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Thursday, November 29, 2007

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Chair

Mr. Lee Richardson

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•(1535)

[English]

The Chair (Mr. Lee Richardson (Calgary Centre, CPC)): I call to order the fifth meeting this session of the Standing Committee on International Trade. We are connected today by video conference to Vancouver, where we have our witnesses appearing.

Before we get to that, I'm just going to have one moment on routine business. I think we generally had agreed at the last meeting that we would go until 5 p.m. today with the witnesses' testimony and the questioning, and that at 5 p.m. we would return to orders of the day and set our agenda for the next meeting.

If that's agreeable to everyone, I'd like to commence the meeting, and I'll do that by introducing our witnesses. We have a witness from Vancouver representing the Asia Pacific Foundation of Canada, Yuen Pau Woo, the president and co-chief executive officer.

In addition to Mr. Woo, we have from Korea Ms. Joan Baron, the president and CEO of GBD Canada and also the vice-chair of the Canadian Chamber of Commerce in Korea. I think she was also the past chair for some time, and we're delighted to have her here.

In addition, we have Scott Sinclair, a senior research fellow with the Canadian Centre for Policy Alternatives.

Those three witnesses are here today to give us some more background on our topic of discussion, a proposed Canada-South Korea free trade agreement.

With that, I think we will start with brief opening remarks. I will cap them at 10 minutes, so I would ask our witnesses to maybe give a brief opening background statement.

Mr. Woo, if you're prepared to begin, I'll ask you to start.

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

Good afternoon, ladies and gentlemen. Let me first of all apologize for not submitting a written statement. I only received notification about the call late on Monday, and I wasn't able to put together a submission. Also, I do have to leave after an hour. I hope the message, through the clerk, made its way to the members. I apologize for that as well, but I have a prior engagement.

Let me get to three or four general points to set the context of my thinking on the proposed Canada-South Korea free trade agreement.

The first contextual point is that the Korean economy has gone through some very significant changes, obviously in the post-war period, but more particularly since the Asian financial crisis of 1997.

While there is much to say about the Asian financial crisis and how it affected Korea, I want to draw your attention to my own observation that, post-crisis, the Korean economy has embarked on what I think is quite an ambitious, though still unfinished, program of economic liberalization and opening up to a world that relies more on market forces and competition externally, as well as domestically, and the liberalization of sectors previously closed to external competition.

At the same time, I think the Korean economy and the Korean people are starting to find their place in the world. You may recall that they joined the OECD in 1996, just prior to the crisis. While the crisis set them back, they are again on track to find their place as one of the leaders of global economic governance.

The fact that Ban Ki-moon is Secretary-General of the UN is I think symptomatic of Korea's ambition to be a player on the global scene. To that extent they are similar, you might say, and perhaps even aspiring to have the kind of role that Canada has seen in global international economic relations.

Lastly, on this first general point of change in the Korean economy and its emergence in the world scene, let me observe also that trade with Korea is growing modestly, and not particularly strongly. The free trade agreement might make a difference to that, but we are seeing very robust exchanges between Canada and Korea in the area of people-to-people contacts. Here in Vancouver I am looking out the window, where I can see the throngs of Vancouverites enjoying the nice weather we have today, and I would suggest that many of them—students, recent immigrants—are from Korea. The affinity that Koreans feel with Canada, for a wide range of reasons, is very strong. These human relationships form a basis for stronger trade, investment, and business ties that can be augmented by an FTA. That's point number one.

Point two is to draw your attention to the context for bilateral negotiations with Korea, and that is the proliferation of free trade agreements we see throughout the Asia Pacific region, but particularly in east Asia. Korea is in the thick of these manoeuvres to sign agreements with neighbouring countries and countries further afield. This is a trend that is not going to go away, whether or not the WTO Doha Round concludes.

The point is to ask if Canada wants to be part of this trend and this phenomenon, where many Asian economies and economies on this side of the Pacific feel the need to enter into formal arrangements to enhance their access to markets in trading partner economies. While many of the deals struck so far among east Asian countries have been weak, and perhaps lacking in detail, we are starting to see a number of deals across the Pacific that look to be much more substantial and that could have a real impact on the economies involved, as well as on third countries, such as Canada. I'm referring of course to the Japan-Mexico deal, the Korea-Chile deal, and the recently concluded Korea-U.S. deal. I'll come back to the Korea-U.S. deal shortly.

• (1540)

Thirdly, as a matter of context again—the committee will know this well, but I hope you'll think about it very hard—is the fact that there has been a conclusion to the U.S.-Korea negotiations. It will be put to Congress. The suggestion is that Congress will allow for an extension of the President's trade promotion authority so the deal can be voted on, on a yes or no basis. If the deal goes through, it will obviously create some benchmarks for any similar Canadian deal, but it will also create the possibility that the Americans might have preferential access to Korea where Canada does not.

Finally, let me say a few quick words on Canadian interest in any potential deal. I'll be very broad here. I'm not an expert on any particular Canada-Korea sector, but I would say we would want to look for as comprehensive a deal as possible. From what we can see of the high-quality deals Korea has signed with Chile and the U.S., this is possible, so we will be looking for across-the-board tariff reductions. We will be looking particularly for tariff reductions, indeed tariff elimination in the so-called sensitive sectors of agriculture, including forestry, seafood products, and so on. It's very important to also make sure there is coverage of non-tariff barriers on both sides, but particularly on the Korean side.

Also, very importantly, because this is the future of the Canadian economy, we need to make sure there are some serious concessions and trade-offs made in the areas of service exports, opening of service markets in Korea, and the transparency of investment regulations in Korea so Canadian companies can gain a foothold in that market.

Thank you, Mr. Chairman.

• (1545)

The Chair: Thank you, Mr. Woo. That was very concise. We appreciate your keeping to the clock, because we did start a little late.

I think we'll go to Ms. Joan Baron, vice-chair of the Canadian Chamber of Commerce in Korea.

Ms. Baron.

Mrs. Joan Baron (CEO, Vice-Chair, Canadian Chamber of Commerce in Korea, Global Business Development Canada): Good afternoon, Honourable Chairman Richardson and honourable committee members.

My remarks are based on working with the Canadian business community in Seoul since 1996 and being active during that time

with the CCKK, the Canadian Chamber of Commerce in Korea. I was chair for six years. I am currently, and have been for the past three years, the vice-chair.

The CCKK serves as the voice of business for Canadians in Korea. We have some 200 members. We believe this FTA will be positive for Canadian businesses, the economy, and Canadian consumers. Canada, as you know, is a trading nation; 40% of our GDP comes from trade. Korean tariffs are double Canadian tariffs and apply to four times as many products—about 54%—so we think Canadian businesses stand to benefit substantially from the conclusion of an FTA. In addition, on some key products such as fisheries, Korean tariffs average 18%, whereas ours are 2%. So the Canadian Chamber of Commerce in Korea strongly supports this agreement.

With respect to services, services account for 60% of our Canadian GDP. Our service exports to Korea have doubled over the last 10 years based on 2004 data, so we think this is a very promising opportunity for us.

That having been said, the CCKK wrote to the Canadian government in 2000 to request beginning FTA negotiations. There have been 12 rounds of negotiations, and we feel it's time to get on with it. The previous speaker mentioned that the Korea-U.S. FTA is nearing ratification, so those tariffs I mentioned will be coming down for U.S. businesses, but not for Canadian ones, and this places Canadian companies at a substantial disadvantage.

We run the risk of trying to perfect something, and we should really just get on with it. There is an example from Ken Blanchard that talks about asking a child to say perfectly, "I want a glass of water", before giving him something to drink. The end result is that he dies of dehydration. We need to say we'll use the WTO to get the best dispute resolution mechanisms that we can, and let's get on with concluding the deal. I should say that I believe Canada has some very experienced trade negotiators, and given 12 rounds, it's time.

I'd also like to speak to the issue of reciprocity. We have the opportunity to use this FTA to move the goalposts in the right direction and to be innovative at the same time. Korea and the U.S. have discussed removing many barriers to investment. Their discussions have encompassed removing all restrictions to facilities-based telco investments except for the dominant land line and dominant wireless facilities providers, which would be limited to 49%. In Canada our current position restricts direct ownership to 20%, whereas it is 49% in Korea. Therefore, if we looked at doing reciprocal agreements under which Korean companies could invest 49% directly here, we would probably see more direct investment in Canada in the telco sector. Based on our current state, that might be quite a good thing.

Further, we should use this opportunity to identify and remove hidden trade barriers. Every country has those. I just mentioned one in Canada, but in Korea we similarly have issues on testing of food products and with the BlackBerry, a Canadian icon, which can't be launched in its 3G mode, although it does exist in an older technology. These barriers can be dealt with through WTO mechanisms and through public pressure, so I do not think they constitute a good reason to delay in concluding an agreement.

I would also like to mention the aspect of having all the eggs in one basket. A Korea-Canada FTA will help to disperse the focus from being so continentally oriented. When we did the FTA with Chile, we saw trading increase threefold to fourfold in 10 years, and a similar FTA with Korea could have that result.

As the previous speaker mentioned, the relationships between Canada and Korea are very warm. I couldn't think of a better partner with which to conclude an FTA.

• (1550)

Services are very important for Canadians. We have thousands of Canadian teachers teaching English in Korea—8,000 or so, we think—and some of these Canadians stay and open businesses in Korea. They eventually come back as really global entrepreneurs. This is the new wave of entrepreneurs for Canada, because they won't hesitate to use a global service chain. They will have received an incredible education in one of the most competitive markets in the world.

In addition, tens of thousands of Koreans come to Canada to study English, some beginning from the age of six. They also go to universities. There are 15,000 Korean alumni of Canadian universities in Korea.

So in the services sector—in 2004, Canada's services revenue was \$700 million—I believe we could see a lot of increase, and these are good, high-quality jobs that could be very important to us.

An FTA also needs to integrate related government policies, such as visa and immigration. Right now our education sector, for which those tens of thousands of Koreans come, benefits from the absence of visa requirements. You can come to Canada for six months if you're Korean—and it's the same for Canadians. The U.S. is considering a similar lifting of their restrictions, and that would be a disadvantage to us.

Finally, I'd like to speak on the importance of nurturing the relationship. I believe we all have a responsibility to educate Canadians on the importance of our officials travelling to Korea. This goes from ministers to members of the House. These trips are not jaunts, as you well know. They create a good element of the relationship, and we need that. Our competitors do that without hesitation.

Finally, we have little islands of Canadian content throughout Korea and Asia, whether it's alumni of Canadian universities, Canadian teachers, Canadian chambers, or Canadian culture. We need to look at having a budget to bring these together and multiply them so we can have more of a Canadian effect in Korea.

In summary, the Canadian Chamber of Commerce has been in favour of this agreement since 2000, when we first wrote to say that

we recommended beginning negotiations. Twelve rounds of negotiations have been completed. We believe that we should conclude this agreement, and that there are huge advantages to Canadian businesses and Canadian jobs in doing so.

Thank you.

The Chair: Thank you. Again, that was very concise. We appreciate that. It's useful to have that on-the-ground experience.

We will go to our third and final witness today—from the Canadian Centre for Policy Alternatives, Scott Sinclair, senior research fellow.

Mr. Sinclair.

Mr. Scott Sinclair (Senior Research Fellow, Canadian Centre for Policy Alternatives): Thank you, Mr. Chair, and thank you to the committee for the invitation.

Thank you to my fellow presenters. I can certainly vouch for the importance of—

Mr. Peter Julian (Burnaby—New Westminster, NDP): Mr. Chair, I'm getting a lot of feedback. I don't know if other members are. People are applauding and talking.

It's like our systems have crossed circuits or something.

• (1555)

Mr. Yuen Pau Woo: I think it might be on my end, in Vancouver. I'm in some kind of a shared office space where they have video-conferencing facilities, and apparently there's a Christmas party next door.

The door is shut. I've done everything I can. Presumably the party will start winding down soon.

Mr. Scott Sinclair: Now that we've cleared up the background noise, which I was also hearing, what I had begun to say was that I can certainly vouch for the importance of and the increasing interchange between Koreans and Canadians. My nephew is about to marry a young Korean woman this Christmas.

Today, however, I think we have to focus our attention on the deal that is actually on the table. I'm very grateful for the opportunity to raise some serious concerns about that agreement.

In the time allotted, I wish to address three issues: the Canada-Korea trade in goods and Canada's manufacturing crisis, the pursuit of WTO-plus intellectual property rights in the talks, and the deal's investor-state dispute resolution mechanism.

Since the Asian financial crisis in 1997, Canada-Korea trade in goods has been very unbalanced. Canada has consistently run large merchandise trade deficits with South Korea, \$2.5 billion last year. Moreover, Canada's largest exports to Korea are natural resources—for example, wood pulp, coal, aluminum—while Korea's biggest exports to Canada are manufactured goods—for example, finished vehicles, TVs, radios, electronics.

As you are well aware, Canada-Korea automotive trade is especially lopsided. In 2006, Korea sold \$1.7 billion in automotive products to Canada, while Canada sold only \$11 million worth in Korea, a ratio of 153:1.

The Canadian Vehicle Manufacturers' Association, representing the North American and Japanese manufacturers, is concerned that the deal would provide disproportionate benefits to Korean automakers. Only last week, Ford Canada warned it would have to re-evaluate its current investment position in Canada if the Canada-Korea deal goes ahead as planned. The Canadian Auto Workers Union has released a study that estimates significant job losses from the deal.

The proposed agreement would certainly include rapid, perhaps immediate, tariff liberalization for manufactured goods. The negative impacts in Canada would be felt not only in autos and shipbuilding, which have received the most attention, but also in a broad range of high-tech manufacturing sectors, such as electronics, machinery and plastics.

The proposed deal would worsen Canada's large bilateral manufacturing trade deficit with Korea and reinforce an unhealthy and unbalanced trade pattern, where Canada's primary exports to Korea are low value-added natural resources, while our main imports are high value-added manufactured goods.

Canada has lost 291,000 manufacturing jobs since November 2002, due mainly to the rise in the exchange rate of the Canadian dollar against the U.S. dollar and the rising non-North American—mostly east Asian—share of the North American market.

The proposed deal would be a blow to Canadian manufacturers and manufacturing workers at a critical time when they are struggling to cope with this crisis. They are justifiably looking to Canadian governments for supportive policies, not initiatives that would make their current situation even more difficult.

Turning to intellectual property, in a significant departure from its approach in previous bilateral free trade agreements, Canada is negotiating an intellectual property chapter in both the Canada-Korea and Canada-Colombia-Peru deals. Since the conclusion of the WTO Uruguay Round, no Canadian bilateral FTA has included an intellectual property rights chapter.

Since Korea and Canada are both WTO members, to which the WTO Trade Related Intellectual Property Rights, or TRIPS, rules already apply, the only rationale for including an IP chapter is to negotiate WTO-plus obligations.

What types of TRIPS-plus rules are Canadian negotiators seeking? Even at this late stage in the negotiations, the public does not know for sure. This committee can play a vital role in lifting this veil of secrecy.

• (1600)

It can be surmised, however, that Canadian negotiators are actively considering so-called data exclusivity and linkage provisions that reduce access to affordable drugs here at home and would have harmful impacts on access to medicines in FTAA partner countries.

The monopoly protections afforded by data exclusivity can delay generic competition in cases where a pharmaceutical product is not patent-protected or where a compulsory licence has been granted on a patent. Such provisions can also compel generic drug companies to conduct time-consuming and redundant clinical trials before they are

able to market cheaper medically equivalent versions of brand name drugs.

Canada recently extended its own minimum period of data protection from five to eight years, among the longest in the world. It would be a serious mistake, however, for Canada to lock in these new rules by binding them in its bilateral trade treaties, which would make them very difficult to change. It would also harm public health in partner countries by driving up drug costs and reducing access to affordable medicines.

Another concern is that the intellectual property chapter would include rules that prevent health regulatory agencies from granting approval for a drug if another company claims a patent. Health regulatory agencies should not be saddled with patent enforcement. The practical effect of such rules is to frustrate and delay the introduction of cheaper generic medicines through pointless and costly litigation.

Pursuing monopoly protection beyond what is required by WTO rules in the Canada-Korea or the Canada-Andean pacts would set a very bad precedent, locking in domestic policies that Canadian governments may want to change in the future and reducing access to essential medicines in FTAA partner countries. An analysis by Oxfam, for example, estimates that similar provisions in the U.S.-Colombia draft FTA would cost Colombians an extra \$940 million a year to buy more expensive medicines.

I urge this committee to investigate why Canadian negotiators are breaking with past practice by pursuing intellectual property rights in these bilateral agreements and to recommend a halt to this practice.

Turning finally to the investment chapter, the Canada-Korea deal and the Andean deals would also contain investment chapters replicating NAFTA's controversial investor state dispute settlement mechanism, which allows investors, as you know, to sue governments over public policies that allegedly breach stringent investment protection rules.

Binding arbitration can be invoked unilaterally by investors without first seeking consent from their home government. Tribunal decisions are final, although they may be reviewed on narrow procedural grounds in the domestic courts. Although tribunals cannot compel governments to change inconsistent measures, they can impose substantial fines.

The Canada-Korea agreement would expand these investor rights, which are unparalleled under multilateral trade rules. Under NAFTA there have been, by my count, 49 such claims. The number of challenges to U.S. government measures has fallen off in recent years, but new claims continue to mount against Canada. There were three in 2006 and another three already in 2007.

I will just tell you briefly about a couple of these disputes. One of them pits ExxonMobil, the world's largest and most profitable oil company, against development policies in Newfoundland and Labrador. Exxon, which is a partner in the Hibernia and Terra Nova oil and gas fields off Newfoundland, alleges that Canadian guidelines stipulating that energy companies active in the offshore invest in research and development within Newfoundland and Labrador are prohibited by NAFTA's investment rules.

In another recent case, the Adams Mine case, the U.S. investor is challenging the Ontario government's decision to halt a highly contentious project to dispose of Toronto's solid waste in a man-made lake on the site of a former open-pit mine in northern Ontario. In fact, nearly half of the investor state claims have involved challenges to environmental protection or natural resource management regulations. Beyond the immediate impact of such claims, there is concern about the chilling effect; the government may avoid regulating for fear of becoming involved in a potentially costly dispute.

At a time when Canadians are more concerned than ever about protecting the environment and ensuring that communities share equitably in the wealth created by resource development, the Government of Canada should not be expanding or entrenching such provisions through bilateral trade agreements.

To conclude, I commend the committee for holding these hearings. There needs to be full public and parliamentary debate on all aspects of this deal. The deal should not be rushed ahead simply for the sake of getting an agreement.

• (1605)

Trade expansion should be based on the principles of fair and balanced trade. Excessive intellectual property protection and investor rights have no place in Canada's bilateral trade treaties.

I just want to conclude by saying that my intelligence on the U.S.-Korea FTA and its prospects for ratification is very different from that of the previous two speakers. I think it appears very unlikely to come to a vote in the U.S. Congress before 2009.

Pending the results of the U.S. presidential and congressional elections, the fate of the deal is uncertain. Key provisions could certainly be changed. Given this, I think Canada, and also Korea for that matter, would be well-advised to bide their time and to delay or suspend their current talks.

Thank you.

The Chair: Thank you, Mr. Sinclair.

We'll now move to questions. I might just remind the committee that we have established an order of speaking, and that's clear. The first round will be seven minutes. The order of speakers will be Mr. Bains, Monsieur André, Mr. Allison, and Mr. Julian for seven minutes each.

Before we proceed to that, I want to remind the committee that Mr. Woo has to leave in about half an hour, so if there are specific questions you want to direct towards Mr. Woo, who is president and co-chief executive officer of the Asia Pacific Foundation of Canada, you might ask those early to make sure he can respond.

Sorry?

Mr. Sukh Dhaliwal (Newton—North Delta, Lib.): Do we have the presentation of Mr. Sinclair here? If not, may I request that Mr. Sinclair give us that presentation?

The Chair: Yes, that's fine. I apologize to the committee. Because of the short notice given to the witnesses, we were not within our usual practice of providing the statements in both official languages prior to the meeting.

With that, I'd like to begin the questioning and go to Mr. Bains.

Hon. Navdeep Bains (Mississauga—Brampton South, Lib.): Thank you very much, Chair.

I'd like to thank all the witnesses who are presenting before the committee.

This is an important issue, and I'm glad we're having this discussion in committee. There were certain remarks that the Liberal Party made very clearly with respect to the proposed Canada-Korea free trade agreement.

We are a trading nation. As Ms. Baron mentioned, 40% of our GDP is attributed to trade, and we recognize that. The Liberal Party has a long history of free and fair trade, and we signed many trade agreements when we were in government, but we have some legitimate concerns with the free trade agreement with South Korea. Primarily, the first area of concern revolves around market access. This is an area in which we have concerns with respect to non-tariff barriers.

I'm glad, Ms. Baron, that you mentioned RIM. That's a case I want to cite as an example of non-tariff barriers. My understanding is that RIM had considerable difficulty penetrating the South Korean market and getting their product out there.

There is a WIPI platform currently in place in South Korea, which has prevented not only RIM but other international companies from being able to sell their product in that market. That's an example of a non-tariff barrier. It's not tariff-related, but this particular platform creates a cost structure that makes it very difficult for RIM to be competitive to sell their product. RIM, as you know, is a Canadian success story and wants to do well not only in Canada but abroad as well.

Obviously the other concern with non-tariff barriers has to do with the automotive sector. Of the \$2.5 billion deficit that was cited by Mr. Sinclair, roughly \$1.6 billion of that is attributed to the auto sector and the parts sector. So a lot of the trade imbalance exists in that industry as well, and their concern—they've cited this on numerous occasions—is with non-tariff barriers.

There is the issue of market access. We want to know, in your opinion, how this free trade agreement would genuinely deal with that, because it has nothing to do with tariffs, but with these non-tariff barriers.

The second issue is jobs. There are going to be winners and losers in this free trade agreement, so there are going to be some jobs lost and some jobs gained. The concern I have, which has been expressed by many others, is that we might lose good, high-paying Canadian jobs. What will they be replaced with? While the unemployment rate might be low, there is a concern that high value-added, well-paying Canadian jobs are being replaced by lower-paying jobs with fewer benefits. That isn't necessarily reflected in the macroeconomic numbers that are shown.

The third question is about the dispute mechanism. Do you have suggestions for how we can enforce that? Because when a country is in violation and we go through the WTO process, by the time the issue is resolved the market is already distorted, and jobs are lost. It's therefore very difficult to replace some of the concerns that revolve around that.

My last question is for all the speakers, if they have time. Why do you think we have separate deals for the environment and labour cooperation? Why do you think that exists? And why can't that be incorporated as part of the original FTA that we are currently negotiating?

Those are some of my questions.

• (1610)

The Chair: Is that directed to all three?

Hon. Navdeep Bains: Yes, all three, if they can. Thank you.

The Chair: I will ask the witnesses, then, to keep their answers rather brief, because we have left about one minute each, if each is going to speak.

Mrs. Joan Baron: Perhaps I can start.

First, with regard to RIM, I think that problem can be resolved without being part of an FTA, and it shouldn't be, because it would involve us giving up concessions that we probably don't have to give. We just need to put more public pressure on. This is an anomaly that should not have happened.

So I think that can be resolved. RIM already exists there in an iDEN platform, and with a little more pressure, this one will go away.

On the automotive, it is more substantial, but I'm not sure there are hidden trade barriers in the automotive area. I'm not an automotive expert, but when I look at the statistics, foreign cars in Korea have doubled since 2004. Even this year, January to October, year-to-date the sales are up by 32%. Ford sales are up by only 8%, but everybody else is doing great.

I think what it says is that you need to adjust culturally to the market and provide the kinds of services. Of cars made in Canada, there are a million cars a year sold in Korea. Cars made in Canada, the smaller cars, should be very attractive and very well priced.

We see some cars—Toyota Corolla, for instance—that have been brought over by Canadians there. There's a lot of interest in that car.

So I believe there are opportunities. What we have now is the worst of all worlds. Canada is relatively open. We don't have a lot of barriers here, but there are a lot of barriers in Korea. That's why the FTA, to the mind of the people who have their feet on the ground

over there, is valuable for Canadians, because it will remove these barriers.

I do think we need to think about how to help companies to adjust, not in terms of sheltering them from global competition—we need to get out there and compete—but there should be some kind of adjustment to help them, whether it's training for the people or whatever. But based on the growth in services and the fact that we can address our gap in trade through things like automotive, I believe this is a good opportunity.

I'm running out of time here.

The Chair: I'm sorry, but we do have to move on. Each member gets only seven minutes for their questions and answers.

Mr. Woo.

Mr. Yuen Pau Woo: I have just two quick points on the issue of NTBs, or non-tariff barriers.

My view on NTBs is that this is a tremendous opportunity for negotiators to shine a light on these NTBs and to include them in the negotiations, and hopefully to address them through successful conclusion of a deal. But in order to do that, we have to know what the NTBs are.

I think the onus is on the industries in Canada who feel that there are some serious non-tariff barriers in Korea to spell out in as much detail as possible the nature of these problems so that we can shine a light on them, embarrass the Koreans perhaps, but more importantly, put to our negotiators the proposition that these may be very serious issues that can be dealt with through negotiations and see if they can be dealt with in that fashion. It is not, however, to simply assert that the NTBs, in some kind of vague, scary way, without any possibility of verification...using it more as a stumbling block to the agreement than an opportunity to address those problems.

The second point I would make, of course, is that the Americans, in their concluded negotiations, not ratified, have apparently addressed some of these NTB issues. They have established a working group with the Koreans. They have outlined a number of areas in which the Koreans have committed to address non-tariff barriers in the auto and auto parts sector.

We have to ask ourselves, how did the Americans do that? Should we not be aiming for the same conclusions?

The Americans also, I would say, have negotiated a very interesting snap-back arrangement where, if there is a determination through the dispute settlement mechanism that the Koreans violated their commitment to deal with NTBs, the tariffs in the U.S. would snap back to the MFN rates in an automatic fashion.

Again, what I am trying to say here is let's think about NTBs not as the reason to end negotiations but the reason to continue negotiating.

• (1615)

The Chair: Thank you. I think we're going to have to cut it at that point, because we're over eight minutes. I'll start the next response with Mr. Sinclair, if that works for everybody.

We're going to move to Monsieur André.

[Translation]

Mr. Guy André (Berthier—Maskinongé, BQ): Good afternoon and thank you all for your excellent presentations.

There is a basic principle to follow when we negotiate any free-trade agreement: we have to make sure that the results are as beneficial to Canada and Quebec as to the other country. When one negotiates a free-trade agreement, it is important to ensure mutual access to market.

We know that we export mainly agricultural products, minerals, metals, woodpulp. It is also true that there has been tremendous growth in those exporting sectors in the past few years.

However, you also export many manufactured products such as automobiles and auto parts, electrical equipment, computers, rubber and steel.

We have heard the representatives of an association of Canadian automobile manufacturers who have expressed serious concerns about the Canada-Korea agreement, as you all know and as Mr. Sinclair has indicated. On the other hand, Mrs Baron, of Global Business Development Canada, seems to be very much in favor of this agreement.

I would like to put some statistics to you. In 2006, Korea sold 1.7 billion dollars worth of automobile products to Canada whereas Canada only sold 11 million dollars worth of such products to Korea. The ratio is 153 to 1. People working in the automobile industry are extremely concerned about this agreement which, they fear, will cause damages to their sector. As you know, the automobile industry is in crisis at this time in Canada, just like the manufacturing sector.

Obviously, we should not negotiate an agreement aggravating this crisis. On the contrary, we have to find solutions to provide support to our industries. We have to conclude free-trade agreements that will benefit one country as much as the other but, at this time, we are not convinced that this will be the case and we would like to be reassured.

Some predictions have been made about the automobile industry. According to some estimates, Quebec might lose more than 8,000 jobs and Ontario, more than 17,000 jobs. There are figures about this, studies have been done.

Mrs. Baron, I would like to hear you about this. Do you have any studies? You may say that Toyota wants to export automobiles in Korea but do you have any statistics or studies that could reassure us, showing that the Canada-Korea agreement will lead to job creations in both countries and will be economically beneficial to both instead of creating economic problems as is presently the case with other agreements that we have concluded within the WTO framework, particularly relating to the manufacturing sector?

I would like to hear you on this.

[English]

The Chair: We have four minutes here, so I think we should start with Mr. Sinclair. He didn't have an opportunity to respond to the previous question.

Perhaps I could get you to take the first turn, and then Ms. Baron, because she was asked specifically to respond to Mr. André.

Mr. Scott Sinclair: Thank you, Mr. Chair.

Both members have raised some very important points.

I think the data on trade, particularly in automotive, with the 153:1 ratio, speaks to the extreme difficulty in selling cars into the Korean market.

I am not certain that a trade agreement can actually address societal barriers. It is very difficult to design a trade treaty to actually get at that. Trade treaties are designed to get at government measures. When you have an industrial strategy that's based around very close ties between government and national industrial champions, it's very difficult to get at that through a trade treaty. The provisions that have been included in the U.S. free trade agreement I don't think will be effective, and I think that's the conclusion of many in the U.S. Congress.

Both members have pointed to what is basically the high job content of our imports from a country like Korea and the relatively low job content of our resource exports. But I think it's important—and the resource sector is doing very well—not to put all our eggs in that basket. The manufacturing sector, as has been stated, is going through a very difficult time. This is not really the moment to be piling more misery on them.

There have been some very serious warnings issued—as I said, by Ford last week—and these are things that Canadians have to take very seriously. If they are saying that they are prepared to re-evaluate their investment position in Canada over this particular deal, that is a very serious matter.

● (1620)

Mrs. Joan Baron: My apologies, because I didn't hear all of your remarks due to translation, but let me address what I thought you were asking me.

You asked specifically if there are studies that can give some comfort, because there's a lot of pain in the manufacturing sector right now. No, I do not have those studies, but I do have some facts that might help.

First, on the Chilean agreement, our trade has increased by three times as a result of that FTA.

Secondly, we are seeing Magna in Korea, so they see opportunities.

Thirdly, statistics show that the sale of foreign cars in Korea is on a huge upward trajectory: 32,947 were sold a year ago, and 44,000 were sold this year, year to date. That's a 32% increase. Canada should be able to get its share.

Ford is struggling. They're not getting 32%. They're getting 8%. I don't think Koreans don't want to buy foreign cars. I think some other issues might be at play. When you're doing one of these agreements, it's difficult to understand all the issues, but I think there is hope for that sector. We should explore that, because if there's an opportunity to participate in a million-car-a-year market, if our cars are well priced and well made, this takes us from being continental to being global, and that should be attractive to us.

That's all I can offer on this one issue.

The Chair: Thank you very much.

We are staying a little closer to time, and I appreciate that.

We're now moving to Mr. Allison.

Mr. Dean Allison (Niagara West—Glanbrook, CPC): Thank you, Mr. Chair. Perhaps you could just let me know when I'm at four minutes. Mr. Cannan wants to ask Mr. Woo a question, and we'll share.

The Chair: You have seven minutes for the questions and the answers.

Mr. Dean Allison: Right. Let me know at four, and then Mr. Cannan is going to ask Mr. Woo a question.

Mr. Woo, we talked about what's happened with the U.S. free trade deal with Korea. It hasn't been ratified. Do you think there is any strategic advantage for us to...once again, if we could strike now, or we could make this happen? Would there be a strategic advantage for Canada if we could make this happen before the U.S. finished the ratification process?

Mr. Yuen Pau Woo: There are a couple of calculations here. The first I think has to do with who the demander is, who has the stronger hand in the negotiations, and who is lining up to negotiate with whom.

My own sense is that Korea has a long list of suitors at its door wanting to negotiate agreements. If we aren't able to follow through on 10 or 12 rounds of negotiations, it might be difficult to restart, even if Mr. Sinclair is right, in 2009 or 2010, if and when the U.S. ratifies.

The second issue is this. We're all going on the assumption that if the U.S. ratifies, we can get at least as good a deal as the Americans. Now, that may not be the case. As we've seen from the experience with Singapore, where we started negotiations with them and the Americans started later but concluded before we did, we can't seem to get the same deal that they did. I think delaying will make it even worse.

So on balance—this is simply a political and partly economic call on my part—because we've started a process and have created some good faith with the Korean negotiators, there is a template and a benchmark that the Americans have set, and it would be in our interest to try to follow through and finish it off.

• (1625)

Mr. Dean Allison: Thank you very much, Mr. Woo.

Ms. Baron, it always comes up that the manufacturing sector is concerned about job losses, and there could be a lot of reasons for that. I know Mr. Sinclair indicated that maybe a strong dollar, a rising dollar, was a part of that reason.

Would this not be the very reason the Canadian government should be looking at trying to open other markets? We have issues with the dollar rising. This is clearly an issue in manufacturing. Is it not counterintuitive to say we should be hunkering down and not dealing with anybody? Should we not be trying to expand our markets, looking at a service or industries or investments, some of these other things?

The comment was that low-value goods are what we export through resources. You indicated that some seriously higher-value jobs, etc., could be in the mix for us. Could you expand on those two comments, please?

Mrs. Joan Baron: I think the Korean dollar has also risen strongly. For Canada, we have an opportunity to participate very well, whereas with the U.S. right now we are at a disadvantage in terms of our dollar. That's why we need to use the "not all the eggs in one basket" approach.

In the IT sector I believe there are large opportunities for us, and these are high-quality jobs. Canada has always excelled in technology transfer—in agricultural areas, in safety and emergency measures, in health, in IT, etc. So there are many areas where I believe we can be successful.

To pick up on Mr. Woo's comment, the Korean negotiators are moving on to engage with China and the EU. We are going to find we're at the end of a long line if we miss our chance here.

Mr. Dean Allison: Thank you very much.

The Chair: Mr. Cannan.

Mr. Ron Cannan (Kelowna—Lake Country, CPC): Thanks, Mr. Chair.

Thanks to our witnesses for sharing this with us this afternoon.

I agree that it's important we have this kind of discussion to emphasize the fact that Canada is the seventh-largest trading partner in the world with Korea. Our economy is heavily reliant on the service sector. Almost 70% of our GDP is based on the service sector.

To Mr. Woo, I come from the interior of British Columbia—I represent the riding of Kelowna—Lake Country—and two of my colleagues from the opposition are from British Columbia. Before you leave, perhaps you could share a bit about the importance of this free trade agreement, specifically for British Columbians. I know that Premier Campbell met with Prime Minister Harper and our caucus a few weeks ago. Of course he's very bullish on the Asian market with the Pacific gateway, with Minister Emerson announcing that...and over \$490 million invested in that, to Pacific gateway. And I was in Prince Rupert in August for the port there.

But we have our challenges in the forest sector. With the high dollar, and the downturn in the U.S. economy, and the pine beetle, we have to find solutions to help our manufacturing and our value-added sectors. South Korea is important to British Columbia's economy. It's the fourth-largest export market.

I see some real opportunities for the housing sector. In my research, I've been reading that South Korea is heavily reliant on imported wood, about 90% is imported. In my previous life I was a businessman. I had some dealings with the Canadian—Korean business association, learning about the prefabricated housing market.

In the short time you have, could you maybe expand on the benefits for British Columbia, to its forest sector and manufacturing sector, that this specific free trade would have, and the implications of delaying, as we heard that some people want to procrastinate and I think time is of the essence.

Thank you.

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

Let me stress first that I think this deal is good for all of Canada. There are special benefits to B.C. and the west, because of the potential advantages for the resource sector. You've already mentioned forestry. Wheat, certainly, and seafood products would be another area where Korean tariffs are very high, and the elimination of those tariffs will give greater access for Canadian companies.

Of course, if they don't get the deal, they will be disadvantaged, vis-à-vis not just Americans, who may have the privileged access, but other countries that have negotiated free trade agreements with Korea, including Chile and ASEAN countries.

But I want to stress also that the long-term benefits of a free trade agreement with Korea, and the gains for Canada, will accrue mostly not to the resource sector but to the financial services sector and to the other service industries, such as cultural industries and IT and technology sectors, which are very important in B.C. and in the west but also in Ontario and Quebec.

So whether you keep your eye on the short term or on the long term, I think this is a good deal for Canada.

• (1630)

Mr. Ron Cannan: Thank you very much.

I agree on the fact that we're looking at this national-territorial plan that the federal government has established in Korea, and they're looking for new cities and towns on a massive scale over the next 20 years. That's why I'm really bullish for our forest sector.

The Chair: We're at seven minutes.

Mr. Ron Cannan: Thank you very much.

If you look outside the window there, you see sunshine. If we look over here, we see snow. So I look forward to being in Vancouver tomorrow.

Thanks.

The Chair: There we go.

We're going to move on.

Mr. Julian, for seven minutes.

Mr. Peter Julian: Thank you very much, Mr. Chair. I'll only take nine minutes....

Thanks to all three witnesses for being here today. I have three questions I am going to ask Mr. Sinclair, and I have one question for Mr. Woo and Ms. Baron.

Mr. Sinclair, you raised real concerns around TRIPS. I know that you are somebody who has followed with a great deal of expertise the whole issue of intellectual property. We had concerns raised in Canada about extended patent protection and intellectual property rights and how that adds additional costs to the health care system, while fueling what is essentially the most profitable industry sector in North America, which is the drug industry.

I would like you to come back to the issue of what this could mean for access to drugs and to costs in our health care system and other health care systems outside of Canada. I would like you to come back and comment in a little more detail there.

Secondly, the only reputable study we have on job loss shows about 33,000 net jobs lost in Canada, particularly in the electronics industry, machinery, transport equipment, metal products, plastics, and rubber—in British Columbia, a net job loss of 1,000 jobs. I would like you to comment on that particular study, which is taken from StatsCan figures and Industry Canada figures. Is that credible? Should we be concerned about any deal that would lead to tens of thousands of net jobs? What country would sign an agreement that would lead to net job loss?

Thirdly, on the whole structure of our current free trade agreement, we know that since 1989, two-thirds of Canadian families have lost in real terms. They are earning less now than they were in 1989, which is a failure rate that only the Conservatives would find interesting. What are we doing wrong on our whole approach on trade if we are signing these agreements that have implications far beyond trade and where, in the bottom line, we failed for two-thirds of Canadian families?

Then, for Mr. Woo and Ms. Baron, what are the alternatives to this trade agreement? If this trade agreement is so problematic and we've had some concerns raised even here today, should we not be investing more in publicizing Canadian products and services? Should we not be looking at other alternatives to build on our relationship with Korea, given that this agreement seems to be well off track?

I'll start with Mr. Sinclair.

Mr. Scott Sinclair: Thank you for those excellent questions.

On the intellectual property rights issue, this is something very much under the radar and it has not been getting nearly enough attention in the deal. This is a serious break from Canadian past practice. We have not negotiated TRIPS-plus provisions in our bilaterals. And why are our negotiators pursuing that in this deal? These will lock in policies that have contributed to drugs being the main driver of costs in the health care system within Canada, as you mentioned, and will have a very deleterious impact in countries like Korea, but particularly in developing countries like Colombia and Peru, where they will give more opportunities for the brand name drug companies to wring out excessive profits.

On the job loss study, I hope you will be bringing the authors of that study before the committee—I think next week—and they will be able to speak more to it. What is very interesting and credible about that study by the Canadian Auto Workers is that it is not based on computer-generated equilibrium models or attempts to predict the future. It is based on extrapolations from the historical experience of Canada under its existing bilateral free trade agreements.

In each case—although, say, in the case of Chile, two-way trade has grown—Canada's import share of the partner country has fallen in every instance except the United States, where it's maintained the same share.

On the general issue, again, this is a very important point. We have gone through a period of very strong economic growth for the last 15 years. There has been a very strong productivity growth. Yet real wages in this country have stagnated. That's a very important issue. What are we doing wrong? In terms of trade issues, we have to look at the quality of trade. We can't put all our eggs in the resource basket. Manufacturing is a very critical component of a healthy economy that creates a value and jobs in other sectors as well. So we have to look for government policies that support that sector.

Services are important, but if you look, for example, at two-way trade in services between Canada and Korea, it's less than a billion dollars annually, and most of that is travel and tourism currently. There is obviously enormous potential for growth, but it is not going to replace manufacturing as the motor of Canadian trade.

● (1635)

The Chair: Thank you, Mr. Sinclair. I hate to cut you off, but Mr. Woo has to leave and I think he wanted to get in quickly on a question.

Mr. Yuen Pau Woo: If I could, I'd like to just make final comments in response to the question.

First, quickly picking up on the study that the CAW put out, I'm not as convinced that's a good study. There are all kinds of problems with it, which we don't really have time to go into.

First of all, it assumes that deficits are bad, that trade deficits necessarily are a negative thing for Canada. I think that's a very old-fashioned way of thinking.

Secondly, it assumes low or non-sensitivity of response of Canadian exports to Korea as a result of the reduction of tariffs. That is an ad hoc imputation into the model, which really cannot be defended, or at least one can put in a variety of other assumptions.

And thirdly, it does not take into account the benefits of consumer welfare. The fact that there are more imports suggests that consumers want to buy more imports, they are getting better value for the products that are brought in from other countries, and the consumer welfare that is generated is an economic benefit for the country. That is not built into the model that has been quoted a number of times. In short, that model uses what we call partial equilibrium. It creates a problem that is known as the fallacy of composition.

If I could get to the specific question to me from Mr. Julian, I'm not sure that the deal is out of the question at the moment, but he raises a very good point. If we don't have a deal, what else can we do? I hope that we can continue to work on bilateral issues on a sectoral basis, particularly on the issue of people-to-people flows, visas, travel arrangements, trade facilitation, trade promotion.

The only problem, of course, is that it's not possible to advance trade liberalization on a sectoral basis and to still stay within the rules of the WTO. If you want to have an FTA, you have to have a comprehensive FTA, according to article XXIV of the WTO, and that would mean the type of free trade agreement that is being contemplated at the moment.

Chairman and committee members, I thank you very much for inviting me to participate. I'm sorry that I can't stay for the rest of the meeting.

I would be delighted, and the foundation would be delighted, to continue to contribute to this process in any way that we can be of help.

The Chair: Thank you very much, Mr. Woo, on behalf of the committee. I wish you could have stayed a little longer, but perhaps we'll have you back. Thank you again.

That completes round one of our questioning. We have two witnesses remaining to answer questions in the second round. The second round will be five minutes for questions and answers.

Mr. Maloney is going to lead off.

● (1640)

Mr. John Maloney (Welland, Lib.): Ms. Baron, you made the comment that it's not that Koreans don't want to buy our cars, but there are other issues at play.

What are those other issues?

Mrs. Joan Baron: Basically, in Korea you have to have a distribution network and provide after-service. The Korean is a sophisticated consumer, not unlike the Japanese in terms of their requirements, so it's not surprising that the car that is selling the best in Korea is the BMW right now.

That's what my reference was. The cars don't have to have the driving wheel on the other side of the car or anything like that, but there is a high level of care and feeding for the Korean consumer.

Mr. John Maloney: Mr. Sinclair, do you have any comments on what other issues are at play that account for the significant difference in Canadian cars sold?

Mr. Scott Sinclair: I'm not an expert on the details. I would just simply reiterate that Korea has a history of a very active industrial policy, and even after the 1997 Asian financial crisis, they adopted a very deliberate export-led growth strategy and very successfully pulled themselves up by the bootstraps.

But that policy was based on, and very successful in, promoting exports and limiting imports through a whole range of non-tariff and informal measures and close connections between business and government elites and perhaps even a sense of national and societal solidarity, a preference to support local industry.

Mr. John Maloney: Ms. Baron, are you suggesting that the way the North American car industry can get over this obvious problem is to implement a huge distribution service network to service their vehicles?

Mrs. Joan Baron: No, I am merely saying that the Korean consumer wants confidence that they will get care and attention. I believe it is the same in terms of selling your product anywhere. It is not clear to me that the Korean consumer has any kind of bias anymore. They want good value, and they want good service. And if we look at other sectors, if we look at the sale of Italian and French fashion goods in Korea, they are doing extremely well.

So there isn't an inherent bias to Korean goods, there's merely a very sophisticated approach that we need to address. I believe there is a big market opportunity for us there because of the million-car market and because we have cars that are reasonably well priced and that could be quite attractive there.

Mr. John Maloney: Some parallels or comparisons have been made with the U.S. agreement, which has, apparently, been agreed to in principle. There is an expedited dispute resolution mechanism that deals specifically with disputes in the auto sector. Can you explain this dispute mechanism to us?

Mrs. Joan Baron: No, I'm sorry, I'm not the person to give you the details, but I can speak anecdotally to the fact that I believe it makes sense to have very strong responses when we're offside. China, for instance, in the famous garlic dispute with Korea, implemented tariffs that were about one thousand percent, and things were resolved quite quickly. I believe the snap-back mechanism, which, it is my understanding, is inherent within the U.S.-Korean agreement, will ensure compliance because the impacts of going to most favoured nation on everything are really huge.

I believe our negotiators are very competent. I haven't seen the agreement yet—you gentlemen may have—so I would merely put the onus on them to provide the right kind of attention to an issue. And we also shouldn't forget about the attention of public publicity. We can put a lot of pressure on any corporation, whether Canadian, American, or otherwise, for being offside on something, and we need to use that more effectively as Canadians.

•(1645)

The Chair: Thanks very much, Ms. Baron.

That is five minutes, Mr. Maloney.

Thank you very much for your precise questions and answers.

[*Translation*]

Mr. Nadeau, for five minutes.

Mr. Richard Nadeau (Gatineau, BQ): Thank you very much, Mr. Chairman.

Mrs. Baron and Mr. Sinclair, welcome.

There seems to be some difficulty. We talk mainly about Canada exporting natural resources while importing mainly manufactured products from Korea. If I understand correctly, we send our natural resources to that country, they use them to make products, and after that we buy them back. Considering that economic reality and this process of resource transformation just when our manufacturing sector is in crisis, whether it be in various manufacturing industries or in the forest industry, I fail to see how this can be an argument in favor of opening our markets.

There is another aspect to this issue, which is related to what we have seen with the US. We have signed free-trade agreements and, in some areas, they are taking us to the cleaners, and that is a huge understatement. I am thinking of the softwood lumber industry and of the mad cow crisis. What happens in the US ends punishing Canada or Quebec. I should add that British Columbia is also paying the price, as well as Ontario and New Brunswick. In those sectors where Quebec and Canada are particularly strong, natural resources, we are being clobbered by the US.

Mr. Sinclair, are there any studies or statistics that would allow us to decide if this agreement is going to lead to job losses? Of course, one can talk about benefits for consumers but one should not forget that we also need our jobs. To be a consumer, one has to have an income and to be able to buy those things. Do you have any data that would throw some light on this issue or am I being too pessimistic? Am I being mistaken in thinking that this is what will happen?

[*English*]

Mr. Scott Sinclair: Thank you for the questions.

I think you have put your finger on a very important issue, this unbalanced and unhealthy relationship, from the Canadian point of view, where we have relatively low job and value-added content to our main exports, and the Koreans have a very high value-added and job content to theirs. Obviously, in the abstract, theirs is the more desirable position.

Canadians have to pay attention to the quality of trade. It's not just a question of export expansion. We have to have a balanced trade policy. We have to have supportive government policies for our innovative and high value-added high-tech industries, those that have the greatest employment impacts directly and indirectly throughout the economy. That is what we used to call industrial policy, but the whole thrust of trade treaties is actually to try to prevent governments from adopting those policies and to rely on, simply, export expansion to achieve that. We have to rethink that.

In terms of studies, I will leave with the committee a very interesting study that doesn't directly address the Canada-Korea free trade agreement. It is a study by Informetrica—very new—commissioned by the Canadian labour movement, that basically stresses the importance of manufacturing and manufacturing exports for the Canadian economy. I can certainly ensure that the committee gets that.

Several members have raised the issue of dispute settlement, and you rightly point out that one of the reasons that Canada supposedly pursued the original free trade agreement with the United States was for an expedited dispute settlement mechanism, which would work better and faster than the WTO. That has not occurred. The softwood lumber deal dragged on for years, and in the end, when it was clear that the U.S. was about to thumb its nose for having finally lost yet again, Canada caved in and came to an agreement so that the inadequacies, if they weren't already clear to everyone, might be hidden.

In the Korea case, again, I doubt very much the experience of dispute settlement under bilaterals is unlikely to improve upon the WTO experience. The WTO dispute settlement mechanism may have problems, but being expeditious and timely is not one of them. It's quite expeditious and timely.

•(1650)

The Chair: That's five minutes. Thank you, Mr. Nadeau.

Again, thank you, Mr. Sinclair, for that answer.

We'll go now to Mr. Obhrai, for five minutes of questions and answers.

Mr. Deepak Obhrai (Calgary East, CPC): Thank you, Mr. Chair, for giving me this opportunity.

Of course one can expect the NDP to always oppose a free trade agreement, so I'm not really surprised by some of the questions, but I am quite surprised that the Liberal Party follows the NDP lead in opposing....

Well, it's my time for me to ask questions, right? Let me just go on.

I'm just surprised that the Liberal Party is following that lead here. I would say that it's not surprising that the labour movement says we caved in and everything; that's their position, and it's understandable.

The main issue here is about the global aspect of the free trade agreement. I just returned from Korea. I was in Korea about three weeks ago, and I met with the agricultural committee chair and with the foreign affairs committee chair. They're also all excited about moving towards this direction. You know, when I was talking to the chair of the agricultural committee, he said he wanted to protect his farmers. That's why they would not let BSE come in. That's why they had Canadian beef stopped. They're trying to protect the small farmers; that's exactly what he told me. The result is that the beef in Korea is such an expensive commodity, Koreans can't even enjoy it...and here the market that gives us....

The failure of the WTO taking place around here on the world scene, with the Asian economies booming and China and India and all this looking for free trade agreements—where is it going to put Canada in all of these things here? It is critically important for Canada to have these bilateral agreements and free trade agreements with countries so that we can participate in that.

Now, when there are some questions, you know, the questions are about negotiations. It's not about free trade agreements. That's why it really surprises me that the objections come from the Liberal Party. As I said, I don't mind the NDP; I know where they're coming from, so that's not a big deal.

Nevertheless, I would say we can of course all cite any kind of report—a report by the labour movement, a report by Industry Canada, everything that can cite what is good and so on—but overall it has proven to be that free trade agreements are a positive way for Canada to go, considering the roadblocks that are coming around the European Union and everything, and the failure of the WTO. This is one of the ways that it is critically important for us, right?

What's your view on that?

Some hon. members: Oh, oh!

The Chair: Did you want Mr. Bains to respond, or the witnesses?

Mr. Deepak Obhrai: Well, sir, he would have the opportunity to respond, but I'm just putting in my point of view here as to how surprised I am at the Liberal Party—

The Chair: We got that. Now, did you really have a question you wanted answered?

Mr. Deepak Obhrai: Yes, I did. I asked for their point of view.

The Chair: Go ahead, Ms. Baron.

Mrs. Joan Baron: The Canadian Chamber of Commerce is firmly in support of this free trade agreement. We think it can be a high-quality agreement with an excellent trading partner, one whose

GDP per capita is \$20,000 per year. We've got a partner who can afford to buy some of our goods.

As well, we might consider that with the tariff barriers removed, isn't there an opportunity to attract a Korean car manufacturing assembly plant here into Canada? They've got them in the U.S. Why would we not be more attractive here?

We can look at all the negatives we want and we can cite all the statistics we want on both sides, but Canada needs to be a trading nation. We already recognize on all sides that we are. The balance of economies and growth is switching to Asia. If we do not have these agreements with Asia, and our competitive partners in Europe and the U.S. do, we will be disadvantaged. Not many businesses can stand a 10% hit to their bottom line just due to the tariff alone.

So we have to remove these barriers. Then businesses need to figure out how to adjust and compete and become global.

• (1655)

The Chair: Thank you again, Mr. Obhrai.

Thank you for that concise response. We're on schedule. Because of that we're able to go to round three.

Go ahead, Mr. Temelkovski.

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

There's never an answer for Obhrai's questions.

I have a couple of questions. First, what are some of the aspects that you're looking at in the American-Korean agreement that would work for us or not work for us? As well, have you modelled the agreement for the next five years or ten years into the future to see whether the trade deficit between the two countries would increase, stay the same, or decrease?

Mrs. Joan Baron: I'm sorry, was that one for me?

Mr. Lui Temelkovski: Yes, for both of you—but not for Obhrai.

Mrs. Joan Baron: Mr. Sinclair, would you like to start first?

Mr. Scott Sinclair: Sure, thank you.

In terms of provisions that we would not want to adopt from the U.S.-Korea agreement, the intellectual property rights provisions that I refer to, data exclusivity and so-called linkage provisions—I know those are complicated terms—that would push up the price of drugs, are driven by the brand name manufacturers mainly based in the United States. They have been pushed through U.S. bilateral free trade agreements, and somewhat through European, but up until now, not by Canada.

Canada is in a somewhat different situation. As I mentioned earlier, and one of the committee members mentioned, drug prices are a driver of costs in our system for provincial governments in particular, but also for consumers and employers who pay out of pocket for those higher prices.

Mr. Lui Temelkovski: We've heard that already.

Mr. Scott Sinclair: In terms of the automotive provisions, they have set up a bilateral automotive council, U.S.-Korea, and, as has been mentioned, what's called a snap-back provision. So if, through this expedited dispute settlement mechanism, they determine that the Koreans are not moving quickly enough to open their domestic market, they can put the tariff back to the previous rate, what's called the MFN rate. In the case of the United States, it's actually only about 2%; in the case of Canada it's 6%. It's not clear it will be part of the Canada-Korea text.

There is, I would say, a great deal of doubt in the U.S. Congress and in the American and Canadian auto industries—who I think you'll hear more from at this committee—that even those provisions would be effective.

Mr. Lui Temelkovski: Perhaps you can finish on that trade deficit, and then we'll move over to Mrs. Baron.

Mr. Scott Sinclair: I haven't modelled the impacts.

Mr. Lui Temelkovski: Okay.

Madam Baron.

Mrs. Joan Baron: The U.S. is Korea's third-largest supplier of importing goods, behind China and Japan, and they face discriminatory barriers similar to ours. The most-favoured-nation tariffs are three to four times what the U.S. tariff of about 2.2% is, so Canada and the U.S. are very similar on their tariffs, and Korea is of course much higher.

So the U.S. is in favour of this agreement for the access that it will give them to the third-largest economy in Asia and for the benefits they see. They want to maintain their position as the importer of choice from North America.

I believe their rationale for wanting an agreement is similar to ours, but they are also pursuing opportunities to invest within Korea. You may know that Bell invested in Korea many years ago and exited with over a billion dollars in profit after two years, so clearly foreign direct investments into Korea can be profitable for Canadian companies as well.

As to modelling, no, we have not done that.

• (1700)

Mr. Lui Temelkovski: Do you think the U.S. agreement and the Canadian agreement would be similar, or would the Canadian one be "Harper-lite"?

Mrs. Joan Baron: I cannot comment on Harper-lite, but I believe we have very experienced negotiating teams, and I would expect that our agreements would be similar. However, if we offend the Koreans by withdrawing and thinking we can come back whenever we want, in a couple of years or so, it's a no go.

Mr. Lui Temelkovski: Thank you.

The Chair: Thank you, Mr. Temelkovski, and thank you again, Ms. Baron.

Well, it is five o'clock. I was hoping we might get a couple more questions in, but—

Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC): I was hoping I would get my one question in.

The Chair: Is that unanimous consent?

Mr. Lui Temelkovski: It's unanimous.

The Chair: All right, a quick one for Mr. Miller.

Mr. Larry Miller: This question is for Ms. Baron.

Listening to all the comments around here, to all the very good presenters, it's clear to me that basically right now we have access to the Korean market, albeit with a tariff. The Koreans have access to our market, albeit with a tariff. I've heard it many times here today that there's an imbalance in the auto trade.

How would a free trade agreement change that imbalance, in your opinion?

Mrs. Joan Baron: I believe a free trade agreement would change that imbalance by removing the tariffs that apply right now for cars that come from Canada across into Korea. That's the first thing. Secondly, it would remove the slight tariff that applies for Korean cars in Canada, but frankly they're doing pretty well. It could also create the opportunity for assembly plants in Canada.

I note that Magna is over in Korea already, so they see opportunities in parts and in integration there. I think we could see that accelerate. In fact, one of Magna's strategies was to create a Korean company to get around some of these tariff issues.

A free trade agreement will provide a level playing field, remove the necessity to do some of this, provide more security in terms of being able to get your money out if you should choose to, and so on. Otherwise, you're operating with too much uncertainty, I think. That's the real benefit that governments convey when they do these free trade agreements. It enables business to go in and operate, knowing they have the certainty of that agreement behind them.

Mr. Larry Miller: You mentioned Magna. Is there any connection to the Stronachs there?

Mrs. Joan Baron: No kidding.

Mr. Larry Miller: Yes, I thought that was the company.

Thank you.

The Chair: Thank you again, Ms. Baron.

Thanks, Larry, for that.

I think that's all we're going to have time for. We did say five o'clock.

I want to again thank the witnesses. This was terrific and very well done. I appreciate it very much. I guess we won't be able to have Ms. Baron back, but we may be able to have Mr. Sinclair back.

Mrs. Joan Baron: If I'm in the country, it's a short flight. It's eight hours from Seoul to Vancouver coming this way. It's a short flight, so no problem.

Gentlemen, your work is very important. I thank you for this opportunity.

The Chair: Thank you very much again.

We're going to move now to some of our routine business.

I see on the agenda that we have this notice of motion from Mr. Pallister.

Did somebody want to move that? Or will we wait until next time?

Okay, fine, we won't deal with that today.

I want to get some concurrence on where we proceed from here. I'd like to suggest that on Tuesday next we will start off at 3:30 with the routine business. If Mr. Pallister wants to bring back his motion, I suppose we can deal with it then. He didn't give notice, so we'll only get notice if he comes or if he doesn't.

I do want to get the opportunity to deal with Bill S-2 on the agenda. We don't have to deal with it, but I want to make sure that we can have an opportunity to discuss whether or not we want to deal with it. It'll be on the agenda whether or not we're going to deal with Bill S-2. I would ask the various representatives to consult with their own finance people or their party people as to what their disposition would be on Bill S-2. My sense is that I don't think it's going to take a long time to deal with that. We just want to move it back to the Senate.

I'm not going to prejudice. I just want to be able to deal with it on Tuesday if we have the time. That's the first one.

Secondly, we were going to deal with this outstanding report, if we don't get it finished right now. I think we can probably get it finished right now, but if we don't, I'd like to wrap up the other report. We might have time to give it the final stamp of approval if we get it finished today.

I think with all of that we can still get that done by four o'clock. At four o'clock I would like to suggest that we have the minister for an hour and a half, for the rest of the meeting. That's just the outline.

Mr. Julian.

• (1705)

Mr. Peter Julian: Mr. Chair, the tentative schedule had the CAW and the Motor Vehicle Manufacturers' Association for Tuesday. Is this not the following Tuesday you're talking about?

The Chair: Fine, okay. The clerk has just advised me....

This is news to me, the reason for the change, so just give me a second with the clerk.

Mr. Peter Julian: Yes. The draft schedule had the minister coming on December 11, and next Tuesday was the CAW and the Motor Vehicle Manufacturers' Association.

Hon. Navdeep Bains: So has it been flipped?

Mr. Peter Julian: I don't know. That's why I was asking.

Mr. Ron Cannan: I don't have a list, but I remember them saying that....

The Chair: Apparently, the reason for the change was that the only time the minister could appear, if we're going to get the estimates approved, was on December 4—I think the date was December 8 that we had to have them approved by—if we were going to deal with it.

They have to be done by the end of next week, so it seemed that we would have the minister when available, as scheduled. They suggested that December 4 was it. So they've gone to all these people

and asked them if they would come back, and I would guess now it looks like it's going to be after Christmas.

So that's the answer.

Mr. Peter Julian: Mr. Chair, we still have three sessions scheduled after next Tuesday.

The Chair: Yes, and all of those, I take it, are confirmed as they're written on the original schedule. The only one that was shifted was December 4, and that's off.

Now, if we were to move them to another date, we'd have to move the people that are on the other date. That's how I understand it.

• (1710)

Mr. Peter Julian: Okay, just for clarification, then, on December 11, what would be the business of the committee?

The Chair: December 11 is the Shipbuilding Association of Canada, the Canadian Manufacturers and Exporters, the Forest Products Association of Canada, and

[*Translation*]

the Réseau des ingénieurs du Québec.

[*English*]

Mr. Peter Julian: Okay, and does that mean that the folks originally scheduled for December 4 have been rescheduled to December 6? Because those were the folks who were scheduled on December 6 that have been transferred to December 11.

The Chair: Well, do you have the same calendar I have?

Mr. Peter Julian: I think so, yes.

The Clerk of the Committee (Mr. Chad Mariage): The department officials and the meeting that was to take place on December 6 were switched. So the department officials would be on December 6, and the meeting that was scheduled to be on December 6 is now on December 11.

So they just switched.

Mr. Peter Julian: I do have a slight concern, actually a fairly strong concern. We've referenced the CAW study today. It's been referenced by a number of folks. Mr. Woo cited it, as did Mr. Sinclair.

So I would strongly urge the committee to hear from Jim Stanford, the economist who did the study, so that we can question him on that, and certainly before Christmas.

The Chair: I'm sorry I didn't get up to speed on this before we came. I leave this to the clerk to work out. We had the list as provided, and I thought he did a pretty good job.

Go ahead, Mr. Bains.

Hon. Navdeep Bains: Just a point of clarification. I wanted to clarify exactly what the schedule looks like.

So on December 4, we have the minister. Is that correct?

The Chair: Yes.

Hon. Navdeep Bains: And on December 6, we have department officials.

The Chair: Yes.

Hon. Navdeep Bains: And on December 11 we have the shipbuilders and the CME. Okay. And December 13 is consistent with—

The Chair: Agriculture.

Hon. Navdeep Bains: Agriculture, okay.

So the CAW is not included in any of this; that's correct, right, and that's what we're discussing?

The Chair: Right, and that's the problem. I admit that this is a concern.

So this is the situation we're in. I regret that, but...

I'm at the will of the committee, but I had presumed that there was agreement with this and didn't recognize the change until just now.

Go ahead.

Mr. Peter Julian: Mr. Chair, if we have the minister coming, departmental officials will be coming with him. I would suggest that, in keeping with how the schedule's been adjusted, the folks who were originally scheduled for December 4 be put on the committee's agenda for December 6. And if we want to have the industry officials come back, we could do that after Christmas, but we'll have heard from the minister on this and then we can hear from departmental officials after Christmas.

The Chair: Just for clarification, the minister is technically coming here on estimates, the officials are coming here on South Korea, so it's really unrelated.

You can bump anyone. Your suggestion is you bump the...

Really, we're starting off with the department at the request of the newer members of the committee, so that they can get briefed on the whole question and background of the free trade agreement. That's why they wanted to have the officials here, to give the current status of the negotiations, where they are and the background. It would seem to make sense to have it at the front end rather than the back end. We'll get to it, it's only a question of three meetings later.

Mr. Bains.

Hon. Navdeep Bains: Just in the spirit of cooperation, is the minister able to answer questions, in the supplementary, on issues surrounding South Korea? Would that be deemed appropriate?

The Chair: Yes, you can ask him anything you want.

Hon. Navdeep Bains: Why don't we have the department officials and the minister together on the same day? That way, we're able to accommodate the other stakeholders who it's important to see before the Christmas break.

The Chair: My sense of that, just given the nature of hearings, is when you have a minister it's a different nature of questions. When the officials are here, it's generally an information session. It really is an unbiased, non-partisan exchange and provision of information. When the minister's here, it doesn't tend to be quite that impartial or unbiased.

Are you anxious to have the CAW before Christmas?

• (1715)

Hon. Navdeep Bains: I think they're important witnesses, absolutely, the reason being that they've not only done the one

study but I believe they also submitted an additional economic analysis to the working group on this current negotiation process. I think they'd provide a great deal of value; hence, yes, I think they should be accommodated.

The Chair: Mr. Allison.

Mr. Dean Allison: Just as a proposal, would the committee consider meeting an extra hour on Tuesday and maybe inviting the CAW people for that?

Hon. Navdeep Bains: There's that, or another suggestion is why don't we take the agriculture section and move it post-Christmas break, and get all those stakeholders to come after? Because that is a whole new section—

Mr. Dean Allison: So put the CAW on December 13?

Hon. Navdeep Bains: Correct. What do you think?

A voice: Mr. Julian, are you okay with December 13?

Mr. Peter Julian: I would prefer having them here before the break. This is a bit of a nuance; having them right off, say, on December 11, and then having the other categories on December 13 would be fine, and agriculture after Christmas.

The reason why the automotive parts, and the Canadian Vehicle Manufacturers' Association, and the CAW should be first off is they're the sector that raised the greatest concerns about this. As long as we're meeting with them as promptly as possible, and I think December 11 would be the earliest date, then that would be fine.

So it's just a slight amendment on Mr. Bains' proposal. If they're here on December 11, then we're hearing from them right off the bat, right after the ministry officials.

The Chair: Can you give me a nutshell of your proposal?

Mr. Peter Julian: The minister on December 4, the ministry on December 6, the automobile sector on December 11, other sectors on December 13, agriculture after the break.

The Chair: That's fine with me. Let me just ask the clerk.

Why don't we proceed on that basis between now and Tuesday and ask the clerk to do that, starting with the ones we're going to hoist, to see if we can move these people along. Apparently, there's also a slight possibility we might not be here on December 13, as well, so we want to keep that in mind.

[Translation]

Mr. Guy André: Can you summarize? We are going to give priority to the auto sector. We are going to meet with their representatives before Christmas and we will also meet with the minister before the break.

[English]

The Chair: Yes. Just in a nutshell, Mr. André—

[Translation]

Mr. Guy André: And we will deal with agriculture after the break. Is that it? I agree.

[English]

The Chair: Did you want to say something, Ron?

Mr. Ron Cannan: No, that's fine.

The Chair: So we're going to hear from the minister on Tuesday and hopefully get rid of this other business, the department officials on December 6, and the group that is in the category of automotive transport will move to December 11. We'll move the others as listed to December 13 and ask the agriculture people to come back after Christmas.

Okay, fine. We didn't need to—

[*Translation*]

Mr. Guy André: Mr. Chairman, could you send us the new schedule by e-mail?

[*English*]

The Chair: Yes. The clerk has agreed to get that out right away.

I'd like to go in camera and finish this report, if we can do that in 12 minutes.

[*Proceedings continue in camera*]

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