



House of Commons  
CANADA

## Standing Committee on International Trade

---

CIIT • NUMBER 006 • 2nd SESSION • 39th PARLIAMENT

---

EVIDENCE

**Tuesday, December 4, 2007**

—  
**Chair**

**Mr. Lee Richardson**

Also available on the Parliament of Canada Web Site at the following address:

**<http://www.parl.gc.ca>**

## Standing Committee on International Trade

Tuesday, December 4, 2007

• (1535)

[English]

**The Vice-Chair (Mr. John Maloney (Welland, Lib.)):** I call the meeting to order.

We have before us today Bill S-2, an act to amend the Canada-United States Tax Convention Act, 1984. It passed the Senate in November 2007. It has been referred to us after second reading.

The question is whether we wish to hear witnesses on this or whether we wish to proceed to clause-by-clause.

Mr. Menzies.

**Mr. Ted Menzies (MacLeod, CPC):** Thank you.

It's great to be back with my old friends again who I spent so much time with—I won't say too much time—last year.

I had the pleasure of presenting this motion to the Senate committee, and they went immediately to clause-by-clause. They recognized the importance of this motion and went straight to clause-by-clause. I was barely out the door when they finished it. That would probably set a precedent and be a good lead to follow.

I would like to recommend that this committee report to the House without amendment Bill S-2, an act to amend the Canada-United States Tax Convention Act, 1984, and I will put that in the form of a motion.

**The Vice-Chair (Mr. John Maloney):** I'll come to you, Mr. Julian, but before that we have our legislative clerk with us, Mr. Marc Toupin.

Could you explain some of the process the committee would follow if we have this motion by Mr. Menzies?

**Mr. Marc Toupin (Procedural Clerk):** Normally, Mr. Chairman, the committee proceeds to review a bill that's been referred to it by proceeding clause by clause. If there is unanimous consent of the committee to adopt these clauses and adopt a bill without amendment very quickly, provided unanimous consent is granted, I don't see a problem.

**The Vice-Chair (Mr. John Maloney):** Mr. Julian has his hand up.

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

I have two questions.

First, I have read the briefing book that was submitted, and in no place did I see a clause-by-clause analysis of Bill S-2, so I'm

wondering whether the clause-by-clause was prepared. If so, could it be distributed to the committee?

The second question I have is what are the implications particularly around the clause on elimination of withholding tax on cross-border payments of interest? I see no fiscal analysis of that impact.

**The Vice-Chair (Mr. John Maloney):** Mr. Julian, the Department of Finance prepared the briefing book. That's why there wouldn't be a clause-by-clause analysis of it at this time.

**Mr. Peter Julian:** Has there been no preparation of a clause-by-clause analysis?

**The Vice-Chair (Mr. John Maloney):** I'm not sure if the officials from the department here can respond to that.

Mr. Menzies, can you shed any light on Mr. Julian's question?

**Mr. Ted Menzies:** I honestly couldn't tell you. It was referred to the trade committee, and I'm not sure what was shared with them. Because of the cross-implications, it's a finance and trade piece of legislation. So as far as I know.... I don't have a clause-by-clause analysis, unless there's one left over from the Senate.

**The Vice-Chair (Mr. John Maloney):** Our clerk is consulting with members from the department, if he can get through.

I would suggest that as we wait we go in camera and deal with the second item on the agenda. We'll come back to that, Mr. Julian, if that's okay with you.

At this time we will go in camera. We'll suspend and allow our recorder to make the necessary changes. Unless you are affiliated with a member sitting around the table, I would ask that you leave the room, and we'll get you back in here as quickly as we can.

[Proceedings continue in camera]

- \_\_\_\_\_ (Pause) \_\_\_\_\_
- \_\_\_\_\_

[Public proceedings resume]

• (1555)

**Mr. Ted Menzies:** There was no clause-by-clause drafted because there was no request from either the Senate committee or this committee.

I would recommend that you call the vote.

**The Vice-Chair (Mr. John Maloney):** Mr. Julian.

**Mr. Peter Julian:** Mr. Chair, I realize we're in a little bit of an awkward situation because this is normally a finance bill but it has been given to international trade.

Having read the Senate deliberations, I do not feel.... They may have been convinced by Mr. Menzies' speech, but they didn't do the due diligence on the bill, and I believe that we have to. I'm not sure that it will warrant a lot of committee time, but I do think we need the clause-by-clause analysis, and I do think we need to see the fiscal implications of what's in the bill.

I don't think, given those two things, that taking perhaps an hour of committee time on Thursday would be excessive. I'm sure the clause-by-clause has been prepared. That would be normal practice.

**The Vice-Chair (Mr. John Maloney):** If we have unanimous consent, we could proceed without clause-by-clause. If there is no unanimous consent, then we will have to do clause-by-clause. Those are the standing orders.

Yes, Mr. Menzies.

**Mr. Ted Menzies:** Perhaps I could speak to that.

It had nothing to do with my eloquence, but the senators recognized the time constraints we're under. This is simply a fifth amendment to an existing protocol that actually helps Canadians. It stops the withholding taxes. It provides a mandatory arbitration process for Canadians who actually do business on a fairer level with the United States.

If we don't get this through by the end of the year, we lose 2008. So for cross-border commuters who can't contribute to their pensions on both sides of the border, we've eliminated that opportunity for them for one more year. There's a necessity to get this finished. We've all looked at it. The senators looked at it, and I beg to differ. I think the Senate committee that was looking at it are all very astute business people who looked at it very seriously and recognized the advantages to getting this done. In fact, many of them said, "Why has this languished so long? Why did we wait so long to get this done?"

It's very important to get this done or it doesn't get enacted for the 2008 year. It's imperative that this get done as soon as possible. There's no ambiguity in this whatsoever. It's very clear cut, very straightforward, and I would recommend that this motion I've put forward be passed and this be reported back to the House.

**The Vice-Chair (Mr. John Maloney):** I appreciate what you're saying, but I also indicated that we must have unanimous consent. There is some discontent, as we've heard. I appreciate that Mr. Pallister and Mr. Miller are on the speakers list, but is this something that would be prejudicial if we deferred it to our meeting on Thursday?

•(1600)

**Mr. Ted Menzies:** Time is of the essence. It needs royal assent by the end of the year. The Senate recognized that, and that's why they moved it forward as quickly as they could. I would hate to see this committee—

**The Vice-Chair (Mr. John Maloney):** Mr. Pallister, then Mr. Miller.

**Mr. Brian Pallister (Portage—Lisgar, CPC):** We're clear already that Peter's not giving consent. We don't have unanimous consent. So I guess the next question is what do we need to do to deal with this on Thursday? It seems to me there's a willingness among committee members to deal with it as expeditiously as possible, so let's get some clarification on what we need to do to deal with it and let's get on with it.

**The Vice-Chair (Mr. John Maloney):** At our next meeting we'll have departmental officials. We can easily deal with it at the beginning of the meeting, and it would be done with.

Mr. Miller is next.

**Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC):** Thanks, Mr. Chairman.

What I was hoping, with some of this discussion, was that maybe Mr. Julian would be convinced to bow out. I wasn't sitting on this committee when previous discussion went through, and obviously in the Senate when they dealt with it.

I think, Peter, we have to sometimes let things take their course and have a bit of faith. I know that's hard sometimes, even for me.

Do we not already have witnesses pre-booked for Thursday? And would we then, in turn—

**The Vice-Chair (Mr. John Maloney):** We have departmental officials.

**Mr. Larry Miller:** Oh, it's departmental officials, so that's not an obstacle.

I'm not trying to delay it. It's just that we should be getting it done if we can.

**The Vice-Chair (Mr. John Maloney):** It's on the Korean free trade agreement.

Mr. Cardin, then Mr. Julian, and then Mr. André.

[*Translation*]

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

This situation is indeed somewhat uncomfortable. I was surprised to hear in the House that this bill was referred to the Standing Committee on International Trade in view of the fact that its nature and its major impact have to do with financial matters.

We support on principle this Senate bill. However, we would have liked clarification on some aspects. In my view, we should be able to get answers rather quickly on a number of questions. If it was referred to the Standing Committee on International Trade, it is probably because the Standing Committee on Finance did not have time to deal with it and some aspects of the bill must be implemented early next year.

I am not opposed to this because the bill corrects some truly aberrant situations. However, a few questions arise considering that this bill could have a much wider impact than one might think, and we need clarification in this regard.

While I do not want to drag out our consideration of the bill, there is a need to set aside a minimum amount of time in order to quickly resolve the issue based on the information that will be provided by the relevant officials and experts on tax matters affecting the two countries.

My proposal is to deal with this quickly, but how much time do we have to do that? Let us set an agenda going backwards. Let us set a deadline, for example Thursday next, to deal with this matter, if we still have time.

I do not really appreciate Mr. Menzies telling us that the bill was drafted by smart people and that we should pass it without question. I do not doubt it was, but we nevertheless might want clarification on some aspects. It can be done very quickly if smart people appear as witnesses.

[English]

**The Vice-Chair (Mr. John Maloney):** It has to be unanimous.

Mr. Cannan.

**Mr. Ron Cannan (Kelowna—Lake Country, CPC):** Perhaps you could call for the vote and see whether it is unanimous.

**The Vice-Chair (Mr. John Maloney):** Minister Emerson is with us. I believe, if there's no unanimous consent going to be attained, we might as well defer this until Thursday. Instead of wasting more time while the minister is with us, our time might be better spent questioning the minister.

**Mr. Peter Julian:** Yes, you're right, Mr. Chair, but I think it's important to direct staff on what we're doing on Thursday. It's very clear that we don't have unanimous consent on this. We understand that time is of the essence, but at the same time, it's a 44-page bill that has not received any scrutiny.

What I would suggest, Mr. Chair, is that we get the clause-by-clause analysis done by the department *au plus sacrant*, tonight. I'm willing to read through it.

We have the departmental witnesses on Thursday. That may well be adequate for us to do our due diligence, but we need the clause-by-clause analysis; that, I think, is fundamental. When we're talking about a 44-page tax treaty, we have to do the scrutiny that's required for something like that.

•(1605)

**The Vice-Chair (Mr. John Maloney):** I'm going to call the question, unless there's any more clarification as to what exactly you want our staff to do for Thursday.

**Mr. Brian Pallister:** I want a recorded vote on Mr. Menzies' motion, please.

**The Vice-Chair (Mr. John Maloney):** Our legislative clerk advises that the motion is not in order unless there is unanimous consent. It's rather apparent that there is not unanimous consent.

**Mr. Brian Pallister:** How is that apparent?

**The Vice-Chair (Mr. John Maloney):** Mr. Julian has expressed his lack of consent, and I'm not sure where Mr. Cardin is coming from, but I think he has some reservations as well.

There has to be a consensus. I read the consensus as the....

Mr. Dhaliwal, can we defer this?

**Mr. Sukh Dhaliwal (Newton—North Delta, Lib.):** Yes, I'm going to bring a motion to defer this item until Thursday, and I would like to ask the question, because we have the minister here.

**The Vice-Chair (Mr. John Maloney):** I've already been told that it's out of order because there isn't unanimous consent as I see it—

**Mr. Sukh Dhaliwal:** It's not on this motion.

**The Vice-Chair (Mr. John Maloney):** Yes, I realize it's not on this motion.

Does the committee consent that we will defer this until Thursday, two days from now?

**Mr. Larry Miller:** Mr. Chairman, I have a suggestion, if I could. I'll be brief.

For any of the questions or concerns that obviously Mr. Cardin or Mr. Julian have, I wonder if it may help to speed things up on Thursday if they would try to get those concerns to ministry or departmental staff tomorrow morning. Maybe those specific questions or concerns then could be addressed and things would flow quicker on Thursday.

**The Vice-Chair (Mr. John Maloney):** Very good. There is consensus.

Mr. Julian.

**Mr. Peter Julian:** On that item, could I move, then, that this committee request a clause-by-clause analysis of the bill? It hasn't been clear yet, so let's make it clear.

**The Vice-Chair (Mr. John Maloney):** Okay.

I'm looking for my officials here.

**Mr. Peter Julian:** We've been told that because we haven't requested it, we haven't gotten it. So if we make a formal request, that will speed things up. If we get it tonight or tomorrow morning, then we can bring it on Thursday. I don't understand what the resistance is to the clause-by-clause.

**The Vice-Chair (Mr. John Maloney):** Make that motion.

**Mr. Peter Julian:** Okay. I move that the committee request the clause-by-clause analysis of Bill S-2..

(Motion agreed to)

**Mr. Peter Julian:** That's great. It was a good precedent, Mr. Chair.

**The Vice-Chair (Mr. John Maloney):** Minister Emerson, I'm going to ask you to come to the table with your officials. Thank you very much for attending today.

You're familiar with our routine. We have roughly seven to ten minutes for your opening remarks—and perhaps you'd like to introduce your team—and then we'll go to questioning.

**Hon. David Emerson (Minister of International Trade):** Thank you very much, Mr. Chair.

I'm accompanied by John Gero, our chief trade negotiator; Francine Côté is our chief financial professional here; Ian Burney is responsible for bilateral trade negotiations; Stewart Beck is our senior executive responsible for investment; and Alex Bugailiskis is our ADM responsible for the Americas. Those are the officials who are here.

**The Vice-Chair (Mr. John Maloney):** Proceed with your presentation, sir.

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

It's good to be back. I will make a brief statement, and then my officials and I will be happy to take questions.

As you'll recall, when I was here last March I conveyed to you my impression that Canada was falling behind the competition in terms of our international trade agenda, market access, investment attraction, and international partnerships. I also indicated that when you recognize that Canada is a small trading economy, that presents very serious issues and problems, because our wealth creation, our social programs, our ability to keep people employed in high-quality opportunities depend on trade and our being competitive in trade.

Over the last year, I think it's fair to say, we've begun to turn that around. We are also making, I think, some serious progress toward strengthening the competitive foundation of the Canadian economy.

Your committee issued a report earlier this year, and I congratulate you on that report. I think it was excellent. It restored my faith in the system. I can say that much of what we have been doing over the last year is very much in line with the recommendations contained in that report.

Domestically as well, we are shaping policies, whether it's tax policies, fiscal policies, regulations, or other government policies, to enhance Canada's competitiveness and our ability to attract foreign investment. We announced a tax reduction plan that by 2011 will give Canada the lowest overall tax rate on new business investment among the major industrial economies.

On the infrastructure side, we've announced a program of \$33 billion that will be fundamentally focused on economic infrastructure and supporting Canada's capacity to grow and sustain growth over the long haul.

In that \$33 billion is of course \$1 billion that will be focused on the Asia-Pacific gateway and corridor initiative. That is more than just a transportation system. It's a critically important part of our trade policy and our trade strategy going forward. As I've said many times, trade strategy is about much more than tariffs these days. It's about a whole range of issues that affect our ability to compete in global supply chains and networks.

Similarly, on the east coast we're working closely with provincial governments in Atlantic Canada to build on that region's many transportation assets, such as the port of Halifax, to create an efficient and attractive Atlantic hub for the whole northeast coast of North America.

These moves are attracting very significant global attention and global investment. Earlier this year I was in China and Hong Kong, and a great deal of interest in what we are doing was expressed by the Chinese and by people in the transportation and logistics

business in Hong Kong. I was in the Middle East a week or two ago and got very much the same reaction. Last year Dubai Ports World acquired the Centerm marine terminal in Vancouver, which was part of its acquisition of P & O Ports' worldwide network of marine shipping facilities.

So clearly the world is paying attention to what we're doing inside our borders. The strategy of making Canada a gateway to all of North America I think is gaining traction and it's going to be a critical part of our trade and competitiveness strategy.

But just as we're encouraging the world to reach out to Canada, we also recognize the need for Canada to reach out to the world and become more active in global commerce. We're implementing a global commerce strategy that will provide a strategic, focused approach to market development and services to business. The budget committed \$60 million over two years and \$50 million per year ongoing to implement that strategy.

● (1610)

On the trade policy side, the World Trade Organization remains the foundation of our approach. We're an active and committed member of the World Trade Organization, and we will be continuing to push hard for an ambitious outcome in the Doha negotiations. Intensified efforts are anticipated in the coming months, and with new agriculture and market access text from the chair expected in late January or early February, we're going to have a lot of work to do early in the new year.

We continue to work hard at pursuing both our defensive and our offensive interests in those negotiations. That's why I'm so deeply concerned by a recent turn of events in the rules negotiations. In the release of the chair's text, we found a proposal to reinstate a method of applying anti-dumping duties that's called "zeroing", which had been struck down already by the appellate body of the WTO. This is unacceptable to Canada, and we will continue to raise our concerns on this front.

As we pursue our multilateral goals, we also recognize the need to move forward bilaterally and regionally. For example, we're strengthening our most important relationship with our friends, partners, and allies in the United States. We are very concerned about border issues between us and the United States, and we continue to advocate aggressively to ensure that our goods and people are able to flow efficiently across our border.

We're also working closely with both the U.S. and Mexico to ensure that the North American partnership remains strong and prosperous. There, we're cooperating to avoid duplication in regulations and standards, and to find ways for our sectors to cooperate more effectively across the border. Canada has benefited greatly from being a partner in NAFTA, and we must continue working closely with our neighbours to give our businesses the freedom and the tools they need to compete securely and predictably in today's global, competitive environment.

As you know, the Prime Minister has also taken steps to ensure that our focus here in the Americas doesn't end with Mexico. We see the hemisphere as our neighbourhood. The Prime Minister is leading our engagement with the countries of the Americas with a strong focus on creating prosperity, improving our collective security, and promoting our fundamental values of freedom, democracy, human rights, and rule of law.

Building on NAFTA's success and our free trade agreements with Chile and Costa Rica, we're actively looking to strengthen and expand our commercial links in the region. As you know, we're negotiating free trade agreements with the Dominican Republic, Peru, Colombia, the Caribbean community, and the Central American countries of El Salvador, Guatemala, Honduras, and Nicaragua. We recognize the importance of these markets and the new and exciting opportunities that enhanced commercial ties would offer to our respective citizens, but we also know the importance of trade and investment as the most effective way of combating poverty, crime, and disease in some of these countries.

Looking more specifically at Colombia, the government strongly believes that beyond the commercial potential for Canada, a free trade agreement with Colombia would contribute to stabilizing that country further by helping to create the conditions of prosperity, such as employment opportunities and stronger international trade and investment links.

Moving on to Europe, at the Canada–EU summit in June, leaders agreed to launch a comprehensive study on the benefits of a closer economic partnership. Canada hopes that study will lead to a more ambitious commercial partnership with the European Union. This year saw the conclusion of negotiations of our first free trade agreement since 2001 with members of the European Free Trade Association: Iceland, Liechtenstein, Norway, and Switzerland. This is Canada's first free trade agreement in six years, and our first free trade agreement with European countries. I hope we'll be in a position to sign the final text of this agreement early in the new year, and to submit it for parliamentary approval shortly thereafter.

In Asia, we're pursuing free trade negotiations with South Korea, as well as Singapore. And in the Middle East, which this committee visited earlier this year, Canada is in the process of seeking a formal negotiating mandate with a view to launching free trade negotiations with Jordan in 2008.

• (1615)

Boosting our level of foreign investment inward and outward is another priority. We know that investment drives trade. It's not just a matter of getting people investing in Canada, it's also a matter of ensuring that Canadian companies and investors are investing abroad and building their links to global supply chains.

To move this priority forward, this year we finalized negotiations on foreign investment protection and promotion agreements, or FIPAs, with India and Jordan, and we're currently negotiating with other countries, like China and Kuwait. Negotiations will begin in the new year with Vietnam. We announced last week that we would be exploring with Russia the possibility of upgrading the existing FIPA that we have in place with them and bring it up to a new-generation FIPA standard.

In addition, officials have been actively exploring FIPA negotiation possibilities with a range of countries in Africa, Asia, and the Asia Pacific region. I would expect there will be additional negotiations launched next year as a result of these efforts.

Air services negotiations are another important element of our approach. They help drive the human links that breathe life into any commercial relationship and create opportunities for airlines to carry business people and cargo between our markets. Canadian consumers, businesses, and air industry players benefit from increased choice, flexibility, competitive pricing, and market access that liberalized air services provide.

I'm just wrapping up, Mr. Chairman.

Building on our government's blue sky international air policy, which was launched one year ago, we've successfully negotiated new air agreements or updated existing ones with Japan, the United States, Ireland, Kuwait, Iceland, Jordan, New Zealand, and Singapore. Just last week we announced the launch of negotiations with the European Union. These negotiations are expected to result in an open skies framework between Canada and all 27 member states of the EU, replacing the bilateral agreements we currently have with 19 of those countries.

Innovation is another important part of our efforts to create a competitive Canadian economy. As you know, our government has an aggressive plan to invest in Canada's science and technology architecture, a key element under Advantage Canada. This will position Canada to find new ways to develop innovative and technologically rich commercial products on a global scale.

As part of this strategy, we're joining with jurisdictions like California and the European Union, and countries like China and India, to forge science and technology partnerships.

I cannot overemphasize that Canada represents only 2.4% of global research and development. We therefore cannot do it alone and we must partner internationally to remain globally competitive. High technology and science are key parts of Canada's future economy, and we're aggressively moving forward to accelerate research and commercialize new technologies, in partnership with nations around the world.

Clearly, Mr. Chairman, on many fronts the government is taking steps to get Canada back into the game, to create a more competitive, innovative economy at the domestic and global level. I look forward to working with this committee as we move forward.

I thank you very much, and I look forward to your questions, Mr. Chair.

• (1620)

**The Vice-Chair (Mr. John Maloney):** Thank you, Minister.

Mr. Bains, for seven minutes.

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

Thank you very much, Minister, for coming and meeting us before committee.

I have a quick question with respect to the estimates. There's an amount of \$28.3 million that was allocated to help collect new export charges against softwood lumber from Canada. Is that above and beyond the amount, the \$1 billion, that was left on the table? Is that an additional amount?

**Hon. David Emerson:** I'm not sure what you're getting at there.

**Hon. Navdeep Bains:** The amount of \$28.3 million that is included in the estimates, is that above and beyond the \$1 billion that was left on the table?

**Hon. David Emerson:** That's simply the money for administration of the softwood lumber agreement, which is recovered from the export taxes that would apply.

**Hon. Navdeep Bains:** I do want to say I agree with the original remarks in your opening statement that as a trading nation our economic success is very important to help invest in our social programs and maintain a high quality of life.

As you know, this committee has currently undertaken an initiative to look at the South Korea free trade agreement specifically, and this is a study that's currently taking place here in committee. With respect to quality of life, the number one concern that many people have whenever we enter into a negotiation is the economic impact of that free trade agreement, specifically the impact on jobs.

Have you done an analysis or do you have an economic model that indicates the number of jobs that would be lost and created if a free trade agreement were struck? If you have such an analysis, can you indicate how the data was created? Was it based on 2006 levels, 2005 levels, and how were you able to determine those numbers?

• (1625)

**Hon. David Emerson:** We actually have a couple of analytical studies, econometric studies, of the impact of a possible Canada-Korea free trade agreement. They are on the department's website. They're based, as I recall, on the impact if a free trade agreement were in place in 2005. The impact indicates there would be approximately a 56% increase in Canadian exports and an increase in Canadian GDP of about \$1.6 billion per year, based on 2005.

I know there have been some other studies done out there by folks like the IWA. Candidly, those are extremely flawed studies and bear no resemblance whatsoever to what we think the actual impact of a trade agreement would be with Korea.

I would emphasize that at the moment we don't have a free trade agreement with Korea. We're not even close to a free trade agreement with Korea.

My fear would be that we continue to have difficulty negotiating an agreement but the Americans proceed to ratify the U.S.-Korea agreement. If that happens, if the Americans go ahead with an agreement with Korea and we do not, that will cost us over \$1 billion a year in economic losses and export losses, which will translate into job losses.

**Hon. Navdeep Bains:** Do you have any numbers on the jobs that will be lost and the jobs that would be created with the potential free

trade agreement, if it were to be signed? Do you have any numbers indicating an increase in job losses?

**Hon. David Emerson:** We have looked at that on a sector-specific basis. We looked at it in the auto sector, for example. If there were a negative scenario where there was actually a loss, something like five to 23 jobs was the range we came up with, not our department but outside economic experts. Candidly, when you're looking at the kind of adjustment that industry has been going through, that, to me, is not a killer proposition.

**Hon. Navdeep Bains:** Sir, did you also look at the used car market and the impact that would have, under a free trade agreement, specifically on jobs as well?

**Hon. David Emerson:** I'll ask Mr. Burney if we've done that.

**Mr. Ian Burney (Chief Trade Negotiator, Bilateral and Regional, Department of Foreign Affairs and International Trade):** There was no specific modelling done of used cars per se. This is a proposal that is on the table from Korea, but it is one that Canada has not yet accepted.

**Hon. Navdeep Bains:** Okay, so there has been no economic analysis done of the used car market and the impact it would have on jobs.

**Mr. Ian Burney:** At the moment, there is a prohibition on used cars from all countries other than the United States and Mexico. There are some exceptions to that. In fact, as a matter of course, we do import used cars from Korea that meet the exceptions, but there has not been any specific analysis done on a provision that is only a proposal at this time.

**Hon. Navdeep Bains:** My next question is on market access. I guess that's a legitimate concern we're looking into in committee and making sure that it is a two-way trade initiative, that it's levelling the playing field. We obviously have concerns around manufacturing, specifically in the auto sector, and that's something we'll examine.

It has been brought to our attention that RIM is encountering difficulties in that market as well. RIM products—the BlackBerry, for example—are encountering difficulties because of some of the regimes they have in place. We've also had issues with Canadian beef being exported into that market. Are you aware of any other products or sectors that are encountering similar difficulties in the South Korean market?

**Hon. David Emerson:** I'm sure there are, and our negotiators have probably dealt with literally dozens of non-tariff measures that affect one sector or another. When it comes to beef, that's not formally part of the negotiation, because it's a phytosanitary issue related to BSE. We would certainly not be proceeding with a free trade agreement in the absence of opening up the Korean market for Canadian beef.

When it comes to the auto sector, I think we all know there have been a variety of non-tariff measures that have been cited as barriers to Canadian penetration of that market. We've set up an auto committee so that we can get the best advice possible in terms of precisely what those barriers are and what needs to be done to remove them and create open access.



When it comes to RIM and the BlackBerry, I know they have had all kinds of issues in all kinds of markets. They go through extensive negotiations to get in, as they had to do with China and with India, and as we will assist them with, in getting into Korea.

Frankly, if you don't have a trade negotiation where you have all the pieces on the table, where you can do some puts and takes, you may never get there in terms of breaking some of these barriers down. So this is actually the very best way to drive a process of opening the market up.

We may not get to a free trade agreement with Korea. I cannot tell you that we will.

•(1630)

[*Translation*]

**The Vice-Chair (Mr. John Maloney):** Mr. Cardin, for up to seven minutes.

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

Welcome, Mr. Minister, lady and gentlemen.

Negotiations in the WTO are presently at a standstill. However, it appears the department believes it is important to develop trade agreements and especially to move towards bilateral agreements with a large number of countries. Unless I am mistaken, some 20 agreements are being contemplated and negotiated.

Earlier you mentioned Korea and said that lots of data available on the department's Website show that we would be winners. But this is not the feeling among the major players, people in different sectors like the automobile and automotive parts industries and others. This is not the general feeling. Furthermore, people believe there is a lack of information to be able to properly choose the model to be used by analysts and people working on these various bilateral agreements.

It is legitimate to ensure that our companies can do business abroad and to expand, which will be good for the bottom line. We know that corporations go abroad to make money but we do not necessarily get an overall positive impact taking into account the damage caused here, in Canada and in Quebec. We do not really see concrete benefits from the various business relationships that could take shape with a number of countries. When it comes time to assess a trade agreement with a country, we should look at the overall balance of gains and losses. So let us start by evaluating those.

Everybody has concerns and doubts about these agreements. What can you say to reassure the various players?

[*English*]

**Hon. David Emerson:** In an agreement such as, potentially, the Korean one, we actually do an awful lot of analytical work. We do it generally using econometric models, and we do impact assessments. The reality is that how industries will take advantage of opportunities, how they will be affected by new competitive conditions, is not something you can be completely sure of.

If I were looking at Quebec, though, I would certainly look at some of the Quebec companies that are major players in the global market—the Bombardiers and the SNC-Lavalins. There are literally dozens of global companies rooted in Quebec that, I can assure you, would have very significant opportunities in Korea. Can I tell you

that no companies in Quebec will be competitively affected in a possibly negative way? I cannot tell you that.

We go through extensive consultations before we undertake these negotiations. We go through various iterations of consultations as we progress along the path, and as we get closer to the end, we consult further with the industries that really ought to know what the impact is, what the opportunities are. That's essentially the way we do it.

At the end of the day, we try to mitigate or erase any of the negatives and maximize the positives. We would only do an agreement if the positives substantially outweighed the negatives, and I candidly think the negatives tend to reflect people's fears more than the reality of what will actually happen.

•(1635)

[*Translation*]

**Mr. Serge Cardin:** For a good while now, we have been hearing about the impacts on the manufacturing industry as well as on forestry. Those repercussions are enormous.

You say you do analytical work on the potential impact, but it could have been easily anticipated. The government could have taken measures a long time ago to safeguard this sector, but it was never done.

If we are able to foresee repercussions on some industries, we could also put into place measures to assist our industries without contravening international regulations.

Does your analytical work forecast that some sectors could be affected more than others and does it contemplate action plans to remedy these consequences without being excessively protectionist? Could we set up some programs to support our businesses? There will certainly be some negative impacts. What do you intend to do? The government in effect made a commitment to assist the manufacturing sector.

[*English*]

**Hon. David Emerson:** I think if you look at the manufacturing sector—and you mentioned the forest products industry as a prime example—the forest products sector would not be one of the sectors that would be affected in a negative way by a Korea free trade agreement. In fact, quite the reverse.... It opens up market opportunities for lumber, pulp, paper, OSB, plywood. You name it, substantial opportunities would open up in that sector.

When you look at the manufacturing sector and the impact on jobs in the manufacturing sector, which has been extremely difficult over the last few years, it has nothing to do with Korea; it has nothing to do with the United States. It's been a situation that I think reflects the hypercompetitiveness, particularly of China, but other economies. Exchange rate issues have been very difficult for the manufacturing sector. So I think you have to look broadly at all the fundamental drivers of the competitiveness of manufacturing to really get at that issue.

Are there adjustment programs? They're not in my portfolio. But clearly Minister Solberg and the government are developing and implementing programs designed to assist workers. If there were specific identifiable issues flowing out of a trade agreement, we would certainly look at whether it might be appropriate to have some specific form of assistance. But it's not something you would offer before you could demonstrate there was a unique case for that particular sector.

**The Vice-Chair (Mr. John Maloney):** Merci, Monsieur Cardin.

Mr. Pallister.

**Mr. Brian Pallister:** Mr. Minister, welcome. Welcome to your people also.

I think we're all excited to hear the ambitious agenda you've described to us. It's exciting in particular after more than a decade of rather lacklustre and lethargic approaches to developing trade networks around the world. That being said, I think many of us on this committee understand the importance of advancing human rights as well and recognize that developing stronger trading relationships with other nations where human rights are in jeopardy at times is important and critical, and that these two things are not mutually exclusive. Rather, they are intertwined realities.

My question to you pertains specifically to the Colombia negotiations, where we know human rights violations have occurred and where we do everything in our power as a nation to address those realities. What kinds of actions are you taking to specifically address the issue of human rights in terms of the negotiations themselves? Secondly, if you'd like, please comment on your hopes or your aspirations as far as addressing reductions through trade, achieving real reductions in the human rights violations that have occurred in Colombia, in the hope they will not occur with that frequency in the future.

• (1640)

**Hon. David Emerson:** Thank you for that question.

Members of this committee will know that Colombia has been through some very tough times over the last ten to fifteen years. It was an economy driven by the drug trade and by paramilitary organizations. There have been death squads and executions in the thousands over the years.

With the election of President Uribe, we believe there is a very strong commitment on the part of the Colombian government to improve the situation in Colombia. We believe fundamentally that we have to look for all opportunities to provide Colombians with legitimate, legal opportunities to create wealth, to create jobs, to get themselves out of poverty. There are few things we can do for a country like Colombia that are more powerful than a free trade agreement or an agreement that will allow Canadian investors to go into Colombia and make socially responsible but wealth-creating investments. In our opinion, that's the number one way to deal with poverty.

On the human rights front, we do not rely strictly on the trade agreement to deal with human rights, although we will have a human rights chapter in the free trade agreement if we get there—there will be one on the environment as well—that will ensure that Colombia meets internationally recognized standards for labour and for human

rights, and commits itself to the ongoing enhancement of human rights.

We will also be—and we have been over the last year or two—putting over \$30 million into various initiatives on the ground to support organizations that are trying to strengthen democracy in Colombia and strengthen the legal system, programs focused on improving the rights of children, and a wide variety of other initiatives that we think have to complement the free trade agreement.

When a government is committed to taking on a program of fundamental democratic reform, of enhanced freedoms, of human rights, of trying to impose rule of law, we believe the worst thing you can do is walk away from them and leave them in an economically desperate situation. That would be absolutely the worst thing to do.

**Mr. Ted Menzies:** My thanks to you and your officials for attending, Minister.

I have two questions. One is to you, Minister, and my next question goes to Mr. Gero after that, because you piqued my interest with one comment you made, and I'd hate to see him sitting there and not have a chance to talk. That's not like John.

We have heard great applause from all across this country about the Asia-Pacific gateway and corridor initiative. There are some concerns in my mind that we won't be able to realize the potential that this initiative could bring to this country if we don't push forward on some of these agreements, and I'm referring specifically to the Korean agreement. In your statements you've been very firm that we will not pursue this unless it's good for all of Canada. We're pleased that you're saying that, but having said that, we know the U.S. is throwing up continual roadblocks. We saw more again this week with the SPS issues that they're throwing up.

We can't continue to be just dependent on the U.S. Could you just talk very quickly about the fact that we need other markets if the U.S. gets this open door to Asia, if you will? I believe it's a market of four billion. Just talk about some of those advantages.

And to you, Mr. Gero, the minister mentioned something about the agriculture text. If you could, just enlighten us on what's happening with that too.

**Hon. David Emerson:** Let me just give you the context in which we have to develop trade going forward.

The global marketplace is affected by tariffs remaining after the Uruguay Round—there's no doubt about that. But if you really look at the barriers to competitiveness and export success today, you have to go far beyond tariffs to get at the real drivers of competitive success. You have to look at transportation and logistics. Probably more than tariffs, more than any other single initiative that you can pursue is a transportation and logistics system that allows you to get engaged in just-in-time rapid-cycle turnaround flow of goods and services into the global marketplace.

That's what the Asia-Pacific gateway initiative is all about. It's not just about ports or rail or truck, it's about a total system. It's about a regulatory framework. It's about tackling the kinks and discontinuities at the border, of which you've mentioned some, and when I was in Miami yesterday, I spoke quite bluntly to the Americans. I pleaded with them to recognize that when you create those bumps and impediments at the border—and we're seeing far too many of them lately—it's hurting North America. It's hurting Canada. It's hurting the United States; it's hurting their competitiveness. It will hurt Mexico's competitiveness.

So we're going to have to drive very, very hard to make sure that the gateways we talk about in Canada really do allow us to take advantage of what we call “the North American platform”. So we're going to have to drive some of those border issues extremely hard, and then, as you look out into the marketplace, recognize that there's not just the Asia-Pacific gateway, but also the potential Arctic bridge, as they're referring to it, through Churchill and the port of Murmansk. There's the Atlantic gateway. There are the north-south trade corridors in Ontario and Quebec. Those are all going to be critical, and the markets that we will be dealing with won't just be China and Korea. Those will be important markets, but it will also be other markets around the Pacific rim that will take advantage of those gateways.

On the other coast, we're going to be creating a competitive position—pan-Atlantic, and all the markets around the Atlantic rim.

• (1645)

**The Vice-Chair (Mr. John Maloney):** Thank you, Mr. Menzies.

Mr. Julian.

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

I have to say, Mr. Minister, Mr. Pallister tossed you a softball question and I was very disappointed that you dropped the ball on the answer.

When we talk about Canada and Colombia, we're not talking about human rights violations from 10 or 15 years ago; we're talking about human rights violations that are being condemned this year. Dozens of trade unionists have been killed. The Colombian military have been guilty of hundreds of summary executions this year.

Human Rights Watch, Amnesty International, and the UN Commission on Human Rights have all condemned human rights violations, widespread human rights violations, in Colombia this year, and the ties of the government to the paramilitaries have been condemned this year. What we have, from far and wide, from the experts, those who actually monitor human rights conditions in Colombia, is condemnation of the government this year. This is a current problem. If the government is moving forward to sign a trade agreement that contains a few paragraphs on human rights, essentially what we're doing is rubber-stamping those gross violations of human rights that are occurring right now.

I didn't see anything in the estimates that talked about monitoring of human rights. So you've used the phrase rather loosely, I believe, talking about protecting human rights. You used it again, I believe, in response to Mr. Pallister's question.

What is your ministry doing to actually monitor the human rights situation in Colombia to ascertain whether or not this would actually be, in a very real sense, condoning what are widespread violations of human rights in Colombia?

**Hon. David Emerson:** I think I indicated earlier that it's not just in the trade agreement that we're dealing with human rights. There are a variety of initiatives going on in Colombia. We're putting funding in through the Global Peace and Security Fund. We're putting funding in through CIDA, which focuses on democratic governance, on peace-building and human rights, with emphasis on protection and promotion of the rights of vulnerable populations that are affected by the armed conflict, and I can say that CIDA has played a critical role in assisting the Colombian government in developing a children's rights and protection framework.

We all recognize that there have been some terrible violations of the rights of people and union leaders in Colombia over the years, but I think you would have to admit, Mr. Julian, that the level of those incidents has been declining. It is our view that the president is making very strong efforts to control the paramilitary groups that could be involved here. We recognize that it's a long way from perfect, but being a long way from perfect doesn't mean that we should walk away and leave them even more economically vulnerable to a takeover by lawlessness and paramilitary groups.

• (1650)

**Mr. Peter Julian:** I gather from your comments that there's no monitoring going on, from this government, into human rights violations. That's very disappointing.

I'm going to turn to another subject. Last year we had a softwood lumber sellout that a number of us believed would be disastrous for the country. We gave away \$1 billion despite the fact that we won in the Supreme Court, and we would have won in that final appeal last spring in the Court of Appeals for the Federal Circuit. We've had 10,000 jobs evaporate, eviscerated from the softwood lumber industry over the year. The U.S. lumber lobby is now coming back seeking another \$125 million in penalties, and I see in the estimates that you're seeking another \$13 million for implementation of the softwood lumber sellout.

How do you justify the continued giveaway of our softwood industry, given the fact that we have given away \$1 billion, 10,000 jobs, and potentially another \$125 million in penalties? How do you justify us continuing to invest in an agreement that clearly does not work?

**Hon. David Emerson:** Mr. Julian, I've never been able to understand how you manage to practise such ridiculous economics.

I have to say that in the market we are in today, we have injected over \$5 billion in cash into the coffers of Canadian companies so that they can survive a very difficult market. Why is the market difficult, Mr. Julian? It's difficult because the U.S. housing market has crashed. It has crashed probably worse than it has crashed in fifteen or twenty years. Lumber prices are lower than they have been for fifteen or twenty years. That has absolutely nothing to do with the softwood lumber agreement. In fact, if we did not have the softwood lumber agreement, we would be facing anti-dumping duties and more countervailing subsidy allegations that would be taking duties up to 20% or 30%. Very recently, we have had briefings from the very best American lawyers in the business who have told us exactly that: that if we lose the softwood lumber agreement, we're going to have a very big problem, and I'd like you to wear it if that happens.

**Mr. Peter Julian:** Well, Mr. Minister, as you know—

**The Vice-Chair (Mr. John Maloney):** Gentlemen, could we just lower the temper of the conversations here? I don't think it's quite helpful.

**Mr. Peter Julian:** Mr. Chair, with that response, I can understand why the minister's name is mud in so many softwood communities from coast to coast to coast.

I'll go to my final set of questions.

Looking through the estimates again, there is nothing around public consultations on the SPP, the so-called security and prosperity partnership. I understand—and I will put this to the minister—that it is not because, as the Canadian Council of Chief Executives has said, the Canadian population is simply not ready for what is in the SPP. As well, there is nothing in the estimates that deals with the fact that under NAFTA and the Canada–U.S. Free Trade Agreement, two-thirds of Canadian families are earning less in real terms than they were in 1989, while the average level of household debt has doubled over that same period. So much for prosperity.

There's nothing in the estimates to reflect either the fact that the scant estimates that we've had of net job gains or net job losses under the Canada–Korea trade agreement have been discounted by many industrial sectors, including the auto industry. In fact, the only credible study shows a net loss of 33,000 jobs since Canada and Korea signed.

I'm wondering why there is no reflection of those three issues in the supplementary estimates.

**Hon. David Emerson:** The credible study that you're talking about was completely fraudulent, and you probably know that—or you should know that.

The SPP is not part of DFAIT's mandate. There would be nothing in our estimates to deal with the security and prosperity initiative, because it's really not part of our ministerial mandate.

What more can I tell you?

**Mr. Peter Julian:** NAFTA, and the loss of income in real terms.

**The Vice-Chair (Mr. John Maloney):** A quick response, Minister.

**Hon. David Emerson:** Mr. Chairman, on the loss of jobs, there have been losses of jobs in manufacturing in Canada over the last ten or fifteen years. There have been losses of jobs in the United States.

There have been losses of jobs in Europe. There have been losses of jobs in manufacturing in most of the major industrial countries of the world. Is that because of free trade agreements? No, it is not. It is because the competitive landscape has changed fundamentally in the world, particularly because of the impact of China and India and other hyper-competitive economies. They've changed the competitive cost structure in the world economy in a fundamental way, and that has been causing manufacturing to go through a tremendous series of adjustments. Those adjustments have been exacerbated by exchange rate movements that have been very difficult and have added to things.

In my opinion, the job losses have nothing to do with free trade agreements with the United States and Mexico.

• (1655)

**The Vice-Chair (Mr. John Maloney):** Thank you, Mr. Minister.

Mr. Temelkovski, a five-minute round, please.

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

Thank you, Mr. Minister and officials.

You mentioned, Mr. Minister, that border issues exist between our neighbours and ourselves. You also mentioned we'd like to assist people and goods to move rapidly or more easily. Would you say a permanent resident card helps move people and goods across the border, or would you say not?

**Hon. David Emerson:** I'm not sure what you're referring to.

**Mr. Lui Temelkovski:** We'll move to the next question, and maybe it will be apparent. Do you think passport requirements between the two countries help move goods and people, or do they hinder?

**Hon. David Emerson:** I would come at it from this point of view: if Homeland Security and the Government of the United States are going to require passports, then we'd better get passports in Canadians' hands and we'd better get them up to a high technological standard and look for other kinds of secure documents that will accomplish the same thing and be acceptable to the U.S.

So we're going to go through a period of difficult adjustment as people get hold of acceptable identification documents. That will be an adjustment, but we will get through it. In the end, it will probably not be a back-breaker in terms of our trade and economic relationships. It will create a difficult period because most Canadians don't have passports and it will take some time for them to get either a passport or a technologically sophisticated driver's licence.

**Mr. Lui Temelkovski:** I'm reading you're saying it doesn't help.

**Hon. David Emerson:** It's happening now. Increasingly, people are getting their passports, and several provinces are looking at enhanced drivers' licences as a substitute form of identification.

**Mr. Lui Temelkovski:** PR cards are permanent resident cards for people who are not Canadian citizens, so they can move across. That would be similar.

**Hon. David Emerson:** Yes.

**Mr. Lui Temelkovski:** How about guns for guards at the borders? Do you think they would help move people and/or goods faster?

**Hon. David Emerson:** I don't think the arming of border guards is the driving factor here. I think that may be a security issue that will have an impact in isolated circumstances, but I don't think it's going to affect the overall efficiency of the flow of people.

**Mr. Lui Temelkovski:** No doubt you've been to Europe in the last few years. Have you had similar encounters in Europe, asking for passports once you enter? Maybe you've seen some guards with guns?

**Hon. David Emerson:** No.

**Mr. Lui Temelkovski:** No, you haven't. Do you think they're moving a little faster than we are?

**Hon. David Emerson:** Yes.

**Mr. Lui Temelkovski:** Do you think we can learn something from them?

**Hon. David Emerson:** What you're essentially calling for is a common market with the United States where we do away with immigration checkpoints, and that's a debate that even goes beyond free trade agreements. That's a very fundamental change. It may be something that will have to be considered eventually, but we're not close to that right now.

**Mr. Lui Temelkovski:** How about nationally: do you think interprovincial barriers exist that hinder our ability to trade with some countries that may require them to negotiate with many provincial or territorial authorities, as opposed to one unit?

**Hon. David Emerson:** That's a very good comment, because when we look at our World Trade Organization negotiations, when you look at negotiations in terms of bilaterals we're undertaking with various countries, some of the issues of concern to the other nations we're trying to get market access to is that they want to deal with some of the provincially oriented barriers to trade, such as government procurement policies, for example. So it is an issue.

We try to consult with provinces. We try to get them to work with us and to understand there are responsibilities and opportunities for provinces, as well as the federal government, to move these negotiations along.

• (1700)

**The Vice-Chair (Mr. John Maloney):** Thank you, Mr. Temelkovski.

Monsieur André.

[Translation]

**Mr. Guy André (Berthier—Maskinongé, BQ):** Good afternoon, Mr. Emerson, and good afternoon to the officials.

We, the members of the Committee, often have questions. My question is for the Minister.

In your view, what should the criteria be when we are discussing a new bilateral agreement with another country? What criteria does Canada rely on, initially, when signing a new bilateral agreement?

[English]

**Hon. David Emerson:** I would say that you would want to look at the overall creation of export opportunities; you'd want to look at the degree to which there could be offsetting negative consequences; you'd want to balance it out in terms of overall wealth creation, job creation, or job loss. You would also want to do some assessment of the regional implications of certain agreements. That would be, fundamentally, what you would be wanting to do. And you'd want to ensure that the opportunities and the net improvement was a durable, permanent improvement and a permanent opportunity for Canada to do better.

[Translation]

**Mr. Guy André:** When a business supports a country, it generates a lot of imports and exports.

In your opinion, should the priority not be to balance the terms of this trade rather than to further liberalize the agreement?

Furthermore, is the respect of human rights a criterion that we should be able to measure? I am obviously alluding here to Columbia.

[English]

**Hon. David Emerson:** You cannot just look at whether you're getting a bigger increase in exports than imports or vice versa. You cannot just look at whether there is more investment coming into Canada or going out.

I'll give you an example, and that's the Canada-Chile free trade agreement. With that agreement we've seen a very substantial increase in trade, but a widening in the trade deficit, and a very substantial amount of Canadian investment has gone into Chile. But when you look beneath that superficial pattern, what you find is that Canadian mining companies in particular invested massively in Chile, brought the resource or semi-processed resource product out of Chile into Canada, where it became an import and made our trade deficit look worse. And yet here we were creating a stronger mining sector and opportunities for value added in the Canadian economy.

If you looked at those superficial numbers, you might think it wasn't a good deal, when in fact it was actually a very good deal for both countries.

Concerning human rights, I come back to say that human rights are absolutely important. The elimination of poverty is absolutely important, and we look for ways that a trade agreement and the responsible behaviour of our investors in the country will create a positive environment in communities, environmentally, and for workers. We look at the various complementary initiatives that can be brought into play in terms of human rights.

Our fundamental approach is that we would be disinclined to negotiate a trade agreement with a government that wasn't committed to enhancement of freedom, democracy, human rights, and rule of law. We look for people who have common, similar values.

[*Translation*]

**Mr. Guy André:** Why, in your opinion, did the United States end their negotiations with Columbia?

• (1705)

[*English*]

**Hon. David Emerson:** They did not end negotiations with Colombia; they completed negotiations with Colombia. They are having a debate in the United States as to whether they will ratify the agreement. Some are criticizing it for the same reasons that some in Canada would criticize trade with Colombia. My guess is that they will, at the end of the day, ratify the agreement with Colombia.

I heard a senior official from the State Department, when I was in Miami yesterday, speak very positively on the role of the U.S.-Colombia free trade agreement in terms of helping Colombia out of the kind of cycle of violence and crime they have been trapped in for so long. I think you're going to see the Americans eventually ratify that agreement.

**The Vice-Chair (Mr. John Maloney):** Mr. Allison.

**Mr. Dean Allison (Niagara West—Glanbrook, CPC):** Thank you.

I want to thank the minister and his officials for being here today.

I apologize for asking the three questions up front, but I'm doing that just so you can talk longer.

Mr. Menzies talked a bit about trade and about security always trumping trade in the U.S. I appreciate the tough stand you took in Miami by talking about this, and I believe we need to continue to push back on this.

What other kinds of things can we do to enhance this relationship? Certainly there's a border town where I come from, and the issue is always the issues we deal with around the border. We could probably build another half-dozen bridges, but it still wouldn't deal with some of the issues we have to deal with in terms of trying to get goods and services across. That's the first question.

The second two questions are somewhat related, but maybe not. I know India and China, as emerging markets, are something the department has indicated as a priority. What type of progress is being made?

Is the experience with Research In Motion going in there...? I don't know to what level the government had to help them. I would assume there was a great deal of help from the government. What is

it that the government is doing to try to work on that progress and maybe make it easier for other companies to get in there? That would probably relate to any kind of free trade agreement we may look at in the future.

And my third question relates to global supply chains. We hear it all the time. What types of opportunities do you think we can have as Canadians? Is there an area of competitive advantage that we could face for global supply chains? Are there examples of what we're doing right now? Could you just elaborate on them?

**Hon. David Emerson:** On the security front, there are a host of things we can do if our U.S. counterparts are willing to proactively work with us and look at different ways of achieving the same result in terms of security. That's really what, in some ways, the North American security and prosperity initiative is trying to do. It's trying to identify security-related issues and get ahead of them in terms of the kinds of technologies that we need at the border, the kinds of information bases that we need, and the ways in which we can carry out inspections of cargo or identification of people.

It's a long, arduous, detailed, grubby path, but you have to have somebody on the other end who is willing to say, "Okay, let's try it this way. That sounds like a good idea." What we're finding is that there is very little responsiveness so far, and that has been a source of great frustration, which is why I expressed myself the way I did in Miami.

So there's a lot we can do, and we are stepping up and doing it. We have to ensure that Canada's security systems are at least as good as those in the U.S. They don't have to be identical, but just as a matter of Canadian security, quite apart from the need to be compatible with our biggest trading partner, we need to continue to step up our own security systems, technologies, approaches, and so on.

On the RIM question, RIM is one company, but it is a global champion now. It is probably the most well-known Canadian brand in the world today. In every market, they go in and they have to find distributors for their product and they have to ensure that there's technical compatibility with the telecommunications technical standards in that country. It therefore becomes a multi-year exercise for RIM, working with us and with the government in a country like China. We're always there to help them, to open doors, to make calls, to make sure any of the impediments they're encountering are not simply protectionist impediments.

We try, government to government, to break down some of the barriers and open doors, and we've done that in a variety of markets with RIM. We also do it with Bombardier in various markets, we do it with SNC-Lavalin, and we're doing something with Methanex in Argentina and Chile. We're constantly listening to the issues that Canadian companies are running into in terms of foreign governments, and we are strategically intervening to try to ensure that Canadian companies are not being disadvantaged.

In terms of global supply chains, there are a number of Canadian success stories, RIM being one of them. Bombardier is another one, and SNC-Lavalin is another one. What it really involves is companies being willing to put investments and a corporate footprint in the different markets in which they want to participate around the world, being prepared to shunt people around their value-creating network, and being able to allocate research around the network and have distribution systems. All of that is driven by ensuring a high-level of customer satisfaction, just-in-time delivery of product, and all of the quality attributes that the global consumer now demands because the competition is there to take it away.

• (1710)

**The Vice-Chair (Mr. John Maloney):** Ms. Sgro, you have five minutes for questions and answers.

**Hon. Judy Sgro (York West, Lib.):** Thank you very much, Mr. Chair.

It's nice to see you, Mr. Emerson.

Before I ask you my question, my colleague Mr. Dhaliwal had left a question, specifically, that he wanted covered off. It had to do with the Asia-Pacific gateway. It's gaining global attention, as well as local attention for a lot of the Delta residents in his area who strongly feel that it will have a negative effect on the community at large.

Given the fact that the government is awash in billions of dollars of surplus as a result of the great work of all of us as the Liberal government, I'd like to know, why will your government not be giving this project the same priority as the St. Lawrence Seaway project?

**Hon. David Emerson:** I know Gordon Campbell likes to compare the gateway with the St. Lawrence Seaway, but I think Delta's issue is a little more modest. It's really about the negative effects on the community in terms of noise, congestion, and that kind of thing.

We are putting in some very substantial investments, particularly in the Roberts Bank corridor. When you look at the federal contribution plus the local contributions and provincial contributions, there's over \$300 million being spent just on that corridor between the Roberts Bank terminal and I guess as far up the valley as Hope, to deal with the interchanges, to make sure we're getting rid of the at-grade interchanges, and that there are noise barriers wherever we can put them, essentially trying to ensure that the gateway is community friendly.

You can always say you can put the whole thing underground and spend \$20 billion doing it, but that's not practical. What we have to do is look for the practical solutions that don't destroy the economics of the gateway but do in fact improve and protect the livability of communities, and we're doing that. You'll see, I think, more improvements in terms of the level of pollution, for example, from trucks as we upgrade and encourage some of the trucks hauling containers to use greener fuels, and so on.

**Hon. Judy Sgro:** An issue that you and I have been in correspondence on for some time is in regard to the Canada-South Korea free trade agreement. You made one particular comment that I think would be nice to have clarified. You had said that the fact that we haven't sold many, if any, vehicles into Korea has probably more to do with the fact that North American auto producers have really

not produced the kind of small, fuel-efficient, high-quality vehicles that are in demand in Korea.

Would you like to elaborate? You know from our correspondence on the issues of the auto industry how strongly I feel about how important it is, and I think that statement needs to be clarified a little bit, because it sounds as though the auto industry in Canada is not up to producing the quality of vehicles that I think they are.

• (1715)

**Hon. David Emerson:** I did not mean that as a comment that North American producers—let's say the big three, for the sake of argument—are not capable of producing the kinds of vehicles that would be saleable in Korea. I'm simply saying, and I think this is something that auto analysts will say as well, that the big three have not focused on that market historically, which is why 85% of the vehicles produced in Canada are sold in the United States. They produce vehicles for the North American market, and that has been the focus.

Could they produce for the Korean market? You bet they could, and GM is establishing operations in Korea. As the North American auto producers begin to deal with the competitive threat coming from let's say Toyota, Honda, and Hyundai, their products are going to be more and more the product that would sell in Korea or in China or in Japan. It's a matter of the industry going through an adjustment, getting the technology in place, and adapting product design so that it's saleable beyond North America.

North Americans themselves are going to be demanding more of those kinds of vehicles, which would then be more readily marketable in a market like Korea.

**Hon. Judy Sgro:** When we talk about free trade and fair trade, I'm sure that all of us as parliamentarians and Canadians want the same thing. But the more I look at that whole issue with South Korea, they're continually putting up roadblocks, from penalizing their own residents if they buy an imported car, to the point of putting up technical obstacles in terms of headlights, and so on—all kinds of excuses to prevent our vehicles from having free access.

I think there are many of us who wouldn't have those concerns if we thought it was a fair deal and if there was free access on both sides.

**The Vice-Chair (Mr. John Maloney):** Thank you, Ms. Sgro.

Minister.

**Hon. David Emerson:** Well, I'm inferring your question, but that's precisely why we have a special automotive committee advising us on the Korea-Canada trade negotiations, because we know. When I was Minister of Industry, I heard about the non-tariff barriers in Korea. So we have consulted, and continue to consult, with the industry.

In the negotiation, we're attempting to get at all those non-tariff barriers that we can identify and that can be made specific enough to action in a trade negotiation sense. We're talking to them about ongoing monitoring mechanisms, committees that would be early-warning committees to identify quickly and deal with any new measures that might be put in place. We're negotiating and talking about dispute resolution that would be very quick and automatic if there were those kinds of issues.

It's tough going and it's very detailed work, but I do not see any other way than to carry on the negotiation and get down into the muck and try to deal with it, because the reality is that if Korea does a deal with the Americans, and they have, and that will get ratified—despite all the political rhetoric that's going on around right now, it will get ratified—when that happens and we don't have a deal with Korea, Korea won't want to do a deal with us any more. They won't have to. They can deal with North America through the U.S., and we will see the 85% of our product that's exported to the States seriously affected by competition into the U.S. market from Korea, and it will have a very big negative impact on Canada.

So we have to keep it going. We have to triangulate what the Americans are doing with Korea with what we have to do with Korea, with what our industry has to do to evolve and continue to be globally competitive.

**The Vice-Chair (Mr. John Maloney):** Thank you, Mr. Minister.

Mr. Miller.

**Mr. Larry Miller:** Thank you, Mr. Chairman.

Mr. Minister, to you and all your staff, thanks for coming here today.

I'm interested in your opening remarks. You were talking about some of the future possibilities out there. I think you mentioned some countries like Iceland, Norway, and a few others. I wonder if you could enlarge there what the potential is in some of those countries.

Iceland is one that we kind of brush off, that we're only able to bring ice and snow from there, but I think we know that's not the case.

Could you talk about some of the value in some of these countries that are possibilities, the potential there, and specifically what commodities Canada may benefit from?

• (1720)

**Hon. David Emerson:** I outlined in my written remarks all the countries we are dealing with, so I won't go back into those. That's a trade negotiation agenda that will probably take two years even if we were extremely effective and successful in executing it. But those are all markets where we've gone through consultation with Canadian industry, and industry has identified those markets.

A good example would be some of the Central American markets, where the Americans have a free trade agreement with the Central American four, plus the Dominican Republic. Well, all of a sudden, Canadian companies that were selling into those markets are finding themselves at a competitive disadvantage because the American producers are now getting preferred access to the markets. Those are issues we're trying to deal with.

I didn't mention the gulf cooperation states. I was over to the Middle East, and members of this committee were over there recently. There are enormous opportunities in the gulf states. If you look at the United Arab Emirates, if you look at Kuwait, and to some degree Saudi Arabia, there are huge opportunities there, and there's a very positive view of Canada and Canadian companies there. It's not just the regulars that are always there—the Bombardiers and SNCs. You have Cirque du Soleil now as a permanent fixture in Dubai.

So you're getting cultural industries and just tremendous opportunities there to export high-end, high-quality Canadian services and goods, and educational opportunities for universities.

If you look around North Africa, there are other opportunities, potentially—Algeria, and Libya. Depending on the circumstances, there can be some real opportunities for Canadian agriculture, for example.

And Vietnam is a coming market. It has huge rates of growth, huge potential, and it's a market where Canada and other competitors have not gone in such a way that we would be starting from far behind. The opportunities are huge, and it covers a range of sectors.

Canadian agriculture and agrifood has massive global trade opportunities as we get into niche products and high-quality products—Atlantic seafood, western seafood, the same thing.

**Mr. Larry Miller:** I'd like to leave a bit of time for Mr. Cannan, but Mr. Gero never got a chance to comment earlier on the agriculture text at the WTO. If we could briefly hear something on that, I would appreciate it.

**Mr. John Gero (Assistant Deputy Minister, Trade Policy and Negotiations Branch, Department of Foreign Affairs and International Trade):** As you know, the agriculture text came out in July. Since then, in September, there have been intensive negotiations on agriculture. Our agriculture negotiator, Mr. Verheul, has been in Geneva basically for nine of the last twelve weeks, and he's there this week as well negotiating on behalf of our export interests and defending our own sensitivities.

Negotiations have gone quite well. In fact, part of the delay of the text, which we were hoping would come out before the end of this year, has been the fact that negotiations are very much engaged. There will be further negotiation sessions in January before our next reiteration of the text will emerge, as the minister's said.

**The Vice-Chair (Mr. John Maloney):** There's about half a minute left, Mr. Cannan. Thanks for waiting.

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

My thanks to you and your staff for attending, Minister.



Coming from British Columbia, I know you and Premier Campbell have discussed this Pacific gateway many times. I just want you to quickly elaborate a little bit more on the benefits. You said it's a billion dollars lost if we don't sign this agreement with South Korea, and if we do, there's a potential of five to 23 jobs. There's obviously a billion dollars' worth of economic input in all kinds of other sectors that will benefit, so can you maybe elaborate a little bit more?

**Hon. David Emerson:** What I said was that based on 2005 trade data, if we had a good trade agreement with Korea—and we don't yet have an agreement, so one has to make assumptions—there would be about a \$1.6-billion improvement to Canadian GDP. I said that the best analysis that we have done on the auto sector—I'm not talking about all the other sectors, but the auto one is the hot-button sector—suggests that the impact would be relatively small. Like I said, it's minimal. So that would be what we need to be focused on.

I also said that if the Americans go ahead with a Korea deal and we do not, over \$1 billion in damage to the Canadian economy could flow from that.

• (1725)

**The Vice-Chair (Mr. John Maloney):** Thank you, Mr. Emerson.

Mr. Bains.

**Hon. Navdeep Bains:** Thank you, Chair.

Again, just as a continuation of the discussion we were having earlier, Minister, at one point you were very bullish. You thought we were going to sign a deal. You actually thought it was a possibility that by the end of this year we'd sign a deal with South Korea. You seemed to indicate in your remarks that there has been a bit of change in direction with respect to a potential deal being signed with South Korea now.

What happened? Is it because of job loss scenarios? Is it the fact that you've projected a trade imbalance going forward with a potential free trade agreement?

My colleague Judy mentioned a lot of non-tariff barrier issues and the fact that if you look at all the OECD countries, only 4% of vehicles manufactured abroad are really sold in South Korea. There have to be issues around that. It's a very low number relative to other countries.

You also indicated that you're consulting certain sectors. You indicated that you were consulting the auto sector and are engaging them, for instance. But when I speak with them or other people speak with them, they tell us a very different story. They're very frustrated. They feel they're not being listened to. They feel their analysis isn't being incorporated properly. Yes, they might be listened to, but they're not generally heard and are not properly consulted.

So my question to you is, what happened? From your original viewpoint a few months ago to now, what changed? Is it like I said in terms of the job losses or the trade imbalance, the non-tariff barriers, the consultations with various sectors? Something happened. Could you maybe explain what that was?

**Hon. David Emerson:** There have been changes, but not the changes you have cited.

For one thing, the Korean trade minister has changed. Minister Kim, who was my counterpart when we began these negotiations, has gone on to other opportunities, so we've had that change. We also have Korea pursuing trade negotiations with the European Union and pursuing negotiations with, I believe, India.

I'm not sure the appetite of Korea today is as strong as it was six months to do a deal with Canada. To the degree that they believe they're going to get a deal with the United States without doing one with Canada, they're going to be less inclined to negotiate a favourable deal with us. What we're finding at the table is that when we think we're making progress, when we think we're getting the issues that are sensitive and important to us dealt with, it's not moving as quickly from the Korean side as we would like. We're therefore just going to take the time it requires to get it right.

It's very sensitive publicly, as you know.

**Hon. Navdeep Bains:** Absolutely.

You also mentioned that there's a potential agreement that will be ratified between the United States and South Korea, and you talk about the implications for our economy. We recognize—I think that needs to be qualified—that there are rules of origin that come into play under NAFTA. If South Korea is to sell cars through the United States to Canada, there are certain rules of origin content to it—62.5%, I think, or something to that effect.

There's an impression that one gets, and maybe you can clarify. When you say there's going to be an economic loss, are you implying that because of that free trade agreement, those vehicles now sold to the United States will somehow come to the Canadian market?

**Hon. David Emerson:** There are two factors at work. One is that if 85% of our cars are sold in the U.S., we're going to face stiffer competition selling those cars in the U.S. It has nothing to do with rules of origin; it's just that Korean cars are going to come in and are going to be cheaper than the ones we're selling.

The other one is the investment by Korean car companies in the United States market; their rule of origin will apply in terms of whether those cars produced in Georgia and Alabama will come duty-free into Canada.

**Hon. Navdeep Bains:** They sell, I believe, twenty vehicle lines. The proposals I've seen of the plants potentially from these manufacturers from Korea represent maybe three or four vehicle lines at approximately 200,000 to 300,000 vehicles sold in a year. That doesn't seem to be a substantial amount in terms of their being able to penetrate our market with vehicles that are manufactured in the United States so that they can somehow take advantage of the Canadian market.

•(1730)

**Hon. David Emerson:** All I'm saying is that if those vehicles produced in the United States meet the rules of origin threshold, and I believe they will, they will become competition in the Canadian marketplace. But that's only competition for the Canadian consumer.

Well, I shouldn't say that. It's competition for the Canadian consumer and it's competition for the cars we're trying to sell in the U.S. Add to this the Korean-produced cars that will be coming in duty-free and you get a fairly negative competitive impact on the Canadian industry.

**The Vice-Chair (Mr. John Maloney):** Thank you, Minister. We've come to the end of our time and now we're being summoned to the House for a vote. We appreciate your presence and we appreciate your frank response to all these questions.

Thank you very much. We look forward to seeing you again.

**Some hon. members:** Hear, hear.

**The Vice-Chair (Mr. John Maloney):** The meeting is adjourned.

---







**Published under the authority of the Speaker of the House of Commons**

**Publié en conformité de l'autorité du Président de la Chambre des communes**

**Also available on the Parliament of Canada Web Site at the following address:  
Aussi disponible sur le site Web du Parlement du Canada à l'adresse suivante :  
<http://www.parl.gc.ca>**

---

**The Speaker of the House hereby grants permission to reproduce this document, in whole or in part, for use in schools and for other purposes such as private study, research, criticism, review or newspaper summary. Any commercial or other use or reproduction of this publication requires the express prior written authorization of the Speaker of the House of Commons.**

**Le Président de la Chambre des communes accorde, par la présente, l'autorisation de reproduire la totalité ou une partie de ce document à des fins éducatives et à des fins d'étude privée, de recherche, de critique, de compte rendu ou en vue d'en préparer un résumé de journal. Toute reproduction de ce document à des fins commerciales ou autres nécessite l'obtention au préalable d'une autorisation écrite du Président.**