

Mr. Julian, would I be correct to think you'd be proposing that we stand your motion until we have witnesses?

Mr. Peter Julian: Yes.

The Chair: We have to work on the witness balance, Mr. Julian, and we'll discuss that—at the discretion of the chair.

Mr. Peter Julian: It will be at the discretion of the chair...

The Chair: You know I'll be fair, Mr. Julian.

Mr. Peter Julian: Mr. Chair, let me raise my concern. My concern is for this not to be set aside and then forgotten. We do this next week and we come back to consideration of the motion. I'm asking that it be stood aside for a very specific period of time, and that we would come back to it, at a maximum, within a week and a half.

The Chair: So we deal with the extra hour we have at these next meetings. There are at least maybe two of those.

Mr. Peter Julian: There are two extra hours. Yes.

The Chair: Let's have Mr. Menzies on this. I know we're being a little loose with procedure here, but would you like to go ahead? I see a mood here.

Mr. Ted Menzies: Just to speed things up, we have heard from these people. We have them on record. Could we ask the researchers to bring us that information? It may actually speed things up.

The Chair: We'll certainly get that information as we're making up the witness list, sure.

Is that agreed, then, everyone?

Hon. Mark Eyking: What are we agreeing to, Mr. Chair?

The Chair: We are agreeing just to whatever... No, no, no, I'm kidding; it's that we stand Mr. Julian's motion until we have some witnesses on this. We'll do those witnesses next week and the week after, I believe, in the one extra hour we have from ten o'clock to eleven o'clock, and then we come back to the motion.

Is that agreed?

[*Translation*]

Mr. Guy André: Are we discussing the motion and the amendment, Mr. Chairman?

[*English*]

The Chair: Yes, it will be the motion and the amendment, certainly.

Okay, we're out of time for this room. We apparently just have to leave.

Can we leave your second motion to the next meeting, Mr. Julian?

Mr. Peter Julian: Yes, we can, Mr. Chair.

The Chair: Thank you very much. I'll really try to make sure that we have time to discuss that.

Thank you, everyone, for your cooperation.

The meeting is adjourned.

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