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**Chair**

**Mr. Leon Benoit**

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• (1105)

[English]

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

Today we have before us the Minister of International Trade, Minister Emerson, and we have departmental officials as well, including: Marie-Lucie Morin, deputy minister for International Trade; John Gero, assistant deputy minister, Trade Policy and Negotiations Branch; Stewart Beck, assistant deputy minister; Kathryn McCallion, senior advisor in International Trade; and Doreen Steidle, assistant deputy minister, Corporate Services. Thank you.

I won't take any more time. We will go directly to the minister. We want to hear from him. We want to leave as much time as possible for questioning, so let's get right to it.

Thank you very much, Minister, for accommodating our schedule and being here today. If you would, make your opening statement, and then we'll get right to the questioning.

**Hon. David Emerson (Minister of International Trade):**  
Thanks very much, Mr. Chair. It's good to be back with the committee.

I will quickly read a statement so we can get on with a more interactive question-and-answer session.

Given Minister MacKay's testimony to the Standing Committee on Foreign Affairs and International Development last week on the department's main estimates, and given the expressed interest of this committee, I propose to talk in the first instance about the government's international trade agenda.

I think all of us here recognize that trade is absolutely fundamental to Canada's competitiveness and our economic well-being. It creates jobs, prosperity, and underpins our social programs and indeed our quality of life, which is why it's critical that Canada reach out to the markets of the world in a focused and strategic way.

Since becoming minister, I've underscored at every opportunity I could my concern that Canada has not adapted quickly enough or rigorously enough to this new global business environment. We're a country of 31.6 million people, and I think it is pretty obvious that we simply cannot afford to build our economy around serving a market of 31 million, 32 million people. Fundamentally, if we tried to do that, we would be an impoverished state, and nobody wants to go there.

But as I said, we're falling behind the competition, and for several years the warning signs have been there in places like Asia, for example. We're falling behind countries like Australia, which is negotiating free trade agreements at a rapid and aggressive pace. Here in North America, our share of U.S. merchandise imports has been falling since 1996, and the Americans have been signing trade agreements with mad abandon, covering some 15 countries since 2001, with 10 more negotiations under way—a clear sign that the Americans themselves, with a market of 300 million people, are not sitting back. They are looking for opportunities far from home.

We're not gaining access to new markets as quickly as our competitors. We're not attracting the level of international investment that we potentially should, and we're not attracting the level of attention or recognition our businesses deserve in global markets. We fundamentally need to create a more competitive Canada.

I can say this government is committed to creating a competitive Canadian economy. We laid out our economic plan in *Advantage Canada* and followed up with strong measures in the recent budget. We're creating the right economic frameworks on a number of fronts to make Canada more competitive. Being competitive means reaching out to the right global markets, and it means giving our businesses the tools and the access they need to be successful, which is why the budget included additional resources for our global commerce strategy—\$60 million over two years and \$50 million ongoing. It's a key investment in focused, targeted efforts to make our firms more competitive and to help Canada step up its trade and investment performance.

Our first focus is to expand our presence in emerging markets. Traditional marketplaces, like the United States and Europe, are contending with rising giants like China, India, and Brazil. The power and influence of these economies today and tomorrow cannot be ignored. It's going to be a fundamental fact of international commerce, and it will shape economies around the world. Our success depends on being there in the market for our businesses. We need to be armed with the right tools, support, and intelligence that our companies need. It also depends on our businesses being able to access the global pools of capital and talent they need to grow and diversify.

Through the global commerce strategy, we'll expand our presence in key regions, starting with China, India, and Latin America. We will hire sectoral business experts, both abroad and in Canada, to gather intelligence, analyze markets, and provide the tools and advice our firms need. We will work with Export Development Canada to make strategic equity investments that will help small and medium-sized Canadian firms capture opportunities in emerging markets, and we'll boost the number of EDC officers at our DFAIT offices abroad, especially in China and India. This will ensure that our businesses are supported in the right places, in the right ways, at the right times, to capture the opportunities they're looking for.

• (1110)

Our second focus is to bolster the foundation of our commercial success, which is, without a doubt, North America. Canada is not just a market of 31.6 million people. Canada is an entree into a North American market of 410 million people. It's essential that we strengthen our connections to the North American marketplace, and that is fundamentally what we mean when we're talking about the North American platform. We're talking integrated supply chains within North America, which give us a competitive leg-up in dealing with markets overseas.

With the softwood lumber dispute finally behind us, we're working with the United States to build on our long history as neighbours, as partners, and as friends, in order to foster a more comprehensive trade and investment relationship.

Looking ahead, we'll reinforce our presence in the U.S. through a number of initiatives. For example, we'll engage private sector experts to make connections between Canadian expertise, American demand, and capital pools. With Mexico, we'll expand the level of support to Canadian firms doing business there and continue supporting initiatives like the Canada-Mexico Partnership, which is bringing our nations' business closer together.

Through the Security and Prosperity Partnership, we've been working closely with our partners in the United States and Mexico to build a more sophisticated North American platform, one that can compete more effectively with similar platforms in the large markets of Asia and Europe. This means, among other things, bringing our regulations closer together and fostering a greater level of cross-border cooperation among different sectors. We need to eliminate the tyranny of small differences, and we can do that without any sacrifice. Indeed, we can probably enhance regulatory effectiveness and achievement of regulatory objectives.

This work will also pave the way to re-energize Canada's traditional trade and investment relationships with the countries of the Caribbean and Latin America. We are, in effect, expanding our neighbourhood. We're committed to strengthening our commercial presence in those markets, which are increasingly important to Canadian suppliers, to customers, and to investors.

Our third focus is a re-energized negotiations agenda. We remain committed to a successful Doha Round at the WTO. This will remain a top priority, but slow progress compels Canada to match our competitors' aggressive bilateral and regional market access efforts. We cannot allow Canada to become a disadvantaged spectator in the race for market access. We must expand our bilateral trade network

and gain access to those markets that hold the most potential for our businesses and our investors.

We're currently negotiating free trade agreements with EFTA, with South Korea, and with Singapore. We're focusing on a range of foreign investment protection agreements, FIPAs, with countries like China, India, Indonesia, Vietnam, and others. We're looking at science and technology agreements, like the one I signed recently during my January visit to China.

We will accelerate our efforts on this front. We'll help Canadian firms, investors, and researchers, as well as the commercial users of technology, tap into exciting global opportunities.

We mustn't forget the many other initiatives included in the recent budget that will help Canada compete in the global context. I'm thinking primarily of the budget's infrastructure investments. I've spoken often of global supply chains being the drivers of international trade and commercial success. In this day of global supply chains, we all have to recognize the importance of smooth, effective transportation links for our trade performance. The budget delivers on this. It includes an additional \$410 million for the Asia-Pacific gateway and corridor initiative, raising the total federal investment in the Asia-Pacific gateway and corridor initiative to \$1 billion, another step towards creating more opportunities for improved trade with Asia. It also includes a financing strategy for our new Windsor-Detroit crossing, the most heavily used border crossing in the country, along with a \$2.1 billion fund to support gateways and border crossings across this country.

• (1115)

These investments prove to international shippers, exporters, and importers, not to mention foreign investors, that Canada understands the importance of a smooth, efficient, and pan-Canadian transportation system that links the heartland of North America and Canada with the heartlands of markets in Asia and elsewhere. It proves we're making the right investments into our infrastructure to make Canada a hub of choice and, through our global commerce strategy, a partner of choice for global trade and investment for decades to come.

We're realigning our departmental activities to achieve greater results. Like all departments, we're faced with balancing expenditure restraints with our commitment to providing the best services we can to Canadian business. That's why we'll continue to examine closely our expenditures and allocate resources to high priorities. We're committed to putting resources in the right places in support of the best results for Canadians.

Canadians have come to expect a high level of service from my department, and we aim to continue meeting their expectations or exceeding them over the coming year—through our trade commissioners, for example, who are working around the world to connect Canadian expertise with global trade opportunities and investment capital; through our trade policy and negotiations group, which is fighting for the access our businesses and investors need to global markets and investment pools and defending our interests at the negotiating table; through our global operations group, which is working closely with businesses to develop targeted market plans for the most promising countries for Canadian businesses and investors around the world; and through our investment, innovation, and sectors team, which is attracting investment to Canada and building new science- and technology-based partnerships with other countries to help our researchers tap into the innovative work being done around the world.

In short, we're very proud of our many efforts to connect Canadians with opportunities beyond our borders. I can assure this committee that we'll continue providing the highest possible level of services to Canadians at the best possible value. I look forward to working closely with the business community and with parliamentarians from all sides to move our trade priorities forward in the time ahead. We need to make Canada more competitive, more prosperous, and more successful for future generations. We need a stable trade policy to do that. I look forward to working with you to develop the best possible trade policy for Canada, one that is not subject to partisan gyrations over time.

Thank you very much. I look forward to your questions.

**The Chair:** Thank you very much, Mr. Minister, for your very broad statement of what your department is achieving on behalf of Canada. It's clear from your statement that you're hearing from the same people we're hearing from, or you're listening to what the committee is doing, or both, hopefully.

We'll get directly to questions, starting with the official opposition, Mr. Bains, for seven minutes.

**Hon. Navdeep Bains (Mississauga—Brampton South, Lib.):** Thank you very much, Mr. Chair. I appreciate this.

Thank you very much, Minister, for coming out. I know you're very busy, and it's greatly appreciated that you come to committee.

I heard your opening remarks, and I have a slightly different viewpoint in terms of the feedback and response we've been getting with respect to some of the witnesses who have come before the committee with respect to Canada's trade policies. Many experts are unhappy with some of the initiatives—the Chamber of Commerce, business associations are disappointed. I'll talk about some of those disappointments. They feel that we are drifting, that there's a lack of action on this file, specifically with respect to some of the key emerging markets, and that some of the provincial governments are just a bit frustrated and they've taken steps to pursue trade when they feel the federal government hasn't done enough on this file.

You also alluded to the budget, and I do want to again share some concerns that I heard from many people in the business community who were disappointed with the CanTrade initiative being cut and replaced by the global commerce strategy. The funding was far less

than the CanTrade initiative, which was millions and millions of dollars' worth more investment in promoting trade.

You're probably aware that we're focusing on, in this committee, emerging markets and looking at opportunities for how Canada can expand its trade abroad and how we can improve our trade with some of the key markets, to make sure that we can maintain a high quality of life and economic prosperity and so forth, as you alluded to in your opening remarks.

The focus of my questions will be on the closure of the consular offices. I'm having a difficult time understanding why this is taking place. You have a strong business background, so I'm looking forward to your analysis on the cost benefit of closing some of these consular offices. The first one I'd like to talk about is the consular office in Japan, in Osaka, which represents the Kansai region.

I just want to make sure that we bring forth some of the facts, and then I would like to hear the rationale. This region has a population base of 25.5 million people; it accounts for 19% of Japan's GDP; \$1.2 trillion is generated in this region, similar to that of Canada. It represents 20% of Japan's foreign trade, and \$2.2 billion worth of Canadian product is exported to the Kansai region annually. It's a very important market; it's a very key trading market. Why would we close the consular services in that region if we want to promote and maintain trade?

• (1120)

**Hon. David Emerson:** That's a very good question. Let me just say that my department, in its various forms over the last decade or so, has opened and closed literally dozens of offices, so this is not a new phenomenon and it was not particular to a Conservative government; Liberal governments were the administration through much of that timeframe. The reality is this: as economies develop and as markets develop, you change the way in which you service those markets with computer technology and the information economy, and with changes in the pattern of Canadian banks, for example, operating overseas, and the way our clusters are engaging in foreign markets. The way you serve or give a market has to adapt.

What we have decided in the case of Japan—and our professionals, not the politicians, have done this analysis—is that we will not reduce our resource commitment to Japan but will employ it a little differently. We have determined that the clusters of critical decision-makers who we need to influence in order for Canadian companies to be able to create wealth and create jobs can be more effectively achieved through consolidation into a smaller number of offices, but operating just a little bit differently. That's the kind of calculus that went into all of our offices. You'll see us opening new offices over the next couple of years. You'll probably see us closing more offices; we have no specific plans, but this is an ongoing process. And if you look at any international corporation or indeed a national corporation, you will see that they constantly evolve and change and open branches, close branches, reshape the way they're going after the marketplace, because the market is constantly shifting and moving, and the way you have to approach it changes.

**Hon. Navdeep Bains:** Okay. Let's use an example. You talked about the fact that some analysis was done. For instance, let's take the office in Milan, which has been active for 40 years and employs 21 people. The former consul general said the Milan consulate had indeed been so effective that the Department of Foreign Affairs and International Trade was in the process of centring all of Canada's commercial operations in Italy, including those at the Canadian embassy in Rome, in Milan, which is, after all, Italy's business capital.

This characterization is very similar to saying that Canada would like to have a consulate office in Toronto, in the hub of a business sector.

What's the rationale for closing that one? It acts as a portal to Europe. It is definitely the business capital of Italy. We have strong relations there. Why would we close that office?

• (1125)

**Hon. David Emerson:** Again, we have an imperative to make the most of our resources in the department. The resources are not endless. We've been subject to some expenditure restraint initiatives. I believe a major reduction in the budget of the Department of International Trade came out of the Liberal's expenditure restraint initiative. We've had to do more with less, which means we can't look at markets like Milan in isolation. We have to look at them in relation to other markets and other deployments of resources. On assessing the other capabilities we have in Italy and the demands elsewhere, our professionals came to the conclusion that those resources could be better deployed elsewhere.

There are lots and lots of major cities around the world where we do not have a presence, and you can say that for every country.

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

I'm going to keep you to seven minutes. I think there will be a second round, if we get there.

Next up, from the Bloc, are Monsieur Cardin and, if there is time, Monsieur André.

Go ahead, please, for seven minutes.

[*Translation*]

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

Madam, Minister, gentlemen, we do indeed like ministers who are well connected.

You stated in your presentation that now that the softwood lumber dispute was finally behind us, you were now working with the United States to take advantage of our long history as neighbours.

Recently, the binational committee established further to the Softwood Lumber Agreement met in Washington. Specifically, which Quebec programs are being challenged by the United States and what action do you intend to take in this matter?

[*English*]

**Hon. David Emerson:** Thank you very much.

Recently, we had the first, if you like, organizational meetings of the binational committee, which is a government-to-government, state-to-state committee to oversee the implementation and the administration of the softwood lumber agreement and to deal with issues that arise under it.

A whole range of issues was talked about at that first meeting. Some of those issues were to be talked about further, like commitments made at the time of the agreement. We committed, for example, to beginning to have further discussions and consultations on the operating rules and the way we in fact operationalize the agreement. We also committed to looking at the log export issue, which was a big issue from a British Columbia perspective, so we struck a committee to look specifically at that.

In the time since we entered into the agreement, as you know, a couple of provinces—Quebec and Ontario in particular, although there are a few other little issues bubbling out there—put in place programs of initiative to support their lumber industry. We consulted or were consulted with by the provinces on the policies they were proposing to put in place. We had a very good discussion beforehand, and we gave some notice to the Americans that these policies were going to be put in place.

There are a number of areas where the United States has concerns that some of these policies go beyond what were agreed to be the permissible policies under the agreement, so there's discussion going on right now on a variety of policy initiatives put in place by Quebec and by Ontario, as well as on one or two other issues.

At this stage, it's really a matter of consulting, exchanging information, and trying to understand whether these policies constitute a specific circumvention of the agreement by, in effect, implementing a subsidy to the industry, which we have of course agreed we would not do under the agreement.

• (1130)

[*Translation*]

**Mr. Serge Cardin:** Let me interrupt you to quickly ask you another question before turning the floor over to my colleague.

With respect to the WTO, you maintain that you favour a positive resolution to the Doha Round and that you want to devote a considerable amount of energy to this endeavour. You'd also like to see Canada regain some credibility as far as the Doha Round of talks are concerned.

Can we expect you to protect supply management? You wouldn't go so far as to sacrifice supply management to ensure the successful resolution of the Doha Round.

[English]

**Hon. David Emerson:** Parliament, as you know, has passed unanimously, by all parties, a resolution indicating that we would not make sacrifices or concessions in terms of our supply-managed sectors. We've taken that position into the negotiations. We've indicated that we're not going to make changes to supply-managed sectors either in the over-quota tariffs or the tariff rate quotas. We have adhered very rigidly to that position.

The reality is that the negotiations involve 149 countries, so discussions go on. Canada has made it clear that those are our particular sensitivities, and we will fight very hard to ensure that those sectors come out of these negotiations in a healthy and strong state.

So we continue to support supply management. We now are simply trying to manage our way through the negotiations to maximize our offensive gains while protecting our defensive interests, particularly on the supply-managed side of things.

[Translation]

**Mr. Serge Cardin:** Thank you.

[English]

**The Chair:** You have a little over a minute left.

[Translation]

**Mr. Guy André (Berthier—Maskinongé, BQ):** Mr. Emerson, I'm pleased to have this opportunity to speak with you.

I'd like to hear your views on the manufacturing sector. As you know, the manufacturing sector in Quebec lost 100,000 jobs between 2003 and 2006. Another 35,000 manufacturing jobs have reportedly been lost since January and February. Quebec has gone from a trade surplus situation of \$7 billion in 2003 to a trade deficit of \$10 billion in 2007. Moreover, Canada wants to negotiate bilateral agreements with Asian nations, with China and other countries. Where are we going with this?

We're in the process of offering up the entire manufacturing sector as a sacrificial lamb. We're talking about the furniture and textile industries and about other economic sectors that contribute significantly to the survival of rural communities. Many Quebec regions, and mine in particular, are directly affected.

The government is pushing the boundaries of logic even further by wanting to increase the number of agreements. One such agreement with Korea is imminent. The impact on the automobile industry has been evaluated, but again, the impact of that agreement on the manufacturing sector has not been weighed.

[English]

**The Chair:** Mr. André, your time is up.

[Translation]

**Mr. Guy André:** I'd like the Minister to answer the question.

[English]

**The Chair:** I'll allow the minister a short response.

**Hon. David Emerson:** Those are good and legitimate questions, and I would simply observe that the manufacturing sector, not just in Quebec but indeed in many parts of Canada and throughout North America and other major industrial countries, is going through some pretty tough times. You can trace the causes to a number of things: high energy prices have been a factor; exchange rate issues have been a factor. You can get into all kinds of causal issues. The reality is that those jobs are important. Manufacturing is important, I believe, and for precisely the reason that you point out: a lot of the well-paying, high-paying jobs in smaller communities are fundamentally manufacturing jobs, and you can't substitute tourism for manufacturing because the jobs are not qualitatively the same.

But I think if you look at what the government is doing in terms of trade policy, we're certainly looking at where, if there's a need to intervene in terms of trade actions, we're responsive when industries bring cases to the Canadian International Trade Tribunal. The accelerated capital cost allowance in the budget, I think, is going to be of fundamental significance and importance to the manufacturing sector.

In my opinion, a combination of investment in technology and upgrading of people's skills and human capital is going to be where manufacturing will find its niche and its salvation going forward, and I think the government is doing a pretty good job of putting investments into science and technology and into training and skills upgrading.

• (1135)

**The Chair:** Thank you very much, Minister.

We'll go now to Mr. Menzies, and, if you leave time, Mr. Menzies, Mr. Allison. You have seven minutes.

**Mr. Ted Menzies (Macleod, CPC):** Thank you, Mr. Chair. I first want to acknowledge how good the minister has been about giving us his time at this committee. We do appreciate that. We sometimes think these committees squirrel away in these rooms and work below the radar, but we do hope that you, Minister, recognize our work, and obviously you do by gracing us with your presence here on many occasions. So we do appreciate that.

I have a couple of quick questions. I would just like a clarification. I've heard that from 1993 to 2006, we actually closed 31 consulates and opened up 43. In your answer later on, could you clarify if I'm right or wrong on that number? There is no relevance to the dates, of course.

We've heard a lot from EDC and CCC about their role in expanding trade opportunities, and I would just like your comments on this \$10 million cap raised or removed in Budget 2007. Do you see that as a positive thing? When I was in India two weeks ago, as you're very aware, EDC had put a permanent position in Mumbai. Is EDC doing it effectively? Can we help them more? What can we do?

**Hon. David Emerson:** Thank you very much, Mr. Menzies.

I do want to say to this committee that Ted has been just a great parliamentary secretary. He has a tremendous amount of background in trade, and when I got sick and could not go to India recently, he was required, under very short notice, to take on a very big load, and he did it incredibly well. I just want to acknowledge that to the committee and say thank you, Mr. Menzies. You did a great job. You'll be a great minister one day—according to these guys, hopefully soon.

**Some hon. members:** Oh, oh!

**An hon. member:** Are you going to change sides?

**Hon. David Emerson:** Yes. I'm going to go to the NDP, if Peter will have me.

**Some hon. members:** Oh, oh!

**The Chair:** Order!

**Hon. David Emerson:** On your question on the closure of missions, your numbers are correct. Those are the right numbers.

With respect to Export Development Canada, the government has signalled in the budget that it is looking at the regulations governing the approval process for Export Development Canada to make equity investments. We're looking at some streamlining and facilitation of their ability to make equity investments beyond the \$10 million threshold.

I think it's useful to step back for a minute, because that is a good example of how one has to change the way you play the game. I have said often, and I know members of this committee have heard it from me and from others, that in the global economy in which we operate, global supply chains are where it's at. The key for Canada is to determine how we ensure that Canadian companies are driving global supply chains or are an intrinsic part, that they're involved directly, deeply, and securely in global supply chains.

That again comes back to the importance of the gateway and just-in-time transportation, and all the efficiencies around managing supply chains and value chains, which are all about a continuous movement of goods and services and a continuous creation of value. To do that requires not just investments here in Canada but investments abroad. We have to get our mind beyond always thinking that we have to get more investment into Canada.

Yes, we do have to get more investment into Canada, but at the same time we have to get more investment into foreign markets, because that's the way we build supply chains. That's the way we get access to global technologies that are not present here in Canada. That's how we become fundamentally strong and competitive, and EDC can play a very significant role, particularly with the smaller and medium-sized companies in terms of putting equity investments in, not necessarily us becoming the owner of the company but us getting in beside private investors, beside strategic partners, and sending the signal that this is a Canadian company, we believe in it. In many markets where governments have a tendency to mess with the market, having the government there is a very important signal to not mess with Canada.

• (1140)

**Mr. Ted Menzies:** Thank you.

**The Chair:** Mr. Allison.

**Mr. Dean Allison (Niagara West—Glanbrook, CPC):** Thank you, Mr. Minister, for being here today.

I'm an SME owner, and I know one of the things listed in the studies was the large involvement they have. When we talked to EDC, over 90% of their business is conducted by SMEs. That's something I've always thought, but it was just confirmed.

I know the Conference Board of Canada talked about integrative trade—and once again, you've just talked about this—as being the key.

We've also been told numerous times that Canada needs to open up our foreign direct investment, and I think many companies take valuable imports, use them as part of the process, and then re-export them. I think there's this notion that only exports are good and imports are bad, and certainly my friend from the NDP will probably tell us how we shouldn't be taking in so many imports, that we should just be worried about some of these other things.

Given the sentiment that the solution to Canadian competitiveness exists with integrative trade, can you just comment a little bit more on the concept and how as Canadians we may need to refocus our thinking on how we can play a major part in that?

**Hon. David Emerson:** It's a very good question.

As I mentioned in response to the previous question, when we look at what EDC is doing, it's clearly a major vehicle for support to Canadian companies to engage in “integrative trade”, as you call it, or global supply chains. But you can also look at the Business Development Bank of Canada as a domestic instrument of the Government of Canada to support Canadian companies that need equity and are trade focused.

We are combining the work of EDC, and we're ensuring that they work in collaboration with BDC. We're ensuring that the Canadian Commercial Corporation is working with them. We're ensuring that DFAIT, the department, is shaping its approach to trade and investment.

We are in effect becoming Canada Inc. Canada Inc. is not only out there banging on doors and trying to sell Canadian companies' goods and services. Canada Inc. is about helping them to become global competitors and global managers of supply chains, getting into strategic partnerships in a way that's going to be good for wealth creation here in Canada.



You can take the approach that all outsourcing and offshore are bad. But if you go too far down that slippery slope, you're going to find that if you discourage and don't support some amount of that, but not complete outsourcing and offshore, and if you don't have an optimum amount of offshore and the use of lower-cost production capacity from elsewhere, you will find that companies will start to die. I can tell you that I would rather have a company that has a good, strong, vibrant high end here in Canada, with growth prospects in the global economy, than one that's dead.

It's the kind of thing we're talking about. We're increasingly finding a small reversal in what was a fairly strong trend towards offshore. Companies are now starting to see that you need the balanced blend of North American presence—and I again underscore North American and not only Canadian—and offshore presence. When you put it together in that way, you can become very successful globally.

In small and medium-sized businesses, it's critical for them because they don't have the tens of thousands or the tens of millions of dollars that big corporations have for chief financial officers and all of the technical experts required to engage in commercial transactions in the international marketplace

Again, EDC and the government have to come in to support them when they don't have the capacity.

• (1145)

**The Chair:** Thank you, Minister.

Mr. Julian, for seven minutes.

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

Thank you to all of you for coming forward today. We have the heavy hitters of International Trade.

We have a lot of questions to ask you.

Obviously, 40 minutes is not sufficient time to address all of the issues we're dealing with. I think we're accepting this 40 minutes as a down payment and hoping we will see you again in April. I think the committee will be looking to direct the chair in that way so that we can have you back for more extensive discussions.

I'd like to come back to you, Mr. Emerson, because you referenced the first softwood lumber committee in reply to a previous question. I'd like to ask you this. Is it true that at the meeting held a few weeks ago the Americans proposed a moratorium for all new program announcements in the forestry sector in Canadian provinces?

**Hon. David Emerson:** I certainly received no brief to that effect. I'll ask my deputy or Mr. Gero if any such thing happened, but I was certainly not briefed that it happened.

The agreement is certainly structured in such a way that it does not call for a moratorium at all. It is simply a process whereby we keep each other informed.

The agreement in effect circumscribes to some degree the kinds of policy initiatives that can be put in place, which is the price we have paid in order to avoid countervailing and anti-dumping duties. If we didn't have this agreement today, we'd probably be looking at new cases and new duties in the 30% to 40% range.

The U.S. industry is of course a little agitated, but that's not a bad thing.

**Mr. Peter Julian:** *Inside U.S. Trade* reports that John Melle, the deputy assistant U.S. trade representative, proposed a moratorium—and this is a quote—“for all new program announcements in the forestry sector in Canadian provinces”. What you are saying is that this did not happen.

**Hon. David Emerson:** I'm saying that I wasn't present, but I have not been briefed that it happened, and my officials here are not aware that it happened.

What we will do is go further and ask others who were in attendance at meetings. It may be that something was said that didn't get to our level.

**Mr. Peter Julian:** It's out. It was reported in *Inside U.S. Trade*.

My supplementary questions would be, have all the Canadian provinces been informed of this American demand, and is this demand tabled as part of the discussions that will take place at the next meeting, which I believe is scheduled for May?

**Hon. David Emerson:** The demand is irrelevant because we would never accede to it. So it's academic. There are lots of demands—

**Mr. Peter Julian:** Mr. Emerson, in the softwood agreement all they have to do is allege non-compliance. This is something this minister discussed.

**The Chair:** Let him respond first, please, and then we'll get to you again.

Go ahead, Minister, please.

**Hon. David Emerson:** That's okay. He can—

**The Chair:** Okay. Go ahead, Peter.

**Mr. Peter Julian:** If they allege non-compliance, they can simply.... As you know, the clause in the softwood lumber agreement is very clear; all they have to do is allege non-compliance.

I am concerned, if this is not being communicated. Either the reports are erroneous or there is a real problem in the chain of command here.

**Hon. David Emerson:** All I can tell you is that if this was said, it is not something we would agree to, it's not going to happen, and the agreement right now and the relationships right now are working very constructively. And yes, there are always going to be areas where one side has a different view from the other, and there is always going to be a little bit of grinding around the edges on certain issues. But this agreement is working, and the dispute resolution process that is built into it will be far more effective, more definitive, and quicker than dealing with chapter 19 for softwood lumber.

I'm not saying that for all kinds of products this would be a better mechanism, but for softwood lumber it is going to prove to be a better mechanism.

• (1150)

**Mr. Peter Julian:** When is the next meeting scheduled?

**Mr. John Gero (Assistant Deputy Minister, Trade Policy and Negotiations Branch, Department of Foreign Affairs and International Trade (International Trade)):** I think it is in May or June, as you've suggested.

**Mr. Peter Julian:** Are you aware, Mr. Minister, that the U.S. Coalition for Fair Lumber Imports has launched a formal complaint to the Bush administration, again on alleged non-compliance with the softwood lumber deal? This, of course, they're doing with the half-billion dollars of Canadian money that they now have in their pocket.

**Hon. David Emerson:** As you know, the coalition has been constantly active in launching formal complaints over many years, so this is nothing new. The issue will be resolved at the government-to-government level, and when we hear—if we hear—from the U.S. government that they wish to start some formal dispute resolution proceeding, we'll deal with it. But right now we're exchanging information, and the discussions are constructive.

The agreement was designed to evolve; the agreement was not designed to stay static. It was designed so that we could explore exit ramps. It was designed so that we could explore how to deal with the log export issue, which I know is another bee in your bonnet and one we can talk about later, if you wish.

It's an evolutionary agreement, and it provides mechanisms for us to talk together, as opposed to getting into these dispute resolution panels and expensive litigation processes that characterize the use of chapter 19.

**Mr. Peter Julian:** Mr. Minister, it sounds to me as though the agreement is in trouble. If we have new demands being made by the Americans to “put a moratorium on all new program announcements” in the very troubled forestry sector, if we have the U.S. Coalition for Fair Lumber Imports launching formal complaints now, with their war chest filled with Canadian money, and if we see the job losses we've had since October 12, this agreement is in difficulty.

It'll come back to the job loss. Has the ministry been tracking the loss of jobs in the softwood sector since October 12, 2006, since the agreement was put in place provisionally?

**Hon. David Emerson:** The first thing you need to admit is that the softwood lumber industry and other parts of the forest industry are going through a very difficult time right now. It does not relate to the softwood lumber agreement.

**Mr. Peter Julian:** I disagree.

**Hon. David Emerson:** It relates to a very severe downturn in the United States housing market. It is affecting many sectors of the U.S. economy. It is something that happens on a regular cyclical basis.

Yes, there are some job losses in the forest industry, but I can tell you absolutely that if we did not have the softwood lumber agreement in place, and the infusion of over \$5 billion into Canadian lumber companies to help them tool up and survive the downturn

they're now facing, that industry in this country would be in very serious trouble.

**The Chair:** Mr. Julian, you're out of time. I gave you an extra minute.

We will now go to the second round, starting with the official opposition.

Mr. Maloney will start, and if there is time left, we'll go to Mr. Temelkovski.

**Mr. John Maloney (Welland, Lib.):** I have three quick questions, Mr. Minister, two of local interest, one of general interest.

Of local interest—to Mr. Allison and me—you mentioned \$2.1 billion in funding to support gateways and border crossings. You specifically referenced Windsor-Detroit. In Niagara there is an anticipated border crossing, a new bridge, between Buffalo and Fort Erie. They're almost ready to have the shovels go in the ground. Would you anticipate that this funding pool would be available to that bridge authority as well?

Two, there is also a mid-peninsula vehicular corridor being planned, from the western portion of the GTA area to the border. Would that come under your gateway, in partnership with the provinces?

And in general application, you made reference to the EDC making strategic equity investments. Would that also include perhaps the ability to finance imports that are also critical to Canadian exports?

Then Mr. Temelkovski has a few more questions.

• (1155)

**Hon. David Emerson:** Let me deal first with the gateway questions.

My portfolio includes responsibility for the Asia-Pacific gateways and corridors initiative. That is essentially a pan-western Canadian initiative, as you know, to build up the transportation corridors, the ports, the transportation systems that connect the heartland of North America with the heartland of Asia. That's really where my jurisdiction is.

It has big implications for Ontario, as you're alluding to, because the Asia-Pacific gateways and corridors in many cases feed right into Ontario, and then either feed products into the Ontario marketplace or possibly transship them on down into the United States.

The budget also contains a larger gateways and corridors infrastructure envelope. The projects you describe I think would properly fit in that broader gateways and corridors envelope. But it wouldn't be one that I would control; it would be one that Minister Cannon would be responsible for.

**The Chair:** Mr. Maloney, do you want some follow-up?

**Mr. John Maloney:** On the Export Development Canada question, yes.

**Hon. David Emerson:** Well, Export Development Canada has a pretty broad mandate. You asked whether it would get involved in helping to finance imports that are...?

**Mr. John Maloney:** That are critical to Canadian exports.

**Hon. David Emerson:** Yes.

I believe their mandate would allow them to do that. I don't know the degree to which they do that right now; I would have to ask my colleague. But I think their mandate is clearly broad enough.

**The Chair:** Could you send some information to the committee on what their mandate is, whether it does allow that now, and how much it is used?

**Hon. David Emerson:** Sure. I'd be happy to.

**The Chair:** Thank you very much.

Mr. Temelkovski, you still have three minutes.

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

Just to follow up on the very capable parliamentary secretary here, citing some of the numbers, prior to January 2006, 36 consulates were closed and 43 were opened. Since January 2006 until today, four closed, zero opened—not that the dates matter.

**Some hon. members:** Oh, oh!

**Mr. Ted Menzies:** *Touché*, Lui.

**Mr. Lui Temelkovski:** Mr. Minister, you mentioned in the global commerce strategy that you're looking to hire a sector of business experts to help provide intelligence, tools, and advice. Can you expand on some of these tools and the advice, but most of all, maybe on the intelligence that's required?

**Hon. David Emerson:** I'd be happy to do that.

But first I always anchor it back with global value chains, global supply chains. I'll give you an example.

If you look at Canada's relationship with the United States, you can break it down regionally and say, what is our trade and investment relationship with California? Then within California you quickly get into Silicon Valley, and you discover that the largest venture capital pools in the world and the largest reservoirs of innovative, new technologies come out of Silicon Valley.

So what we will do is hire people. And ideally—this is Emerson talking, not necessarily staff—we want to hire more people with industry knowledge and expertise, people who have been in the industry and who know the technologies, know the companies, and know how to create private sector wealth. So what we will do is hire, in some cases, on contract. In some cases, we'll deploy public servants to ensure that we are able to understand the new technologies that are developing in California and the research that's going on in the universities in California, and we will be able to interface that with Canada's industry. We'll look for Canadian industries that should be tying in more closely with the venture capital pools of California, with the technology opportunities, and with the universities. So we'll look for people who can do that.

Now, I gave you the California example. If you went to China, you'd want a different type of individual. You'd want someone who had a familiarity with the opportunities in China in a very specific way.

There's no point going into a foreign market and just waving the Canadian flag, saying "Buy Canadian". A little bit of that, I guess, goes a short distance, but not very far. You've actually got to get into the market and understand, in depth, what kinds of services are needed and what kinds of Canadian companies are technically capable, or whether in fact it's not a company needed but a combination of Canadian companies that puts together a constellation of skills, products, and expertise.

And then what role does government play? In some markets, government plays a bigger role. China would be an example of that, where if you don't have government present, you're going to have trouble. We know that. So you look at each market separately and you hire the kinds of people who can create wealth for Canadian companies in that market.

• (1200)

**The Chair:** Thank you very much, Minister.

Now we'll go to the Bloc Québécois. Monsieur André, for five minutes.

[*Translation*]

**Mr. Guy André:** Minister, I beg to differ with you when you claim that the government is doing a pretty a good job, particularly in the case of Quebec's manufacturing sector. Since your government came to power, we've lost over 70,000 manufacturing jobs in the province. At this rate, in three years' time, there will no longer be a manufacturing sector in Quebec. We've crunched the numbers. Urgent action is warranted.

Alberta's manufacturing sector accounts for 7% of that province's economic activity, whereas in Quebec, the sector represents 90% of our exports. Overall, 59% of our GDP is impacted by these policies.

In the budget, you proposed capital cost allowance programs to assist production. That might work. A tax reduction program for businesses was also proposed. However, when businesses aren't making any money because they've gone bankrupt, they aren't paying taxes. This measure doesn't really help businesses.

I really want to know what you intend to do. Clearly, the sector is adrift right now, and if the government negotiates more agreements with China, Korea and other nations, the situation will only get worse for us.

What steps does the government intend to take to address this situation? If action isn't taken quickly, we will be in a fine mess.

What solution do you foresee to resolve this serious, alarming problem?

[*English*]

**Hon. David Emerson:** Again, my portfolio is international trade, but I will venture beyond my mandate a little bit here.

Let's take some examples. Let's take the shipbuilding industry. We are putting in place a procurement program that will have a massive procurement opportunity for shipyards. As you know, the Davie shipyard has now been acquired by a Norwegian company, so there again is an example of a government initiative that is really running counter to the competitive marketplace.

We're saying we need a stable, secure, vibrant shipbuilding industry in Canada. You need to have the manufacturing of vessels here if you want to have maintenance. We need maintenance for security and other reasons, going forward, so we're buying into that.

If you look at what we're doing on aerospace and defence, again there is aggressive acquisition of defence-related procurements, with very strong commitments to ensure benefits to companies in the Canadian aerospace and defence sectors. Technologically, those are the richest sectors for technology and research in Canada.

A disproportionate amount—I know it's not enough, according to your party—of the benefits will go to Quebec.

• (1205)

**Mr. Guy André:** It's not my party; it's for Quebec. It's non-partisan.

**Hon. David Emerson:** Your party has articulated that you want 60%, for example—

[Translation]

**Mr. Guy André:** Quebec needs that percentage.

[English]

**Hon. David Emerson:** —and what I'm saying is there will be tremendous benefits for Quebec companies—tremendous benefits. That's because of a government that is committed to a firm industrial regional benefits program, to procurement, to those kinds of initiatives.

On the training side, I don't want to go into detail because I cannot, but I know that we are committing substantial resources for post-secondary, for training of various kinds, and ultimately that's going to be where manufacturing finds its future, whether it's in Quebec or elsewhere in Canada.

**Mr. Guy André:** [Inaudible—Editor]...in Alberta.

[Translation]

Thank you.

I will now turn the floor over to Mr. Cardin.

[English]

**The Chair:** You have one minute—actually, a little bit less—for a very short question and a very short answer.

[Translation]

**Mr. Serge Cardin:** It's a fact that the multilateral system is extremely effective, even if there are problems under NAFTA, even if there are problems with the Doha Round as well. The fact remains that the multilateral trading system is effective.

However, people do have some questions. Everyone is getting the impression that they are losing out, when under ideal economic conditions, we have a win-win situation. Moreover, when it analysed Canada's trading policy, the WTO found that Canada's participation

in negotiations and preferential trade agreements sparked some concerns about resources diverted from the multilateral trading system.

[English]

**The Chair:** Monsieur Cardin, I'm sorry, but I do have to cut you off. Your time is more than up. Could you ask a very quick question and get a very short answer? The minister's time is very close to the end here.

[Translation]

**Mr. Serge Cardin:** It was merely trying to put things in context.

In short, why does Canada want to turn increasingly to bilateral agreements, that is to country-to-country agreements, instead of working toward fair globalized trade within the framework of the WTO?

[English]

**Hon. David Emerson:** That's a very good question.

Fundamentally, Canada places top priority on multilateralism. The WTO and its predecessor, the General Agreement on Tariffs and Trade, have allowed a small but open economy like Canada to achieve trade gains that we could never have achieved on a bilateral basis, because we don't have the geopolitical might that the Americans and the Europeans have, so multilateralism to us is where our number one priority has to be.

We recognize, though, that our trading partners—and we're hearing this more and more from Canadian companies and Canadian exporters—are being disadvantaged because the Americans, the Mexicans, the Chileans, the Japanese, the Chinese, the Australians, the New Zealanders, and the Europeans are all starting to enter into bilateral and regional agreements that are supplemental to the WTO framework. In other words, they're creating preferred market access in their markets and in their trading partners' markets that we're not able to access. That's hurting Canadian companies, so much of our bilateral trade focus is defensive—not all of it, but a good chunk of it. We're finding ourselves disadvantaged in Central America right now, for example.

**The Chair:** Thank you, Minister. I know your time is pretty much up here.

Mr. Cannan, you have about two minutes for questioning, and then we have to wrap it up. Go ahead, Mr. Cannan.

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

Thank you, Mr. Minister, for coming to the committee and for your great work on this portfolio. Coming from British Columbia, all British Columbians, my constituents in the Kelowna—Lake country, and the forest sector are very thankful for your leadership on bringing some certainty and stability to the forest industry. It would be a lot worse, as you indicated, with the problems in the United States.

Also, I thank my colleagues from Quebec for supporting our budget.

We do have aviation; Kelowna Flightcraft is in my riding, so that's another one.

With regard to the budget specifically, we had several different delegations in the last couple of months at the committee, and one of them was from the ASEAN group, Peter Clark and Mr. Woo presented, and I asked a question about the Asia-Pacific gateway and what their vision and thoughts were. I'm so happy we were able to include an additional \$410 million in this budget.

From your perspective, and not only from a national perspective but internationally, how do you see this Asia-Pacific gateway achieving our international trade objectives?

• (1210)

**Hon. David Emerson:** Again, if you look at the big trends in international trade over the last couple of decades, tariffs are becoming lower, gradually. There are still some patches of very high tariffs and extreme protectionism, and there are other kinds of protectionism that we have to wrestle to the ground over time. An increasing driver of competitiveness is your ability to move product, whether it's inputs, your personnel, or your products around the global economy. The gateway is really Canada's major western initiative in terms of driving the efficiency of our logistics and transportation system, and that will drive the competitiveness of our Canadian industry in a very fundamental way.

Basically, what you're doing is achieving the efficiencies of a global transportation system that connects markets of billions with the hundreds of millions in North America. That creates a very efficient, constantly cycling transportation system with high levels of service and low costs. You're giving access to Canadian companies to that system. It's a transportation system that, if you did not have it, Canadian companies would not on their own be able to have that competitive advantage. So it's a huge advantage.

**The Chair:** Thank you, Minister. Thank you, Mr. Cannan.

Minister, I do appreciate, again, you and your officials coming here today. As usual you've done a great job in giving a lot of information in very little time. So thank you.

**Hon. David Emerson:** Thank you.

**The Chair:** You can leave the table anytime you want here. We do have a motion to deal with; it's a usual motion here regarding the estimates, and then we'll suspend for a short time to go in camera after that. We will deal with the motion first.

Mr. Cannan, go ahead.

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

Actually, I appreciate the minister coming. It was supposed to be to answer any questions on the main estimates, and he did a great job.

So at this time I'd like to seek unanimous consent that the committee adopt both votes 15 and 55 in the 2007-08 main estimates under Foreign Affairs and International Trade, and that the committee report this to the House at the earliest convenience.

**The Chair:** Is it agreed?

FOREIGN AFFAIRS AND INTERNATIONAL TRADE  
Canadian Commercial Corporation  
Vote 15—Program expenditures.....\$16,182,000  
International Joint Commission  
Vote 55—Program expenditures.....\$2,802,000

(Votes 15 and 55 agreed to)

**The Chair:** Thank you very much.

We are going in camera now to finish the committee report.

*[Proceedings continue in camera]*





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