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## **Standing Committee on International Trade**

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**EVIDENCE**

**Thursday, February 22, 2007**

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**Chair**

**Mr. Leon Benoit**

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• (1110)

[English]

**The Vice-Chair (Mr. Lui Temelkovski (Oak Ridges—Markham, Lib.)):** I call the meeting to order. Pursuant to Standing Order 108(2), we are studying Canada's trade policy.

We have today with us Mr. Yuen Pau Woo, president and co-chief executive officer of the Asia Pacific Foundation of Canada. We have Peter Clark, president of Grey, Clark, Shih and Associates, Limited; and representing the Southeast Asia-Canada Business Council, Madame Tapia, president of the Philippines-Canada Trade Council.

We will start with Mr. Woo, and then we'll continue with Mr. Clark, and Madame Tapia will finish up the session. Then we'll start with the questions.

Mr. Woo, welcome.

**Mr. Yuen Pau Woo (President and Co-Chief Executive Officer, Asia Pacific Foundation of Canada):** Thank you, Chairman.

*Bonjour.* Good morning, everyone.

It's my pleasure to present to the Standing Committee on International Trade on an issue we think is of great importance: the Canada-Southeast Asia relationship.

Canada's importance as a trading partner for ASEAN has declined in the past decade, as has ASEAN's importance for Canada. However, ASEAN's importance for Canada as a trading partner relative to the rest of Asia has held up, which is to say simply that we have fallen overall in our importance for Asia as a whole, but ASEAN's share within Asia has remained steady. Furthermore, the stock of Canadian investment in ASEAN in 2002 was more than a third of total Canadian investment in all of Asia, and greater than the stock of investment in Japan, Australia, China, or South Korea. All of this is to say that ASEAN, while not performing quite as we would have liked in the last decade, remains an important trade and investment partner for Canada.

The declining importance of Canada-ASEAN trade in the 1990s can in part be explained by economic integration initiatives in North America and Southeast Asia during the last decade. NAFTA, as you all know, made it easier for Canadian businesses to sell in the U.S. at a time when the American economy was going through an unprecedented expansion. Across the Pacific, East Asian and Southeast Asian economies were undergoing a process of natural integration through electronics production networks. These links were further strengthened by formal proposals to create bilateral and sub-regional free trade agreements in the aftermath of the 1997

Asian crisis. The crisis itself led to a sharp fall in real incomes of many Southeast Asian countries, depressing import demand from Canada and from the rest of the world.

That was the past, and despite the setback of the late 1990s, ASEAN is expected to return to its long-term high-growth path, which over the last 25 years has created large pockets of high- and middle-income consumers in most economies of ASEAN. We estimate the middle class, defined as those with household incomes of more than \$3,000 U.S., to be as large as 100 million consumers throughout the ASEAN region.

Also, increasing westernization can be seen in the tastes and preferences of consumers through Southeast Asia. For example, many urban consumers are showing dietary changes toward more wheat-based foods.

Even taking into account the recessions of the late 1990s and of 2001, the combined GDP of ASEAN has increased from \$242 billion in 1980 to something approaching \$850 billion today. Increasing affluence in many ASEAN countries has led to a demand for a diverse range of products and services that Canadian companies are in a position to supply.

ASEAN is not yet a single market, but it is on its way to becoming one, and Canadian companies can begin to consider ASEAN-wide strategies in their approach to Southeast Asian markets. The ASEAN economies collectively are larger than those of India and Brazil, and almost half as large as that of China. In pure economic terms, therefore, we think Southeast Asia has as much claim as does Brazil or India to be seen as a priority emerging market for Canada.

Most trade within ASEAN is already conducted free of tariff barriers. Likewise, with growing integration between ASEAN and neighbouring regions, Canadian investors can look at the viability of using ASEAN as a base for doing business not only within the region but also with India, China, and other parts of Asia.

At the same time, rapid industrialization and economic transformation in Southeast Asia have changed the comparative advantage of ASEAN vis-à-vis Canada. A number of the more advanced ASEAN countries are major exporters of high-value-added manufactured goods, as well as of sophisticated machinery, equipment, and services. The trading relationship between Canada and ASEAN, therefore, is no longer simply that of labour-intensive, cheap exports from Southeast Asia in exchange for natural resources and high-end manufactured goods from Canada.

•(1115)

Another very important new factor in the Canada-ASEAN relationship is the emergence of China as a competitor, as well as a new source of demand for both ASEAN and Canada. The so-called “China price” phenomenon, or the China price problem, is affecting global production and sourcing decisions, especially in Southeast Asia but also in Canada. Canadian firms are increasingly conscious of the need to develop a China strategy in their business plans, and they may well look to ASEAN as an alternative or as a complement to whatever approach they take to deal with the China threat. Production networks in electronics, for example, which were once dominated by ASEAN, now include China. In fact, China is the leading player in electronics production networks in the world. As ASEAN economies adjust to the competitive threat of China, through a process of industrial upgrading, in electronics, in automotive parts, there will be opportunities, we think, for Canada and Canadian firms to provide input into these new supply chains.

The Asia Pacific Foundation of Canada conducts an annual investment intention survey where we ask Canadian companies about their plans for investment in Asia over the next year. Our 2006 survey shows the highest level yet of Canadian companies planning to invest in Asia. China, no surprise, was at the top of the list, with 26% of respondents saying they plan to increase their investment in that country; but Southeast Asia, ASEAN, was not far behind, at 16% of respondents. So once again, we are looking at ASEAN as a promising source of investment for Canadian companies, as borne out by our annual studies.

What about the question of a free trade agreement with ASEAN? Should Canada initiate discussions with Southeast Asia for trade-barrier-free access to both markets? We believe that at this time there's limited appetite in ASEAN to open negotiations with Canada. Whereas Canada was among the top 10 export markets of ASEAN in the early 1990s, it no longer belongs on the top 10 list. It stands to reason, therefore, that Canada and ASEAN should strengthen trade and investment relations before broaching the issue of an FTA. And yet the discriminatory nature of trading arrangements that are already in effect or under negotiation within Southeast Asia, and between Southeast Asia and other partners, have the potential to make it that much more difficult for Canada to expand its presence in the region. It is very important in this respect to bring to a rapid conclusion to the Canada-Singapore free trade agreement, which has been under negotiation since 2001, and to use this agreement as far as possible as a platform for expanding economic ties with all of Southeast Asia.

There are other initiatives that we think Canada can pursue with specific ASEAN countries, such as the expansion of air services with Singapore and investment protection and promotion agreements with Indonesia and Vietnam. Canada already has FIPAs, or foreign investment protection agreements, with Thailand and the Philippines. These kinds of agreements will enhance the attractiveness of ASEAN as a destination for foreign investment in the light of growing competition from China.

It may also be possible to engage in a dialogue with ASEAN about common standards of foreign investment regulation and protection as part of a broader discussion on investment in the APEC forum. Canada should also look at negotiating social security agreements with ASEAN partners, especially Singapore and

Malaysia, both of which have mandatory pension and health care programs for workers. We already have a social security treaty with the Philippines. It has been in force since 1997. These kinds of treaties facilitate the mobility of labour, especially skilled workers, and in so doing they promote trade in services, which is an area of comparative advantage for Canada.

•(1120)

Let me close by saying that Canada has had long-standing good relations with Southeast Asian countries that predate the creation of ASEAN in 1967. We were among the first non-members to be designated as what they called “dialogue partners”, which has provided us with ministerial-level dialogue and access through the annual post-ministerial conferences, and through the ASEAN regional forum. As ASEAN marks its fortieth anniversary this year, Canada should send a very clear signal that it wants to be a strong economic partner for the next forty years and beyond.

Thank you very much.

**The Vice-Chair (Mr. Lui Temelkovski):** Thank you, Mr. Woo.

We'll continue with Mr. Clark, from Grey, Clark, Shih and Associates, Limited.

**Mr. Peter Clark (President, Grey, Clark, Shih and Associates, Limited):** Thank you, Mr. Chairman.

I consider that Canada's need to get closer to ASEAN on trade and investment, including a free trade agreement, is rather more urgent than Mr. Woo suggested. ASEAN is a very large potential market. It's becoming increasingly affluent, and the way that trade and investment work, we can no longer afford to be left behind, relying on the United States market, where the preferences that we negotiated in 1988 continue to be eroded every time the Americans negotiate a new free trade agreement of their own.

The ASEAN countries are also ideally placed for Canadian manufacturers to work and invest in. Work with ASEAN in supporting these international supply lines to industries such as automotive, computers, other high-tech industries, and white goods industries. These industries are moving to the area.

We used to have these industries. We still produce parts. We still produce some of these products. The potential for Canadian manufacturing in the area will not be achieved unless we have free trade with ASEAN, and let me explain to you why.

We work with Canadian multinationals that have plants all over the world and have to determine, from time to time, where to source components or to build parts that they've been asked to supply worldwide for a major manufacturer. The analysis that we do for them is, firstly, what the duties are that they must incorporate into their products on inputs that they must bring into Canada, as well as whether or not, if there are duties, they can be drawn back on export because of the restrictions in free trade agreements.

These agreements are very detailed. It's not unusual to have 5,000 lines to 7,000 lines in a tariff. Rules of origin differ from product to product. What we generally find when we're putting together the numbers is that because of restrictions on drawback, the foreign suppliers who are in the best position are those who have free trade access to our market, so that there's no duty on the input and nothing to lose on the transaction.

We have been slow in negotiating free trade agreements, sometimes because we try to do them in too perfect a way. Mexico, on the other hand, has negotiated with nearly forty countries successfully because the Mexican approach, recognizing that a free trade agreement only has to cover 85% of the trade, is much more pragmatic. They leave the differences aside and resolve them later through joint ministerial committees. We keep trying for perfection and trying to satisfy everybody. As a result, we haven't had an agreement for the last five years.

We've also picked a number of potential partners whose relevance and importance are highly dubious. The markets tend to be small. What we should be dealing with are bigger markets.

I would agree that Canada's importance in Southeast Asia has been declining. That's not a reason not to try to catch up.

We have to analyze our trade with the area as well. We are in a deficit of about \$6 billion with ASEAN countries, but in many cases...for example, if you take Thailand, the trade runs four to one in Thailand's favour, but you have to go down to the sixteenth most important item, after passing over \$1.5 billion out of \$2.2 billion in exports, to find something that we compete with them in. Before that we're dealing with shellfish, we're dealing with shrimp, or we're dealing with certain electronic and high-tech equipment, while on the other side of the ledger we're providing components, inputs, and technology for production. So we really have to take a look at what we're doing and do it much more seriously.

• (1125)

There is the reaction that we should not be competing in this area because the industries are low-cost producers, low-wage producers. First, we've already adjusted to the United States. Second, these trade agreements provide for phase-ins. Third, in the clothing and footwear area Bangladesh already has duty-free entry, and you're not going to get anybody more low-wage than they are. So we've already taken a number of decisions that suggest we have to take a fresh look.

There are also opportunities in these markets for agricultural exports. Thailand, for example, was the only ASEAN member that did not sign on to the trade agreement with Korea, because they couldn't get adequate access to agricultural products in the Korean market.

These trade agreements can't resolve all of the horizontal issues that have to be addressed. They can't resolve agricultural subsidies, for example. But when you're dealing with agricultural subsidies, that's a much bigger impediment to the United States than to us because their subsidies are so much greater. Even in our agreement with the United States, we have reserved most of our GATT rights or WTO rights on agriculture. So you can deal with textiles, clothing, and agriculture, but the fact is that we can't stand still. We can't

ignore these markets. We can't ignore the fact that they're going to have duty-free access to India and China probably faster than we can negotiate it, and we can work together to provide inputs, exchange inputs, and enhance investment. We already have two FIPAs in the area. The potential is there, and if we don't catch this train before it leaves the station, we're going to be standing in the station for a long time.

There's nothing happening in Geneva. The United States and the European Union are talking to each other. They're resolving their problems. Mr. Verheul told the committee a few days ago that they're not necessarily addressing our problems. When the United States deals country by country with a number of developing countries, they are trying to extract specific market access concessions for the United States. They're trying to do bilaterals as well in the context of the WTO.

We need to move further and faster, and we need to be more flexible. You don't have to do all of the deals the same way. Korea took an interesting approach to ASEAN with a framework that can be modified, because many of the countries within ASEAN are at very different stages of development and ability.

We need to take a fresh look at bilaterals and markets where we can benefit and expand our trade. We negotiated an agreement early with Chile, but there have been suggestions that it really didn't increase our trade much with them. But Chile has free trade agreements with 41 countries, and I think if we hadn't negotiated a free trade agreement with Chile we would have lost a lot of what we have.

Thank you.

• (1130)

**The Vice-Chair (Mr. Lui Temelkovski):** Thank you, Mr. Clark.

We will continue with Madam Tapia.

**Mrs. Carmelita Tapia (President, Philippines-Canada Trade Council, Southeast Asia-Canada Business Council):** I'd like to thank the committee for the opportunity to present the views of the council on the ways the Canadian government can assist in the development of better and progressive economic and cultural relations within Canada and ASEAN.

I have lived in Canada for the last 17 years. For the last 10 years, I have been actively involved in the support of trade and culture within Canada and ASEAN, being president of the Philippines-Canada Trade Council from 2004 to 2006, and being founding president of the Southeast Asia-Canada Business Council. Both councils are private sector initiatives, funded by the members themselves. The councils were formed to promote trade and investments between Canada and ASEAN.

As president of PCTC, I have organized trade missions to the Philippines, and as president of SEACBC, I have organized cultural and trade functions, like the ASEAN trade fair and business forum Gateway 2005, which went back to back with the ASEAN senior economic officials meeting organized by the Canadian government in May 2005 in Toronto. We also had an ASEAN festival of food, arts, business, and culture in September 2006, which aimed to showcase each and every ASEAN country for Canadian businesses to get to know more about ASEAN and its unique qualities, so that they can relate when doing business with each or all of the other countries.

My experience has unearthed a common theme: ASEAN is not viewed as a mainstream opportunity in the eyes of the Canadian government and commerce. This sentiment is echoed by members of ASEAN bilateral business organizations.

The ASEAN market combined represents an enormous emerging market opportunity that remains to be exploited. These countries have a population base of close to 600 million. The nations vary greatly in terms of their capital wealth, ranging from a low of a few hundred dollars for countries such as Vietnam, Laos, and Cambodia, to a high approaching \$30,000 for Singapore and Brunei. Its approximate combined GDP is \$900 billion. Total trade with Canada approximates \$11 billion per year. More importantly, some of these nations are now experiencing growth spurts. Cambodia, for example, is approaching double digits at 9.8%, and Vietnam is close at 8.4%. Collectively, the ASEAN growth rate is 5.5%.

Due to rapid westernization of the ASEAN economy, opportunities in high-end commercial goods, mining, biotechnology, trade services, and medical tourism are the more notables. In the service industry, noteworthy are infrastructure development, quality of life, innovation, and good governance. In Indonesia alone, Canada's reconstruction assistance due to the tsunami of 2004, which covers traditional design and construction services, can be bundled with infrastructure services, financing, environmental consulting, and the development of renewable energy sources.

Another area of opportunity is in the field of education and training. Canadian firms should be able to partner with ASEAN educational institutions, particularly in the more advanced country of Singapore, and offer quality accepted training, technical and language training, especially to Vietnam, Cambodia, Laos, Indonesia, Myanmar, Brunei, and Thailand, where quality English instruction is very much needed. In the field of dental and medical tourism, Vietnam is flourishing, as does the Philippines.

During my most recent trip to Manila a month ago, I saw the great potential of trade in the medical tourism sector. The new facilities in Manila are outstanding.

• (1135)

Additionally, Canadian firms should be able to partner with Philippine companies that can provide backup staggered time coverage to Canadian nurse triage centres and make use of highly trained Filipino migrant nurses in the Philippines, the country being a call centre and e-services hub.

Canadian firms can engage in innovative partnership in multi-media design and production, like in the Philippines, which is

proving to be very good in animation. It is noteworthy that Cambodia opened up areas of opportunity for Canada in remote sensing technology and climate change. This Canadian expertise can be offered to the rest of ASEAN. In Brunei, Malaysia, and Thailand, opportunities also exist in oil and gas services, in ICT-related services, and in financial, environmental, and two-way flow of high-end commercial goods.

For the most part, Canada will never have the same economic muscle as the other members of the G-8. Business is based on volume, and Canada pales in comparison to the business that ASEAN will do with the U.S.A. and other G-8 members or with China; however, Canada can adopt a first-to-market approach. In other words, Canada needs to position itself as an early partner in trade. To make it viable, a relationship must be built today. Australia is adopting this approach and is lobbying to become a member of ASEAN. It will be a missed opportunity if a free trade agreement cannot be negotiated with ASEAN at this point in time, since, through FTAs, trade barriers—like tariff quotas, import restrictions, food safety and quality standards—can be reduced and the flow of goods and services both ways can be easily facilitated.

Canadian businessmen are wary of dealing with business people from a different culture. This kind of fear can be allayed if ASEAN bilateral organizations can be utilized to help. Inasmuch as a cookie-cutter approach cannot be used for all 10 countries, the bilateral organizations can help in finding good and respectable ASEAN partners. They can assist Canadian-ASEAN trade commissioners to get more accurate information and can help deal with the ASEAN governments because of the “have been there” factor.

However, the Canadian government must be able to support the ASEAN bilateral logistically. Since it is the common belief that SMEs are the engine of any economy, loosen the banking regulations so financing can be made available to these SMEs; coordinate with ASEAN governments on how to facilitate visa issuances for temporary business travel; likewise, coordinate with ASEAN governments on matters of mutual recognition of professional credentials. Make the government more approachable, not just to SMEs but to big businesses and business organizations, so issues can be dealt with in a timely manner.

We are respecting government support to the Southeast Asia-Canada Business Council trade mission in October. This will be a strong business promotion technology the government can adopt through the help of ASEAN bilaterals. Most importantly, give the Southeast Asia-Canada Business Council the opportunity to meet with the Minister of Trade, the Honourable David Emerson. This meeting, which we have been requesting since the new government came into office, can be a well-meaning dialogue that can start and enhance a working relationship that would form a foundation for much better ASEAN-Canada economic relations.

On behalf of the Southeast Asia-Canada Business Council, the board, and the general membership, I want to thank you for this opportunity. Rest assured that our council will continue to focus on building a meaningful business relationship between Canada and ASEAN.

• (1140)

**The Vice-Chair (Mr. Lui Temelkovski):** Thank you very much, Madam Tapia.

We will start our question and answer period of seven minutes with Mr. Maloney.

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

Mr. Woo, you referenced the Singapore free trade agreement. Negotiations have gone on for some time. What do you feel are the obstacles to those negotiations? Are these the same obstacles that apply to other ASEAN countries? Is it your opinion that we should conclude that one before we move on to others?

I think Mr. Clark suggested we should maybe deal with more ASEAN countries as a group, if I didn't misinterpret. What are the main obstacles? Why aren't we moving forward in the ASEAN area a little more ferociously?

**Mr. Yuen Pau Woo:** Thank you for your question.

The Canada-Singapore free trade negotiations have been ongoing for nearly seven years now. They were only restarted early last year at the intervention of Minister Emerson. The principal stumbling block is the unwillingness on the part of the Singaporeans to give concessions to Canada that they gave to the United States.

Let me paint a bit of context here. We in fact started our negotiations with Singapore before the Americans. The Americans closed quite quickly—before us. When the Americans started talking to the Singaporeans, Singapore of course gave much more attention to negotiations with the U.S. than with us. After the closure of their agreement, we, in part because of our NAFTA relationship, understandably wanted similar concessions. The Singaporeans were unwilling to do that for reasons you can expect, and that has led to a deadlock in the negotiations.

This is a very problematic issue, not only in the case of Singapore but in any negotiation we might undertake where the Americans are having similar talks. There's an eerie and ominous parallel developing in the talks with Korea. We started talks with Korea before the Americans did. But in a very similar pattern, the Americans started negotiations and the Koreans seem to be putting much more attention on their negotiations with the Americans than on ours. This may lead to the similar complications we have seen in the Singapore arrangement.

To go back to the broader question, though, of what the Singapore impasse might mean for a broader agreement with ASEAN, I think there's no question that if we cannot close a deal with Singapore it will be very hard to start a deal with ASEAN as a whole.

Singapore, as you may know, is one of the freest economies in the world. There are virtually no tariff barriers. There are restrictions in the services sector. There are some problems around competition policy. There are issues around government procurement. But in terms of merchandise trade, there are virtually no restrictions.

If Canada cannot conclude a deal with essentially a free port, there will be questions around whether Canada can close a deal with countries that have much more substantial trade barriers. This is not to say that we shouldn't try to work towards an agreement with ASEAN as a whole, but we're sending a very negative signal in failing to conclude with Singapore after six or seven years of negotiations.

• (1145)

**The Vice-Chair (Mr. Lui Temelkovski):** Mr. Clark.

**Mr. Peter Clark:** While I have seen some problems that Canada has caused in bilateral negotiations, I would have to applaud our negotiators for not accepting a second-best deal. There's no reason we should. And there's no reason we shouldn't try with ASEAN. Most of the other countries have a different economic makeup than Singapore, which is unique in many ways. It has already been established in ASEAN that not everybody has to sign a deal. Thailand excluded itself from the ASEAN agreement with Korea.

If we're not taking deals that are second-best, I think our negotiators are taking the right position.

**Mr. John Maloney:** Why does Singapore want to give preference to the U.S. and not deal with us? What is the advantage for them?

**Mr. Yuen Pau Woo:** The U.S. is a much more important economic partner. They have long-standing economic and strategic interests in Singapore. To put it bluntly, the value of a free trade agreement with the United States is manyfold more important than the value of a free trade agreement with Canada.

**Mr. John Maloney:** I can appreciate that, but I have some trouble comprehending why they would go for the big fish when the little fish are still out there and are just as tasty.

**Mr. Yuen Pau Woo:** In fact, that's not the case. Singapore has signed treaties with—I've lost count now—more than a dozen countries, including Australia and New Zealand. There's the AFTA agreement, and Singapore has been working with India and Japan. In fact, many of these deals were negotiated after Canada started talks with Singapore. So we came in early. We weren't late in the game when it came to talks with Singapore, but we simply were unable to close.

I quite agree with Mr. Clark that we shouldn't settle for a second-best solution, but you can be sure that the signal we are sending to Singapore, ASEAN, and all of Asia is that we can't close deals. If we can't close with Singapore, the negotiators on that side will be wondering if we have the appetite and political will to close with more difficult partners.

**Mr. John Maloney:** Do we have a sufficient number of trade commissioners in the ASEAN area? You're saying no, and then obviously—

**Mr. Yuen Pau Woo:** I'm sorry, do you mean trade commissioners, as opposed to negotiators?

**Mr. John Maloney:** We'll deal with trade commissioners and trade negotiators.

**Mr. Yuen Pau Woo:** The short answer is that I don't know, but I'll tell you of a very positive development I've seen in ASEAN. There's a focus in our trade commission and our diplomatic service not just on the individual economies of ASEAN but on ASEAN as a whole. We now have an officer who covers all of Southeast Asia—ASEAN specifically—working out of Singapore. That brief can be expanded, and we should dedicate more resources to looking at ASEAN qua ASEAN, rather than simply as individual markets. That will give us a window into the things that ASEAN is doing through their bilateral free trade agreements, deeper economic integration, plans for intra-industry trade, and so on. Those are essential to a different kind of positioning for Canadian companies, not just in single markets but in the region as a whole.

• (1150)

**The Vice-Chair (Mr. Lui Temelkovski):** Thank you very much, Mr. Maloney.

We will now move on to....

[Translation]

**Ms. Diane Bourgeois (Terrebonne—Blainville, BQ):** Madame Bourgeois.

[English]

**The Vice-Chair (Mr. Lui Temelkovski):** Madame Bourgeois.

[Translation]

**Ms. Diane Bourgeois:** Thank you, Mr. Chair.

Good morning, lady and gentlemen. We are very pleased to see you. Your presentations were very interesting.

Mr. Woo, you said Canada and Singapore have been negotiating for seven years and that following negotiations between Singapore and the United States, Washington obtained concessions Canada was not able to get because Singaporeans were unwilling to give them to Canadians.

Can you tell us what specific concessions Singapore refused to give us?

**Mr. Yuen Pau Woo:** Thank you.

[English]

I don't have all the details on the roadblocks in the negotiations between Canada and Singapore, but I understand they have to do with areas related to investment and the provision of services. These are the principal areas where Canada has to gain in an agreement with Singapore, because the barriers to trade in goods are already removed. I understand that the Americans have received concessions from Singapore in these areas that we have not been able to get.

I should add that other issues remain unresolved that may not have to do with what the Americans got. These have to do with shipbuilding, which is a very sensitive sector in Canada. The Singaporeans are looking for further concessions in our shipbuilding industry, which our negotiators—on instruction from the political class—have been unwilling to provide.

[Translation]

**Ms. Diane Bourgeois:** My question is to any of the witnesses.

Canada has signed foreign investment protection agreements with a number of countries. You said earlier that people are not inclined to invest in the Asia-Pacific region. They only see China. China is indeed very attractive but it is obvious markets could be developed in the Asia-Pacific region.

Did we sign any FIPAs with these people?

[English]

**Mr. Yuen Pau Woo:** Yes, we have two FIPAs—two foreign investment protection agreements—with Philippines and Thailand. I think it's extremely important that we put emphasis on investment promotion and that we accelerate the pace of talks in foreign investment protection agreements with Indonesia and with Vietnam. Indonesia is the largest destination for Canadian investment in all of Asia, because of a number of large mining investments that Canada has in that country. There's an even larger stock of Canadian investment there than there is in Japan or China. So Canada has very great interest in making sure that our investments in those two economies are protected.

I will stress that it's possible to advance investment protection and liberalization outside of a free trade agreement. You can make progress on the investment file without having to go into a full-blown free trade agreement with ASEAN as a whole, or with any individual country. The particular importance of investment, of course, is that because the ASEAN economies are restructuring to move up the value chain, the best way for Canadian companies to participate in those supply chains is to not try to do it from across the ocean, but to be part of the supply chain within the region. We feel very strongly that the future of the Canada-ASEAN relationship, indeed the future of the Canada-Asia economic relationship, will be driven to a very large extent by two-way investment, including, of course, Canadian investment in the region.

• (1155)

[Translation]

**Ms. Diane Bourgeois:** I am thinking of Canada and the Asia-Pacific region but I am also thinking of Canada and Brazil. You will no doubt say that these countries have nothing in common. I mean for the time being, Brazil cannot trade with Canada or receive major Canadian investments because it lacks the infrastructure required for all of these new forms of trade.

Does the Asia-Pacific region have the required infrastructure? Is it actually ready to receive massive investments?

On the other hand, did we sign any human rights agreements? Our companies may pollute these places or may want to use local labour. Were any agreements signed in that regard?

[English]

**Mr. Peter Clark:** As far as Brazil goes, I think it could expand its trade with Canada if it wanted to. It really doesn't want to because it prefers to keep MERCOSUR whole. It doesn't want to see the MERCOSUR countries picked off one by one, by the United States or by Canada. They want to consolidate the bloc, and then the bloc may negotiate.



With respect to human rights, I'll leave it to someone else. I'm only an infrequent visitor there.

**Mr. Yuen Pau Woo:** Mr. Clark is absolutely correct in his characterization of Brazil, but it's the distinction between Brazil and ASEAN that is important. Whereas Brazil is still somewhat inward-looking, ASEAN has always been extremely outward-looking and pro-trade. It's been very open to investment from outside and to broadening trade relations with all parts of the world. This is why we have argued that if we are to identify priority emerging markets—and Brazil, everyone agrees, is one of those emerging markets—there's a very strong case to make that ASEAN as a whole deserves to be one of those priority markets, those emerging markets, as much as Brazil does or India does.

[Translation]

**Ms. Diane Bourgeois:** Thank you very much.

**The Vice-Chair (Mr. Lui Temelkovski):** Thank you, Madam.

[English]

We will move now to Mr. Cannan.

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

Thanks to our guests today. I appreciate your sharing your experience and words of wisdom.

I know, Mr. Clark, we had the opportunity to hear from you in December, and we appreciated the input you provided at that time, with your biography about four decades of experience. You've seen a lot happen in different countries and different governments. You're correct that it has been about six years now, I guess, since the last free trade agreement here in Canada, with Costa Rica, and we need to be more realistic, or as you said, pragmatic, to see if we can get some results and some wins here.

We've had a diverse group of witnesses here presenting to our committee. Our goal is to report to the House and try to provide some direction on where Canada should go with some of the challenges and opportunities and where to focus with the limited resources that we have.

The Conference Board of Canada recently released a report called *Mission Possible: Stellar Canadian Performance in the Global Economy*. I proposed the same question to them at that time: with the resources we have and focusing on the opportunities, where do you see Canada best expending our time and energies to get the quickest results and the most realistic approach?

The last report that was out, Foreign Affairs and International Trade's report on plans and priorities, lists the United States, Mexico, China, India, Brazil, Russia, Japan, South Korea, and then the ASEAN nations about number eight. Do you think we should be focusing our energies on working with the ASEANS or concentrating on other countries?

**Mr. Peter Clark:** I think it would be useful to focus on countries in ASEAN. If it's difficult to do it with all of them—and there are quite divergent abilities to take on free trade agreements within the ASEAN—we could adopt a bit of the American approach, which is to deal with them country by country. My priorities would be Thailand, the Philippines, and Vietnam, and when we get a FIPA

with them, Indonesia. A FIPA is by far more important with Indonesia than trade right now. I would agree with that.

We should be trying to look at bigger markets and we should be trying to look at markets where they already have a good range of free trade agreements in place, because we can spin off those in the same way as they can spin off ours.

• (1200)

**Mr. Ron Cannan:** So you mean, rather than a bloc, doing more one-off bilaterals, then.

**Mr. Peter Clark:** If there's resistance to doing it in a bloc...the United States hasn't done it in a bloc, which may well have something to do with their relations with Myanmar. But the United States is doing it country by country. They're dealing with Thailand and with others within ASEAN.

**Mr. Ron Cannan:** Thanks.

Mr. Woo, you mentioned Singapore in the past, their unwillingness to give any concessions. Is there some movement now that Minister Emerson has come to the table and opened up those discussions in the last six months or so? Does there seem to be some movement?

Actually, today I believe Singapore Airlines announced an interest in going into Delhi, because Air Canada is pulling out. There's the Open Skies and the opportunities for movement of cargo, services, and people.

**Mr. Yuen Pau Woo:** Yes. We've been hearing very positive signals come out of the negotiations with Singapore. There's talk of conclusion of a deal this year, which would be very good news.

I think if we are able to close with Singapore, we can very quickly begin informal soundings on the prospect of an agreement with ASEAN as a whole. I would move to the entire bloc quickly, rather than trying to pick up other individual countries.

You know, negotiating trade agreements is very laborious. We have a limited number of trade negotiators. These things can take years, and ASEAN has already demonstrated its ability to enter into agreements as a group. If and when we've established a track record and credibility with the region, we should then go in for an agreement with the entire region.

Even if we're not moving into a broader free trade agreement, there are so many things that can be done to liberalize trade, and we should not be blinded by free trade agreements as the only alternative. The air services agreement, which you talked about, is an excellent example. It's not simply a question of Singapore Airlines wanting to pick up the Delhi route. They want to increase their frequencies to Vancouver. They're only allowed to fly three times a week now. They like to fly every day because there's a huge demand for it, but they're being blocked by the air services agreement and by the incumbents in this country. We can shake loose that file without a free trade agreement, and we should.

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

I have one supplemental on your negotiations. We're all concerned not only from an economic and social aspect and the environmental perspective. How is that playing into negotiations, from your perspective?

**Mr. Yuen Pau Woo:** Typically, the Americans have linked their trade negotiations with labour and environmental agreements. We tend not to do that. I believe it is not a good idea to link agreements, because they distort the trade agreements, but it is entirely possible to advance environmental issues, human rights issues, and issues of good governance through other forums, through bilateral dialogues on human rights, through partnerships with parliamentary committees, and through working with human rights NGOs in different parts of the world.

We have already been doing this, and in ASEAN in particular, Canada has a very good track record and reputation for working both on the environment file and on the human rights file. It is true that these dedicated forums on environment and human rights and so on can make the connection to trade rather than trying to build environment or human rights side agreements directly into trade agreements.

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

Mr. Lemieux had a supplemental. Go ahead.

**Mr. Pierre Lemieux (Glengarry—Prescott—Russell, CPC):** I wanted to ask Mr. Clark a question.

You were saying that China is the 800-pound gorilla in that room that people aren't really speaking about even though they know it's there. I was wondering if you could elaborate a bit on that, especially on how it relates to the ASEAN community, if we had a successful negotiation there.

**Mr. Peter Clark:** My comment about China was in the context of the Doha Round negotiations, where I indicated that if anybody made a concession on a manufactured product, China would probably benefit more than anybody else because of its positioning. My view is that free trade between Canada and China is probably some way off, and as a good interim step, if we can start to integrate trade and investment with ASEAN, which has excellent geographic and tariff access to the Chinese market because of what they've negotiated, that's a good first step. That's why I put more priority on ASEAN.

I think South America is very important to us as well, but there are political problems related to the free trade area of the Americas that are going to delay that, so ASEAN is the platform for helping us get into China and India, because they're negotiating a free trade agreement with India as well.

•(1205)

**Mr. Pierre Lemieux:** Thank you.

**The Vice-Chair (Mr. Lui Temelkovski):** Mr. Julian.

**Mr. Peter Julian (Burnaby—New Westminster, NDP):** Thank you very much, Mr. Chair, and thank you to our witnesses for coming today.

I'd like to start with the broader issue of facilities. I represent a riding with an important Filipino community and also important communities from Thailand and Vietnam, and so we are in regular interaction when it comes to casework with the various embassies in Southeast Asia. I have a good sense of how good and sometimes how bad the services and the response are as far as individual cases are concerned. I'd be interested in hearing both of your views, Ms.

Tapia and Mr. Woo, about embassy facilities' support by the federal government for business development in Southeast Asia.

**Mr. Yuen Pau Woo:** I haven't heard many complaints about the lack of adequate service. We've always had compliments about our trade commissioners in the field and we have decent trade commissioner representation in most of the ASEAN markets. Of course, Laos, Cambodia, and Burma are off the map. Cambodia and Laos are represented through Vietnam. There is a small presence in Cambodia, I should say.

The principal complaint we hear with respect to our presence overseas in ASEAN has to do with visas—tourist visas, business visas, and student visas. This problem is generic to all of Asia, and the complaint appears to be that the process takes a long time. The application appears to be inconsistent, and those who appear to be bona fide applicants simply don't get their visas to come to this country. As a result, it would seem we are losing out on the people-to-people connections that are so essential, not just for cultural ties but also for education services and for business linkages.

**Mr. Peter Julian:** Ms. Tapia.

**Mrs. Carmelita Tapia:** Thanks for the question.

I concur with what Mr. Pau Woo said. Sometimes it takes time for the embassies to grant visas, even for special permits for business travellers, and for students. There could be some reasons, which I really cannot say right now, because I don't know the reasons.

**Mr. Peter Julian:** Would it be your impression that the situation has gotten better in the last year or worse in the last year, or has it stayed about the same?

**Mrs. Carmelita Tapia:** I can only speak about the Philippines. I was made to understand that right now the Philippines is number three when it comes to immigration to Canada, so it's taking more time for the Canadian embassy in the Philippines to process those visas.

**Mr. Yuen Pau Woo:** I can't say if things have improved or not. What I can tell you is that in terms of student arrivals from Southeast Asia, those numbers have fallen off. Canada is now a very small market and a relatively insignificant destination for students from ASEAN to pursue their post-secondary education overseas. It may not be directly related to the visa question, but I suspect that the difficulty in getting visas is one factor in our lack of competitiveness in the international education market.

•(1210)

**Mr. Peter Julian:** So you spoke about the visas and the student arrivals and said that this has fallen, and you also mentioned earlier in your presentations that Canada has in fact fallen off the radar in terms of being in the top 10, of having those linkages across the Pacific Ocean. What are the principal causes for us to have essentially fallen from the top 10 list in Southeast Asia?

**Mr. Yuen Pau Woo:** There are two things. One is our focus on North American markets since the 1988 bilateral and then the 1994 NAFTA agreement, which was a great decision because the U.S. was growing in unprecedented terms and we benefited very greatly from that. However, it created a mindset in the Canadian business community not to look much beyond Houston, Atlanta, and Los Angeles.

Secondly, on the other side of the Pacific a similar thing was happening, where the ASEAN countries were increasing their trade among themselves and with other countries in Asia. This is a function of changing investment patterns in the world, where multinationals would set up facilities in different parts of East Asia, producing a different component of the overall product, of what we call production networks. That led to growing trade within East Asia, to some extent to the exclusion of trade outside the region.

**Mr. Peter Julian:** It's a very important point, because essentially what's we've seen...and we've had some discussions around this table about the merits of NAFTA and the Canada-U.S. free trade agreement. The point that's continually brought to this table is the fact that most family incomes have actually fallen in Canada since 1989. So in a sense what we've had is a streamlining of wealth towards the wealthiest of Canadians, but most Canadians are actually doing worse than they were prior to the signing. When we couple that with the fact that all of our eggs are in one basket—86% of our exports are going to one market—that leaves us extremely vulnerable, as we saw with the softwood sellout, where essentially we capitulated and lost thousands of jobs as a result.

So how do we address that issue? In terms of infrastructure, all three of you have talked a bit about the possibility of trade agreements, whether they're the traditional free trade agreements or ones that are more substantive and include other components as a matter of some debate. In terms of what we can do now, regardless of whether or not we're signing additional agreements, what are the needs for infrastructure, what are the needs for federal government support, for expansions in terms of staff and trade commissioner offices throughout Southeast Asia that would make a difference over the medium to long term so that we can re-establish our real presence?

I'll have another question following that, if the chair permits it, or in the next round.

**Mr. Peter Clark:** Well, building relationships in Asia tends to take longer than it does in other places, so you have to have people there to help you build the relationships. Once you make the relationships, they tend to last a long time. It's a building of trust, so you have to have people on the ground to do it, and you have to have patience, which we normally don't have. That's our American influence, I guess.

**Mr. Yuen Pau Woo:** I think there are some very quick wins that we could have. I've mentioned them already. First of all, we have to close these two agreements that are still on the table: Korea—it's not in Southeast Asia, but it's an Asian country—and Singapore.

Second, there are a number of non-merchandise trade issues that we can work on. Air services to Singapore is one, and air services to the Philippines. There are the two FIPA agreements that we're negotiating with Indonesia and Vietnam. We have to bring these to a rapid conclusion.

I think both these types of agreements promote the flow of people, including business people, which will generate opportunities, particularly in the services sector, which I believe is where Canada's competitive advantage will be in the years ahead.

**Mr. Peter Julian:** Ms. Tapia.

**Mrs. Carmelita Tapia:** What I was trying to say before is that the members of the bilateral organizations here can be of use to the trade commissioners in getting more accurate information, because the members of the ASEAN bilaterals here have been there, and they know their countries better than those trade commissioners do. They come from Canada, and they really don't know how to deal with people in those countries.

• (1215)

**The Vice-Chair (Mr. Lui Temelkovski):** Thank you, Mr. Julian.

We'll go back to Mr. Maloney.

**Mr. John Maloney:** Well, there's a circuitous road here. Singapore is the first domino we have to close, which will lead to others. But if we can't get a deal with them, we can't get a deal with anybody. Then again, as Mr. Clark said, we shouldn't accept a bad deal.

I'm still at a loss as to how we get their attention. How do we get back on their radar screen, and how do we break the barriers? You've mentioned airlines, you've mentioned visas. I think these are perhaps easily doable. Perhaps I might be a little naive in that respect. Is there more we can be doing, like perhaps having more human resources, more trade people, on the ground?

**Mr. Yuen Pau Woo:** Well, these are slightly different sets of issues.

On the negotiations, there are some very specific things that are holding up the talks. I think they can be resolved. It will obviously involve give and take. All agreements are second best. Okay? There are no first-best agreements in any free trade agreement or in any multilateral talks. The parties simply have to come to terms with the domestic political constituencies in order to make those breakthroughs.

In the case of Canada, one of those constituencies is shipbuilding, and we have to find a way to address that domestic problem. The Singaporeans can't solve that for us. By the same token, the Singaporeans have to find ways of overcoming whatever hang-up they have in terms of our ask to them on the services or investment sectors.

I really want to stress that I think we can close the Singapore deal. But even if we cannot close it, there are so many other things we can do and should do so we're not seen as being focused only on one deal and have nothing else to do. Air services we can work on. Visas we can work on, perhaps by having more immigration staff, a more streamlined procedure, or a different way of processing visas. The British, for example, have outsourced some of the initial screening procedures for visa applications in China. Maybe we can do that. I don't know. We can work, obviously, on the FIPA agreements in Indonesia and Vietnam. There may be other markets where we can also pursue investment agreements. We cannot let a stalled agreement be the domino, as you say, because we can actually move forward on other dominoes in the meantime.

**Mr. John Maloney:** Those FIPA agreements have worked well in Thailand and the Philippines. Do you agree or disagree? You're smiling.

**Mr. Yuen Pau Woo:** I'm smiling only because Thailand is in a very special situation today. They have put in place some retroactive rules on foreign ownership in the services sector that may in fact contravene the FIPA we signed with them. This is being negotiated as we speak. But this is something that applies to the whole world.

Thailand, as you know, had a coup last year, and the coup is tied up in some very messy issues related to foreign ownership of Thai telecommunications assets. And the Thai government has responded with a very blunt rule to reclaim some of its foreign assets that are owned by the Singaporean government, as it turns out. There is a fear that other foreign investors in Thailand may be side-swiped.

But let me say this. The fact that we do have a FIPA with Thailand puts us in a much better position to clarify what the Thais are trying to do than if we didn't have a FIPA. This is exactly why we need to have agreements with other economies, as well.

**Mr. John Maloney:** Is the investment climate through ASEAN such that we need FIPA agreements with all the players? Are our investments secure?

**Mr. Yuen Pau Woo:** The priorities we have already mentioned: Indonesia and Vietnam, which is an up and comer. We don't have large investments there. I don't think Malaysia has an appetite for FIPAs, but that would be another market. We already have an agreement with the Philippines and Thailand. I don't think it's a priority for us to negotiate with Cambodia or Laos, certainly not Myanmar, and Brunei is too small a market to consider.

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

• (1220)

[Translation]

**The Vice-Chair (Mr. Lui Temelkovski):** Monsieur Cardin.

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

Lady and gentlemen, it is a pleasure to welcome you here.

Thanks to the witnesses we receive in this committee, we feel like we're travelling all over the world. And it is always a pleasure to travel to Asia.

Mr. Woo, you listed in your report different categories of services that we could potentially export, including infrastructure development and quality of life services. These include education and health.

In terms of investment or involvement in Southeast Asia, how can we export health and education services?

[English]

**Mr. Yuen Pau Woo:** Thank you for your question.

Ms. Tapia actually mentioned those subjects. I don't disagree with her, but maybe she wants to have a chance to respond and then I can also add to it.

Let me start. I fully agree with her assessment that education and health services are export opportunities for Canada and ASEAN, and by that in the education sector we mean two things. The first of course is the traditional idea of bringing students from ASEAN to Canada for ESL, but more particularly for post-secondary studies. That is a function of the reputation of our universities. It's a function of the marketing effort. It's a function of the visa processing ability

of our posts in those countries. We have a very small share of the ASEAN market currently. There is a lot of room for growth, but the education opportunity also presents itself in a different way, which is not simply to bring students over but to deliver training programs in ASEAN itself.

There is a growing trend among foreign universities, in Australia in particular, not simply to bring students to Canberra, or Brisbane, or Adelaide, but to actually set up facilities in Malaysia and to deliver those training services in situ. Monash University, for example, has built a full-fledged campus in Kuala Lumpur in Malaysia, where they provide a couple of years of training for local students at much lower cost and then bring them to Melbourne for the final one or two years of study. They obviously are able to tap a much larger market by having a local presence, because they can lower the cost of education delivery. Canada and Canadian universities are very slow in pursuing this kind of new generation approach to the export of education services.

On medical services, the opportunity is basically a one-way opportunity. There is very little prospect for bringing patients over from Southeast Asia for treatment in Canada for a variety of reasons to do with our health care system and also with the cost of providing medical services. But we have tremendous expertise in medical care and dental care that we can export by establishing facilities in Southeast Asia, and we already know of a Montreal-based company that has set up a chain of dental clinics in Vietnam. I believe this is owned by a Vietnamese Canadian who is, I presume, a trained dentist and has set up these facilities in partnership with some Singaporean companies. The demand for health care is explosive in Southeast Asia. We have a good reputation. We can benefit by delivering those services in Asia.

[Translation]

**Mr. Serge Cardin:** Do you wish to add something, Madam Tapia?

[English]

**Mrs. Carmelita Tapia:** Ground presence is really very important in order for Canadian companies to flourish in ASEAN countries. They should be able to partner with the ASEAN businesses there, so Canadian businesses can get a foothold.

[Translation]

**Mr. Serge Cardin:** You say that in the areas of health and education, there could be problems with Canada and Quebec. You are talking about integrating to trade, free-trade and globalization the principle that health and education are marketable products and that we can compete with other countries in these areas.

In Quebec and Canada, health and education are in the public sector. Asia, in whole or in part, is an important and interesting market. This is why intense pressures may be exerted in order for health and education to become marketable like other goods and services. Under these circumstances and according to WTO rules, Canada and Quebec would have to allow health and education companies to operate on their territories.

Do you believe Southeast Asia may be considering this?

• (1225)

[English]

**Mr. Yuen Pau Woo:** Starting with health, I'm not a WTO expert. Mr. Clark may be able to address the broader implications for global trade rules. But what I've discussed concerning the opportunities for the export of health services has no impact, I believe, on the public health care system in Canada. We are not talking about bringing sick people from Asia to provide them with services in this country. Rather, we're talking about taking medical expertise, dental expertise, physiotherapy maybe, sports medicine, that kind of expertise in Canada, and providing it in countries that already have the provision for private delivery of health care. That's their system; it's not our system. And throughout Southeast Asia there is an appetite for private delivery of health and health-related services. We have expertise in this country in those areas. It makes sense to encourage our companies who have that expertise to try to develop it overseas.

In the area of education, there already is a thriving market in the provision of education services to foreign nationals. As you know, they pay quite a large premium over domestic students, over Canadian students. In many cases, the foreign student fees make it possible for universities and colleges to reinvest, to expand their facilities, to make sure they get the best teachers. There has to be a balance between the number of foreign students that we take in and the number of places we reserve for Canadians. But on balance, having foreign students not only enriches the budget and the bottom line of the universities; it enriches the education experience of Canadian students. I would be very sorry to see a more restrictive approach to foreign students on any grounds.

**The Vice-Chair (Mr. Lui Temelkovski):** Mr. Clark.

**Mr. Peter Clark:** Mr. Cardin, I think it could potentially cause problems in consistency if we were pushing to have other people open up their health and education services when we want to keep ours on the restricted list. When I look at medical opportunities, though, in Southeast Asia, Thailand is becoming a centre for medical tourism. And we have well-developed medical technology industries in Canada from which we could export the equipment and the expertise to facilitate the development of these centres.

Your concern is, at the end of the day, perhaps manageable, but initially it would cause problems of inconsistency.

**The Vice-Chair (Mr. Lui Temelkovski):** Thank you very much.

We will move on to Mr. David Sweet.

**Mr. David Sweet (Ancaster—Dundas—Flamborough—Westdale, CPC):** Thank you, Mr. Chairman.

Thank you for the great presentations this morning. Of course now we're into the afternoon.

Mr. Woo, by the way, you'd be happy to know that in my riding we have a very successful private college that trains foreign students, Columbia International College, so we have some entrepreneurs who are capitalizing on that opportunity.

I am very interested in the people-to-people connection that was mentioned, and in growing that. We've touched on students. I'm not expecting you to have the actual number of students, but do we have an idea of how many foreign students have graduated from Canadian universities in ASEAN countries, and how that compares to the penetration of foreign students we've educated in other regions of the globe?

• (1230)

**Mr. Yuen Pau Woo:** I have that data. I don't have it here, but we collect that data.

My sense is that in terms of students from Asia, counting not just post-secondary but also high school and ESL students, the most important market for us is Korea because of the ESL market. It's probably followed by China, which is more of a post-secondary market. I suspect Japan would be next, which again is an ESL market, and then Southeast Asia collectively probably comes right after that. India is a very insignificant market for us. That's a whole different story, which presents similar kinds of opportunities. But Southeast Asia is really low down on the list.

And within Southeast Asia, we really are talking about students from, I would say, Malaysia and Singapore, maybe a little bit from the Philippines, but that's about it.

**Mr. David Sweet:** I'm in agreement with you, by the way, about the multiplicity of benefits that we get from foreign-trained students, even besides the income, with the capability of being able to exchange those values. And of course, 10 years from now the foreign-trained students we train today are going to be the ones who create those bridges for trade in the future, etc. So I appreciate your position on that.

You mentioned concern not only about the difficulty of getting visas, but also the way there's a lack of congruity with how those applications are treated. Can you tell me, number one, have you been hearing on the ground that it has been more difficult after 9/11? And do you have anything but anecdotal evidence for the way that different visa applications are treated?

**Mr. Yuen Pau Woo:** All of this is anecdotal. All we can say is that people will come to us—this is on the business side—and they will complain that they weren't given a visa. On the face of it, we know these people are bona fide business people, and it's inexplicable. I'm not saying the immigration officer didn't have a valid reason, but we don't know what it is.

A special problem that relates to the issue of student visas is this. It's not just a rejection rate, it also has to do with the sequencing of the visa process vis-à-vis the university admission process. My understanding is that with Australian universities the two processes are parallel; in fact, they are totally in sync, in that if you get accepted into an Australian university, you then get your Australian visa as well. It has to take place at the same time. However, in the case of a Canadian university, you first have to be admitted into the university, and then you need to go through the whole visa process, which could take—I don't know how long, but we're talking about months and months and months.

You know what this does to the potential applicant. If you know that you've been accepted into Australian National University and have an Australian visa already, but you have to wait another eight months or twelve months or whatever to figure out if you can get a visa to attend U of T, you take the money and run, right? So this is a problem.

**Mr. David Sweet:** Yes. Having McMaster also in my riding, I've dealt with cases on the other side of that quite frequently.

The one detail I did want to get is, have you heard of an increased difficulty in getting visas?

**Mr. Yuen Pau Woo:** No, actually, I haven't. We heard about this problem vis-à-vis the United States, and as a result we thought we might get a diversion of students who were turned off going to the U. S. to come to Canada, but in fact we haven't seen those so-called "benefits". It has happened for some other markets, like Australia and the U.K., but we haven't seen any correlation between visa applications and the approval process post-9/11.

**Mr. David Sweet:** Thank you, Mr. Woo.

Mr. Clark, Madam Bourgeois had asked the panel a question regarding Brazil and the lack of infrastructure. Of course you didn't agree with that, but I do want to ask you a question about Indonesia, if you know. How far along is their reconstruction? Do they have adequate infrastructure to be able to trade in a robust way with us?

• (1235)

**Mr. Peter Clark:** I think so. Indonesia is very interested in expanding trade with Canada. We've had chats with the ambassador and his people. In terms of a market, it's the biggest potential market that we have in ASEAN, because there are so many people there.

Indonesia is like many of the countries in the region; its infrastructure varies depending on how far you are from the centres of population. But that's what's important, the centres of population. Yes, you have to move things around for 200 million people, but the population is there.

As for Brazil, I would say that the only place Brazil doesn't have infrastructure is in the northeast. If you go from Rio de Janeiro down to the bottom, down to Uruguay, it's just like you're in Europe.

**Mr. David Sweet:** The other part of that question is, have you been on the ground, or do you have any intelligence? Is the reconstruction well on its way, almost complete, or still languishing?

**Mr. Peter Clark:** I don't have any recent exposure to it. I haven't been there for a few years.

**Mr. David Sweet:** Thank you.

[*Translation*]

**The Vice-Chair (Mr. Serge Cardin):** Mr. Maloney or Mr. LeBlanc.

Oh, Mr. Julian, excuse me.

**Mr. Peter Julian:** No problem, Mr. Chair. You have just taken over.

**The Vice-Chair (Mr. Serge Cardin):** I did it to allow you more time at the end.

**Mr. Peter Julian:** Thank you very much.

[*English*]

I'd like to come back to how we use our biggest asset, which is the communities of Canadians that originate from Southeast Asia: the Filipino Canadian community, the Vietnamese Canadian community, the Thai community. All of those are significant communities, they are a significant link. In terms of trade policy, we really don't take advantage of any of our substantial communities that exist in Canada, one of the biggest assets we have, to actually further broaden and deepen those things with other countries.

With Southeast Asia, how do we mobilize or assist the Filipino community, the Thai community, the Malaysian community, and the Vietnamese community to help to broaden our trade links and our country-to-country links with those countries?

**Mrs. Carmelita Tapia:** It's very interesting to note that you are speaking about multiculturalism. We have lots of Filipinos and Vietnamese. Those are the two biggest ones that I know of. What those communities did was form bilateral organizations like the Philippines-Canada Trade Council for the Filipinos, the Vancouver Chinese Vietnamese Business Association, and the Canada Singapore Business Association. They add the bilaterals that I am talking about, and those associations are assisting the small and medium-sized enterprises to do business back in their own countries. That's one we are promoting, trade investments. That's our way of promoting trade and investments between Canada and ASEAN.

**Mr. Peter Julian:** Those organizations don't really receive much support from the federal government.

**Mrs. Carmelita Tapia:** Yes. We are not receiving any support from the provincial or the federal government. We are funding those organizations ourselves. That's why I am here to present our views, and maybe to seek assistance if the government can give something.

**Mr. Peter Julian:** Yes. That's really my question. I know there are very strong bilateral organizations that have come from the communities themselves, but there is a disconnect between what's happening in those communities and the links in Southeast Asia, and the support that should normally be coming from the federal government.

Ms. Tapia, you mentioned that it has been a year that you have been requesting to meet with the Minister of International Trade, and that hasn't happened. Obviously something is wrong with what policy framework we have in Ottawa with the federal government and what is actually happening on the ground. How do we change that?

•(1240)

**Mrs. Carmelita Tapia:** Give us a chance to meet with the minister, and we can express what we need, what we want, and our views, so things can be improved. The relations between the bilateral and the government can be improved so help can be given to us, and we can also give some help to the government in terms of these economic relations.

**Mr. Peter Julian:** Mr. Woo.

**Mr. Yuen Pau Woo:** I would just add that business bilaterals are very important. What we've done at the foundation is to prepare a development database of all the so-called Asian ethnic business associations across the country, including Ms. Tapia's organization. We were so surprised to find that there are over 140 of them, typically organized by recent immigrants with an explicit focus on how to expand trade and investment between Canada and their so-called native countries.

We have to find ways to do more with these organizations. The question is what—what is it you want to do with them besides providing support to the associations themselves? I think the most important thing we can do is to somehow put them into the mainstream, put these so-called Asian ethnic business bilaterals in contact with the boards of trade and the chambers of commerce, the so-called mainstream Canadian businesses that have track records, that have networks and contacts and access to policy-makers, decision-makers, and so on, so that we can tap into the knowledge networks, the contacts, and the access of these associations for the benefit of the broader Canadian economy.

It would not be a good idea to simply treat the ethnic business bilaterals as enclave associations in and of their own right.

[*Translation*]

**The Vice-Chair (Mr. Serge Cardin):** Unfortunately, your time is up.

Mr. Maloney.

[*English*]

**Mr. John Maloney:** Much of the discussion this morning has been about Canada's trading into the ASEAN. Trade is a two-way street. What sectors do you feel that perhaps ASEAN could be looking at to trade into Canada, and what would we have to do to facilitate that?

**Mr. Peter Clark:** There's potential for two-way trade in food and agriculture. We've had discussions. We've had round tables, talking to people from ASEAN about what we can do to help them in terms of improving food quality and food cleanliness, and in meeting standards. There's a good potential for two-way trade in auto parts, high technology, and white goods. These are things for which there is already trade, and it can be further developed. We have clients dealing in those areas with ASEAN countries already who are interested in doing more, and there's the potential for complementary trade. It's not all textiles. It's not all clothing. There are other things.

**Mr. John Maloney:** Mr. Woo, do you have a comment?

**Mr. Yuen Pau Woo:** There are two things. I fully agree with the point about agricultural products. The beauty of promoting agrifood two-way trade is that Canada has something that is of genuine world-class calibre to offer to ASEAN to improve the quality of their food

products, which we can then take in for the benefit of our consumers. So there really is a win-win to it.

We sell expertise in food safety, processing, food production technology, distribution networks, branding, marketing, and management. They have some very unique food products that will benefit from these improvements, which can sell back here.

My only other comment is that we have to look at imports from ASEAN in the same way as many people increasingly look at imports from China, which is that they can be a way of enhancing the competitiveness of Canadian companies at a time when globalization is making it more and more difficult to remain competitive. And so if a company is currently producing one of the inputs at a very high cost, but can source this product more cheaply from Thailand or Philippines or Indonesia or China, for that matter, they should consciously look at this strategy as part of a corporate plan, because it has to do with the survival of Canadian business.

•(1245)

**Mr. John Maloney:** Ms. Tapia, do you have any comments? I don't mean to put you on the spot.

**Mrs. Carmelita Tapia:** No, it's fine, thanks.

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

**The Vice-Chair (Mr. Lui Temelkovski):** Monsieur Laframboise.

[*Translation*]

**Mr. Mario Laframboise (Argenteuil—Papineau—Mirabel, BQ):** Thank you, Mr. Chair.

As you know, I do not regularly attend this committee's meetings, but I went over Mr. Woo's report.

Mr. Clark, one of the suggested solutions is to sign a bilateral investment treaty with ASEAN countries in order to protect foreign investments.

Do you think this could be a solution? If you do, why are we not signing more bilateral investment treaties?

[*English*]

**Mr. Peter Clark:** Mostly, sir, because it takes time to negotiate them. I think Canada has negotiated, on a pretty ambitious scale, FIPAs around the world. There are a number of others currently under negotiation. The United States and Canada have models of these agreements, which they use, but notwithstanding the fact that they take this modular approach, it takes time to negotiate and to understand both sides, and to get input from industries and investors on both sides. So I don't think there are major stumbling blocks to negotiating FIPAs; it just takes time.

You have to remember that some of the smaller countries have limited resources and they may be negotiating with both Canada and the United States, and then with Australia, and then with some European countries, or the EU. So it's a question of resources, more than ability.

[Translation]

**Mr. Mario Laframboise:** We are talking about protection of foreign investments but I want to know whether costs and budgets are being considered in this regard.

[English]

**Mr. Peter Clark:** The FIPAs tend to provide investor protections. What they are is an insurance policy to ensure that the investor is treated fairly, and also as if they were an investor of the domestic country. So they tend not to have permanent secretariats on these agreements, because it's a framework within which your investor can bring a claim against another country if they're not treated in accordance with the agreement.

Now, most of these disputes are settled in the context of organizations like ICSID in Washington, which is a World Bank forum. There is a small secretariat there, and it's paid for by the fees that are levied against the parties to the disputes.

[Translation]

**Mr. Mario Laframboise:** Mr. Woo, do you have anything to add?

[English]

**Mr. Yuen Pau Woo:** I want to add just one thing. If we believe that two-way investment is a very important part of our economic relations with Southeast Asia, I think we need to do a bit more research into the extent to which we have investments in Southeast Asia, the kinds of benefits that we generate for the Canadian economy, and the opportunity for those investments to expand. Our data on two-way investment are very poor. Statistics Canada does the best it can, but it doesn't capture nearly the full picture of Canadian investment in Southeast Asia.

I think it would be a very worthwhile activity for the Department of International Trade, for example, or for Industry Canada to do a study of the extent to which there is a Canadian investment presence in Southeast Asia, to scope the types of industries, to try to assess the benefits for Canada, and to use that as material for thinking about how we can expand it even more.

[Translation]

**Mr. Mario Laframboise:** Than you.

• (1250)

[English]

**The Vice-Chair (Mr. Lui Temelkovski):** Mr. Cannan, and maybe you would like to share your time with Mr. Epp.

**Mr. Ron Cannan:** Thank you, Mr. Chair. I have one quick question, and then I'll be happy to pass the floor to my colleague Mr. Epp.

I am the member for Kelowna—Lake Country in the interior of British Columbia. As we know, the Pacific gateway is something that all British Columbians and Canadians are very, very cognizant of. Premier Campbell and Minister Emerson have worked very closely and the government put in close to \$600 million in the last budget to move this forward.

What are your sentiments on the Pacific gateway project? Do you see it benefiting China, India, and your countries as well? Do you want to expand on that, either Mr. Woo or Mr. Clark, or both?

**Mr. Peter Clark:** I think the Pacific gateway project is extremely important, starting with China, going through Hong Kong, and right down to India. The more effort and resources we put behind that initiative the better it will be for Canada, because it's generating goodwill.

You've heard that Canada has declined in importance in ASEAN. For many years Canada didn't really pay attention to the Asia-Pacific Economic Cooperation group, and treated it like a talk shop instead of a serious organization. I was in Chiang Rai about four years ago for the senior officials meeting. Canada had five people there and the United States had 58. That sends a message. The Pacific gateway initiative is going to help us regain some of that lost image in the area.

**Mr. Ron Cannan:** Excellent.

Mr. Woo.

**Mr. Yuen Pau Woo:** I agree 100%. The Pacific gateway is extremely important, and not just for British Columbia because of the infrastructure investments. We think "gateway" is a metaphor for how Canada as a whole needs to think about the Pacific as part of our economic future. If we can help Canadians in Ontario, Nova Scotia, Quebec, and throughout the prairie provinces and the Maritimes understand that they also have a stake in the gateway, we'll be able to make this a viable and long-term project.

**Mr. Ron Cannan:** Excellent. Thank you very much. That's very exciting.

**The Vice-Chair (Mr. Lui Temelkovski):** Mr. Epp.

**Mr. Ken Epp (Edmonton—Sherwood Park, CPC):** Thank you.

I would like to go back to the question of negotiating these agreements. Several of you have mentioned that it takes a lot of time. We're talking about decades sometimes before an agreement can be reached. I heard an undercurrent about making agreements with more than one of these countries at a time. How does that work? Do two of the ASEAN countries agree that whatever the negotiator makes for one country they'll just take lock, stock, and barrel, without any input? Do they work together? Does it really increase the efficiency of negotiating?

**Mr. Peter Clark:** Well, it can, sir. We've been trying to negotiate with three Caribbean countries, Latin American countries, at the same time. They coordinate and work together. You try to provide the same type of agreement for all three. With ASEAN, they can work as a group and coordinate. It's really not much different, except that hopefully it will be less complicated than trying to negotiate with the 27 countries in the European Union that have to coordinate.

The problem is that it takes us a long time to negotiate agreements, but it doesn't take the United States as long. The Mexicans don't take long because they reach agreement on the 85% or 90% they can agree upon, and leave the rest aside for joint ministerial committees to deal with over a number of years. As they get to know each other and trust each other, these issues become less important.



That's not the approach we've taken. That's why it takes us so long and why we get hung up on issues like shipbuilding. That's been a stumbling block in a number of areas.

At the same time, Korea has not been as forthcoming as we would like on things like pork, beef, and a few other issues. There's a lot of potential for us to do these things if we're more pragmatic about them.

**Mr. Ken Epp:** Do you have anything to add to that, Mr. Woo?

**Mr. Yuen Pau Woo:** No.

**Mr. Ken Epp:** Thank you.

This is probably a wild and crazy question. If we expect Singapore to agree with Taiwan, or one of the other countries in this group, and work together on their end of it in the negotiations, why don't we do the same with the U.S.? Why don't we just go ahead and say with the Americans, okay, we'll hold your hand, and let's make an agreement that fits both of us? Why don't we do that?

• (1255)

**Mr. Peter Clark:** Do you mean when they go to negotiate with other people?

**Mr. Ken Epp:** Yes. For example, you said they were able to negotiate with Singapore and we're not. Why don't we just say we'll accept whatever agreement U.S. made with them?

**Mr. Peter Clark:** We did try that a number of years ago, and the United States would much rather be the hub with a lot of spokes than have NAFTA go out and negotiate a number of agreements. It's a political thing for them, a perception deeply rooted in Congress. They don't want to do them with anybody else.

They get to sell their market many times because it's so big. What Mr. Woo mentioned at the beginning is very relevant. They're a very big market, and everybody wants a piece of them; not everybody wants a piece of us. So the United States figures, probably correctly, they can do a better deal on their own, and why should Canada be able to ride on their coattails.

**Mr. Ken Epp:** Would it be possible for us to start with what they have agreed on as a framework? Then two-thirds or maybe nine-tenths of the work will be done when we start.

**Mr. Peter Clark:** We try. It didn't work with Singapore.

**Mr. Ken Epp:** Why not? If they were willing to agree on certain issues with the Americans and we came forward with the same points of negotiation, why wouldn't they agree to them with us?

**Mr. Peter Clark:** For the bulk of the agreements that does work. The negotiations are usually about exceptions. Even in our agreement with the United States we have exceptions written in on agriculture and things like log exports. You can get hung up on the exceptions. In many of the agreements we're working on, the disagreements are over less than 5% of what we're talking about. That's why I like the Mexican model, because you push those things aside and work on them later.

**Mr. Ken Epp:** My last comment is just a general impression. Are you optimistic that we'll be able to conclude these trade agreements satisfactorily and really get something going that's mutually beneficial to both Canada and those countries?

**Mr. Peter Clark:** It would be helpful to the process if the government and the bureaucracy could get unanimous direction from committees like yours to change their approach, be more pragmatic, and focus on agreements and not differences.

**Mr. Ken Epp:** Thank you.

**The Vice-Chair (Mr. Lui Temelkovski):** Thank you very much, Mr. Epp.

Thanks to the witnesses, Mr. Woo, Madam Tapia, and Mr. Clark.

We'll meet again on Tuesday to hear from the gulf states. Immediately after our regular meeting we will convene with the steering committee. Then on Thursday we will have Statistics Canada as the main witness. That's the future business for now.

Thank you. The meeting is adjourned.

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