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—
Chair

Mr. Lee Richardson

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• (1535)

[English]

The Chair (Mr. Lee Richardson (Calgary Centre, CPC)): This is the ninth meeting of the Standing Committee on International Trade for this session of Parliament. I want to welcome our witnesses.

As per our usual procedure, we'll have opening statements. I'm going to ask you to keep them under ten minutes. We're going to be pretty tough with the first round of questioning. The House has adjourned, so we're technically adjourned here, the House having seen 5:30. That's a technical term for meaning we're all on overtime. We're probably going to do one round of questions following your presentations.

Hon. Navdeep Bains (Mississauga—Brampton South, Lib.): I guess I would agree with that, but if we need additional time based on the questions and the responses, I hope we can take up that opportunity.

The Chair: All right. I'm going to aim for 4:30 at this point. If you want to raise the matter at that time to extend, we'll vote on it. At this point we're going to conclude at 4:30, if that's okay with Mr. Stoffer.

Mr. Peter Stoffer (Sackville—Eastern Shore, NDP): If we had concluded yesterday it would have been better.

Voices: Oh, oh!

The Chair: We would have, had we not known that we would have the calibre of witnesses we have today.

I take it we have opening statements from four groups: the Canadian Manufacturers & Exporters, Jean-Michel Laurin; the Forest Products Association of Canada, Marta Morgan; the Réseau des ingénieurs du Québec, Etienne Couture; and the Shipbuilding Association of Canada, Peter Cairns.

I would like to start with Mr. Cairns from the Shipbuilding Association of Canada. Please present a brief opening statement.

Vice-Admiral (Retired) Peter Cairns (President, Shipbuilding Association of Canada): Thank you, sir.

Good afternoon, ladies and gentlemen. Thank you very much for giving me the opportunity to speak with you today about the proposed Canada-Korea free trade agreement.

My remarks are based on the assumption that free trade must also be fair trade. This is a key issue for shipbuilders, because up until now we have seen little evidence of that in our sector.

What do shipbuilders do? It's not my intention to talk down to you, but I find that few Canadians realize the depth and breadth of the industry. Not only do we build, convert, and repair ships, but we also build and fabricate components for Canada's offshore oil and gas industry. Canada's shipbuilding industry played a strong role in the Hibernia, Terra Nova, and White Rose projects off our Atlantic coast.

Major companies such as Lockheed Martin, General Dynamics, L-3, Thales Canada, and SNC-Lavalin, to name a few, all have divisions that provide sophisticated equipment for ships, and some are members of the Shipbuilding Association.

Shipbuilding has been cited by some as a smokestack industry. It's not true. The data information systems, computers, and component integration in a Canadian patrol frigate far exceed that of an automobile, an aircraft, or the space shuttle, for that matter.

The North American Free Trade Agreement, NAFTA, was very successful for Canada. U.S. markets were opened up to Canadian companies, and on balance, many Canadians have prospered. But the shipbuilding sector was left out of NAFTA, thus denying us access to our largest and most natural market. Why? The U.S. considers ships, shipping, and shipbuilding essential to the defence and security of their nation. They do not bargain that away. In their just-completed negotiations with Korea, I can find no evidence that U.S. shipbuilding was included in any way.

It is interesting that the success or failure of the negotiations with the European Free Trade Association, EFTA, hinged on an agreement on shipbuilding. Norway, the only shipbuilding nation in EFTA, was adamant about this. Why? They wanted free access to our offshore oil and gas market and the potential finds that analysts say rest in our Arctic.

South Korea is the largest shipbuilding nation in the world. They achieved that position because they had a national strategy to do so. In their fourth five-year plan from 1977 to 1981, they made heavy industry, and particularly shipbuilding, a priority. By their sixth five-year plan, shipbuilding had grown by 51%.

In the early 1990s, Korea expanded its capacity threefold and was one of the prime contributors to the excess capacity that plagued the global industry during the 1990s. In order to use this capacity, they cut prices by 30% and, by so doing, increased their market share to 70%.

It is generally accepted that Korea used International Monetary Fund money to bail out its shipbuilding industry during the Asian monetary crisis in 1996. There is no doubt that Korea has achieved its dominant position in shipbuilding through generous government subsidization and support.

The problem we find ourselves with is, can we or how do we compete in a free trade environment? A comparison of government involvement in the case of Korea—and Norway, for that matter—as opposed to us, is stark indeed. The result is that we are not entering into this situation with anything like a level playing field.

Let me emphasize that we have not been sitting around wringing our hands about the issue. When Minister Emerson wore a different coloured tie and was Minister of Industry, we presented him with a proposed transformation strategy for a duty-free environment.

Unfortunately, before any action could be taken, the government changed. We presented a similar but less complicated version to Minister Bernier. In June of this year, out of the blue and without consultation, Minister MacKay reaffirmed the buy-Canada policy and that the structured financing facility would be introduced for three years but with minimum funding—that's from our point of view.

In terms of size, shipbuilding in Canada is a small industry. Direct employees number about 5,000, but much of what we do is outsourced. If those tradespeople could be counted against the shipbuilding industry, our numbers would approach about 20,000 people, direct employees.

• (1540)

One bright spot is that the forecast for government work over the next 20 years is good, and we need to capture this work. The downside is that the government has not established a reputation as a reliable customer.

Nevertheless, we are worried about the future. We have excellent technicians, good shipyards, but we have never enjoyed the benefits that have made countries like Korea world leaders. We will be starting from a position of distinct inferiority. Our negotiators understand, but they can only defer certain actions in accordance with agreed phase-out periods.

Economists would say that we should let market forces prevail, that there will be winners and losers, but overall, free trade will positively affect the GNP. Consumers will benefit and jobs will be lost but will be replaced by other jobs. That is yet to be proven. And economists are not on the front line. The jobs that will be lost will be manufacturing jobs, and the highly technical skills that go with them. Already we are seeing these jobs disappearing to the Asia Pacific. In my view it is only a matter of time before the high-tech jobs disappear too. Add to this the fact that the gap between rich and poor is widening daily.

What needs to be seriously considered in Canada's free trade policy is a manufacturing industry strategy. No one has been able to tell me how he or she envisages the future of the shipbuilding industry after free trade. There is no strategy. From where I sit, free trade with NAFTA, EFTA, Korea, and Singapore will provide few, if any, benefits to Canada's shipbuilding industry.

More and more learned people are speculating that the Northwest Passage will be ice free sooner rather than later. While aircraft and satellites will play a role in maintaining our sovereignty in this region, the bulk of the work will fall to the navy and coast guard ships. For the most part, these ships will need to be built and maintained in Canada by Canadians. The shipbuilding industry is a support arm for the navy and the coast guard. Shipbuilding is part of the team that defends Canada's maritime frontiers.

I will close with a quote from Joseph Stiglitz, a member of the council of economic advisers to former President Bill Clinton and subsequently chief economist and vice-president of the World Bank. He stated, "Most of the advanced industrial communities—including the United States and Japan—had built up their economies by wisely and selectively protecting some of their industries until they were strong enough to compete with foreign companies." Canada might want to consider this same strategy.

Thank you.

The Chair: Thank you.

Let's just move down the line to Monsieur Laurin, from the Canadian Manufacturers & Exporters.

Mr. Jean Michel Laurin (Vice-President, Research and Public Affairs - Quebec Division, Canadian Manufacturers & Exporters): *Merci beaucoup. Bonne après midi.*

I'm here this afternoon to represent Canadian Manufacturers & Exporters. We're Canada's leading trade and industry association. I'll talk a little about the state of manufacturing and exporting right now in Canada, and then I'll talk about some of the challenges, opportunities, and priorities as they relate to this free trade agreement that's being negotiated with Korea.

The sector we represent is quite significant in Canada, as 16% of Canada's GDP relies on manufacturing and 21% relies on exports. It's the most significant economic sector in Canada. What's also important about manufacturing is that every dollar of output generates \$3.05 in total economic activity. You tend to see that when there's a plant closure in a small remote community. Usually that community faces serious economic hardship.

We're a sector that does business in pretty much every country in the world, exporting our products to nearly 200 countries. We account for approximately two-thirds of Canada's goods and services exports. So trade policy is definitely an issue that matters to our members.

As you are well aware, manufacturing and exporting companies in Canada are facing tremendous pressures right now trying to adapt to the high value of the Canadian dollar. The dollar is currently trading at about 99¢ U.S. That's a 60% appreciation in about five years. Just from the beginning of the year we're talking about a 16% increase. That's propelled by a number of factors that are included in my presentation.

You have to understand that right now it's very difficult for manufacturers to make any profit. On the one hand they're faced with this rapid appreciation of the dollar, and it's very hard for them to increase their prices because of competition. In fact, if you look at the statistics, export prices have increased by only 4% over the past five years. So basically manufacturers have taken a hit with the increase in the dollar. For example, if they sold a product to the U.S. that was worth \$100 U.S. five years ago, they made \$160 Canadian. Now they're making \$99. So that's a huge hit, and most of it has been felt by manufacturers.

On the other hand, there's what we call the cost squeeze. The cost of inputs, whether it's raw materials, inputs, or energy, has increased quite significantly over the past few years. We're seeing a lot of companies cutting costs to try to remain in business. That's why you have seen about 300,000 jobs cut in manufacturing in Canada over the past five years.

If we go to the trade agreement being negotiated with Korea, there are some challenges that we've identified specifically. First, you have to understand that manufacturers' current priority is to deal with the high dollar, and they're doing that by controlling costs. That's why you've seen a lot of layoffs. It's one of the reasons, but they're also trying to improve productivity within their plants in order to maintain market share, both here in Canada and in their main export market, which is the United States.

If you talk to manufacturers, they'll say that future growth depends on their ability to invest in plant modernization, employees and upgrading their skills, innovation, and product and market development. That's what they need to do to be successful in the long run, but it's very difficult right now because profit margins are very thin.

I have included some data in the presentation. It was taken from our latest management survey that was issued last October. It shows some of the current challenges and determinants of growth that manufacturers have identified.

One of the issues we have with the trade agreement that's currently being negotiated is timing. The Canadian industry is going through a perfect storm right now. They're already facing increased competition in Canada and the U.S. There are some concerns that this trade deal would lead to even more competition domestically and in our main export market, which is the United States.

On the other hand, there are some potential benefits from this trade agreement if we really get better market access for Canadian exporters into Korea. There are issues associated with that, but many exporters will tell you that it's not a market they're even considering, because of the reputation it has of being closed and protected. Second, a lot of companies are just not looking at expanding in that part of the world right now.

● (1545)

We at CME are very supportive of trade agreements if they offer effective access into foreign markets, and that includes the removal of non-tariff barriers, which is a major issue when you're talking about the Korean market.

Now, if we turn to some of the opportunities that we've identified with this trade agreement, I think there are three main opportunities for us. The first one is for those companies that are already present in the South Korean market. This trade agreement is very important for them in light of the fact that the United States has been negotiating and has signed a deal with Korea. It hasn't been ratified yet, but if it does get ratified, they're worried they'll be priced out of the South Korean market. So they say it's important for Canada to follow suit and come forward with an agreement.

A second opportunity with the trade agreement is that exporters are looking to expand in more export markets. There was a big focus on the United States for the past 15 or 20 years. I think a lot of companies are looking to expand outside North America. If you look at the statistics, our share of exports going to the U.S. has declined from 87% to 81% over the past five years. So that's a good indication that a lot of companies are going global. In our survey, 8% of those companies surveyed said that Korea has a future growth potential for their company. So it is a market that some companies are interested in.

I think the third opportunity that it offers us is that there are some, albeit limited, global sourcing opportunities for companies that are looking to import some parts, some inputs from a lower-cost country.

In conclusion, I think the key priority for us as these trade negotiations are being conducted is the importance of addressing non-tariff barriers. We've consulted our members over the past couple of years to identify these non-tariff barriers, and we've communicated these non-tariff barriers to the government to assist them in their negotiations. It's important to say that they're very nervous.

For some sectors, tariff reductions are on the agenda, especially for raw materials or food products, for example; but for most other economic sectors, if we really want to provide them with effective access into the Korean market, there's a whole series of non-tariff barriers that must be addressed. I've listed some of the categories in the presentation I've given you, dealing with standards, testing, and customs procedures. I know some of the previous witnesses at the committee mentioned, or gave you some indication, what types of hurdles or what types of barriers they're facing in their own economic sectors when they try to do business in Korea.

I'll be glad to pass on the information that we have to your committee if you deem that it will be helpful for your proceedings, but I think it's important to conclude by saying that dealing with non-tariff barriers is the number one priority as we're talking about these free trade negotiations. We at CME certainly hope that those will be addressed.

Thank you.

• (1550)

The Chair: Thank you.

We're doing well for time. I appreciate it.

Now from Réseau des ingénieurs du Québec, we will have Monsieur Couture.

[*Translation*]

Mr. Etienne Couture (President, Réseau des ingénieurs du Québec): Good morning Mr. Chairman, ladies and gentlemen.

We are happy to be here today to present the views of the Réseau des ingénieurs du Québec on the proposed Canada-South Korea Free Trade Agreement. We thank you for this invitation.

First of all, allow me to say a few brief words about the Réseau des ingénieurs du Québec. It is a non-profit organization representing 50,000 engineers in Quebec who work in all fields of engineering. The organization's mission is to serve its members' common interests, and to that end, our organization promotes the interests of engineers and engineering students and provides them with career-related services as well as commercial advantages.

As regards public affairs, the Réseau des ingénieurs du Québec is very interested in the pressures of globalization and their impact. We have conducted two very important studies in this area, relating specifically to engineers' work. Our presentation to you today on the possibility of a Canada-South Korea free trade agreement is based on the conclusions and guideposts from these studies.

By way of background, our organization released a previously unpublished study on the relocation of engineering jobs in Quebec in November 2006. Recently, the Réseau des ingénieurs du Québec has released a second study dealing with the future of the Quebec industrial sector, and we would be pleased to discuss it with you at another time.

The Réseau des ingénieurs du Québec agrees with the principle of signing free trade agreements. Engineers believe that Canada and Quebec have more to gain than to lose from globalization. That goes without saying, provided that openness is balanced, in other words, provided that efforts to develop our economy are consistent with efforts to make our companies more competitive. Moreover—and this is what our studies show—if we cannot escape a more globalized economy, then we must attempt to get as much as we can out of it.

Having said that, engineers are practical people who, when doing their jobs, must know where they are going in order to achieve the desired results. That is precisely why we are proposing, among other things, the implementation of a strong and consistent industrial policy in Quebec, with specific objectives, so that the industrial sector can adapt more quickly to the crisis we are currently facing.

As regards the proposed Canada-South Korea free trade agreement, engineers are asking themselves why Canada would want to sign an agreement with this country, at this time. Apart from the principle that market openness through freer trade is beneficial for the economies involved, what is the federal government's overall

action plan for increasing foreign market openness for our companies, and is it consistent?

Part of the answer lies in the government's economic plan entitled Advantage Canada. A key component of that plan is the Global Commerce Strategy, and in reading it, we can see that the strategy aims to wrap up free trade negotiations that are currently underway, as well as to conclude regional bilateral trade agreements, ideally with our NAFTA partners.

Last June, Canada signed a free trade agreement with the members of the European Free Trade Association: Iceland, Liechtenstein, Norway and Sweden. It was the first free trade agreement Canada has signed in six years. Canada has also launched negotiations to liberalize trade with Columbia, Peru, and the Dominican Republic. It is undertaking or pursuing similar discussions with Central American countries including El Salvador, Guatemala, Honduras, and Nicaragua, as well as with Caricom countries. Canada hopes to conclude free trade agreements with South Korea and Singapore; it is negotiating investment protection agreements with China and India; and it had begun negotiations along the same lines with Vietnam and Indonesia.

In short, given these facts, the Réseau des ingénieurs du Québec concludes that the government's global vision for opening markets for Canadian companies is to pursue what is already underway and continue to pursue freer trade relations with interested countries, ideally on our continent. Although engineers feel that is a good idea, it is not enough. In our view, it is important to place greater priority on countries or regions where Canada should undertake or pursue free trade agreements, with a view to helping our companies adapt to the current economic context. Might I remind you that over the past five years, one out of every five jobs lost in Quebec has been in the manufacturing sector.

• (1555)

Furthermore, upon completing our study on the future of the industrial sector, the Réseau des ingénieurs du Québec identified two priorities for expanding trade for our companies.

The first involves facilitating trade in Canada, to increase market access for companies in this sector. Too many interprovincial barriers remain today.

Secondly, the Réseau des ingénieurs du Québec believes that Canada should make it a priority to actively pursue negotiations to establish a free trade agreement with the European Union. We fully agree with Premier Charest's request for and action toward achieving such an agreement. The European market is one of the largest and richest in the world. Demand for foreign products is high, and an agreement could lead to a yearly increase in Canadian exports of some \$2.4 billion. Moreover, such an agreement could develop high level jobs and better enable our companies to compete in emerging markets. But there again, payroll taxes, environmental costs and wages in the European Union are similar to what they are here.

As we have seen in the past, our companies can compete with others when on a level playing field. To avoid unfair competition, the Réseau des ingénieurs du Québec recommends that the federal government not liberalize trade with countries that gain an undue economic advantage by failing to respect the environment, human rights, workers' rights—including exploiting child labour—freedom of association, intellectual property and the fight against counterfeit goods.

South Korea is considered the 11th economic power of the world and is no longer associated with developing nations, but with developed ones. What's more, in terms of respect for human and other rights, we cannot accuse it of not respecting basic standards. However, the question remains: Why should Canada still go ahead with a free trade agreement with this country?

On April 2, 2007, the United States and Korea signed a free trade agreement which was the most significant one for the United States since NAFTA. Canada has a free trade agreement with the United States, our largest trading partner. Logic would have it that Canada should proceed with a free trade agreement with South Korea. Canada is currently trailing the United States. If nothing is done, that will eventually give American companies a major economic advantage over Canadian ones in the Korean market. However, this situation is putting considerable pressure on Canadian negotiators, because if Canada were to sign a free trade agreement with South Korea, it would have to be at least as good as the one signed by the United States and Korea.

Economically speaking, several questions linger as to whether Canada should sign a free trade agreement with South Korea. The key is whether such a free trade agreement is in our interest, namely in the interest of the industrial sector. According to Statistics Canada, between 1994 and 2003, Canada had a negative trade balance with South Korea. In proportion to the total value of trade in goods with South Korea, the trade deficit went from 6% in 1994 to 46% in 2003, and the gap continues to widen. It increased by 68% between 1998 and 2006, when it hit \$2.5 billion. Even with trade entry barriers, Korean products easily enter the Canadian market. At the same time, however, our products are having difficulty entering the Korean market.

Opening markets at this point would logically lead to an increase in Korean imports. The majority of products shipped to Canada by South Korean companies are high value-added ones like cars, televisions, VCRs, household appliances and semi-conductors. We purchase their highly manufactured products; whereas for the most part, the Koreans buy wood pulp, coal and aluminum from us. These are raw or virtually raw materials with much less value added. We are already losing in the exchange in terms of quality, as we sell less, and in terms of value added, as we sell fewer value-added goods.

• (1600)

That raises important questions. Why are our companies selling less in Korea than the Korean companies are selling here? Why are we not selling higher value-added products? We must change this situation and work with our companies so that they are more present in Korea and elsewhere in the world. To do that, we must increase support for our companies.

Among other things, we must increase the number of exporters, as well as the quality, value, diversity and frequency of their exports. That will require a general increase in productivity in our factories. Our companies also need a common vision for development that includes a consistent and strong industrial policy, the extension of which could ripple through our international trade.

Concluding a free trade agreement with South Korea does not, however, mean that Canada will be able to rest on its laurels. On the contrary, it will have to keep an eye on its Korean partner. At present, Korea does not have a good reputation in terms of openness to foreign products and free trade. If it does not want trade to be a one-way street, from Korea to Canada, Canada will have to ensure that Korea changes its current behaviour.

The 2007 Index of Economic Freedom ranks South Korea 89th in terms of free trade, behind countries like Kenya, Mongolia and Burma. The report makes the following statement about free trade in South Korea:

[English]

South Korea's weighted average tariff rate was 7.9 percent in 2005. Prohibitive tariffs, non-transparent and restrictive regulations and standards, import restrictions, import taxes, weak enforcement of intellectual property rights, export subsidies, and services market access barriers add to the cost of trade.

[Translation]

Weak enforcement for intellectual property affects us as engineers, as we are at the heart of developing innovative ideas.

Moreover, comparatively speaking, Canada ranks fifth in free trade out of 157 countries surveyed by the index. Having a free trade agreement that eliminates tariffs is fine and well, but if non-tariff barriers remain, and Korea does not adhere to the spirit of free trade, companies here will not benefit from it.

In conclusion, the Réseau des ingénieurs du Québec is neither opposed to the idea of a free trade area, nor opposed to a free trade agreement with South Korea. However, Quebec engineers believe that a free trade agreement with South Korea should meet certain conditions, including: that it be part of a more specific vision for Canada in terms of liberalizing trade internationally; that it be as advantageous as or more advantageous than the free trade agreement signed by Korea and the United States; that it include commitments from Korea to eliminate trade barriers to ensure that the spirit and letter of the agreement are respected; and that it be accompanied by a formal commitment by the government to provide more support for Canadian companies, particularly ones in the industrial sector, so that they can develop greater international market presence.

Thank you, Mr. Chairman

•(1605)

[English]

The Chair: Thank you, Mr. Couture.

Now we will hear from the Forest Products Association of Canada, Marta Morgan.

Ms. Marta Morgan (Vice President, Trade and Competitiveness, Forest Products Association of Canada): Thank you, Mr. Chair.

Thank you for inviting me here to testify today and for giving me the last word among your panellists today.

By way of introduction, the Forest Products Association of Canada is the voice of the forest products industry nationally and internationally.

[Translation]

Our members operate pulp and paper and forest product companies in all provinces of Canada.

[English]

I'd like to make three points today.

First, the forest products industry is one of Canada's most successful export industries, and we believe, in general, in the value for Canada of both multilateral and bilateral trade liberalization. Second, the Korean market, in our view, has upside potential for the forest products industry. Finally, a free trade agreement between Canada and Korea has the potential to offer significant benefits to this industry over time.

Let me take each of these points in turn.

First of all, as a large exporter, we see the benefits of bilateral and multilateral trade liberalization every day. The forest industry exports about \$38 billion in products a year. We are not only one of Canada's largest exporters; we are far and away the largest exporter of forest products globally. Just by way of comparison, the next largest exporter of forest products is the United States, and we export almost twice as much in any given year as our American competitors.

We're also the largest Canadian exporter to Korea as well as to other non-U.S. markets, such as India, China, and Japan. As a major player in Canada's trading relationships, we have a broad perspective and a great interest in trade issues.

We believe that as a small export-dependent nation, it's in Canada's interest to pursue trade liberalization. Over time, bilateral and multilateral trade agreements have played a significant role in expanding and protecting market access for Canadian products. Tariff reduction, trade rules, and dispute resolution mechanisms are essential components of the fabric of international trade relations.

We have strongly supported the government's efforts to promote global free trade through the Doha Round discussions of the WTO, and we have taken leadership globally within the forest products industry to aggressively pursue a sectoral agreement to reduce trade barriers for forest products worldwide. But given the uncertainties of the Doha Round and the speed at which other countries are conducting bilateral agreements, we believe that bilateral agree-

ments, such as the agreement the Government of Canada is pursuing with Korea, are critical supplements to multilateral trade talks.

My second point is that we believe the Korean market has promise for the Canadian industry. In 2006, we shipped about \$500 million in forest products to Korea. This was a 13% increase over the previous year, and exports are already up another 12% in the first nine months of 2007.

The majority of our current shipments are pulp, but where we see the greatest growth potential in Korea is on the solid wood side. Shipments of solid wood products to Korea have increased by 36% since 2005-06. The reason for this is that Korea has a long culture of building with wood, and our experience in market development in Japan, China, and Korea has taught us that this is a key factor in driving market potential for Canadian products.

The industry is working hard in Korea, supported by the Canada wood program and by provincial governments, to develop this market. We have developed partnerships with Korean wood-producing organizations—the Korea Wood Building Design Association and the Korea Log Builders Association—to address issues such as worker training and co-development.

Another factor that makes us believe that in the medium term this market has solid potential for Canadian wood products is that Korea has recently issued a national economic plan in which they've signalled their intention to move from their current housing situation, in which about 75% of their available housing stock is in high-rise buildings, towards a housing market in which they would have about 50% of their housing in high-rises and 50% in low-rise multi-residential buildings. These are precisely the sorts of buildings that lend themselves to construction with wood.

My final point is that we believe that the Canada-Korea FTA could have a number of benefits for our industry in pursuing further trade with Korea.

•(1610)

First of all, on the tariff side, tariffs on Canadian wood products going into Korea are currently between 5% and 8%. For these products, which we're already shipping from a distance, this can be an important price disadvantage. As our major competitors, such as the U.S. and Chile, negotiate free trade agreements with Korea, it's essential that we have parity with them.

Second, on the non-tariff barrier side, Korea, as do most countries, has its own building codes and standards. If we want to supply their market, we will need to meet these standards. We can substantially reduce the cost of meeting these standards if we can have mutual recognition of test results, for example, for acoustical and fire standards between Korean and Canadian test facilities. This is an area where the Government of Canada has been working closely with the industry to develop a proposed approach to have mutual recognition of test results as part of an eventual Korea-Canada free trade agreement.

Finally, subsidies. We have had concerns in the past with subsidization through the banking system of new capacity, particularly going into the coated free sheet paper industry in Korea. As we operate in global markets, subsidized capacity depresses markets and prices for all participants. Strengthened measures to constrain capacity subsidization would certainly be a welcome feature of a Canada-Korea FTA from our perspective.

In conclusion, there are three points. As a major trader in a small country, we believe that strong trade rules, both bilateral and multilateral, are essential to Canada's continued economic prosperity. We see strong growth potential in the Korean market, and we believe that a Canada-Korea FTA could deliver results for the forest products industry by reducing tariffs, addressing NTBs, and constraining subsidies.

Thank you very much.

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

That concludes the presentations, and I thank you all. They're very helpful. We'll commence with our questions.

Mr. Bains.

Hon. Navdeep Bains: Thank you very much for coming out. Today's the last day we'll be here. I'm glad it worked out that we had an opportunity to hear what you had to say, and also have an opportunity to ask questions.

We all agree, and I think there's recognition in this committee, that we want to promote free trade but also want to make sure it's fair trade. We also recognize the importance of the manufacturing sector and its role in the Canadian economy, and the impact it has on certain sectors that are going through some very difficult times right now. Based on that, we've decided to undertake this study with South Korea.

My first question to all of you is, have any of you been consulted or asked for submissions, or been asked to provide your input by the negotiating team or by the government that's currently pursuing the free trade agreement with South Korea?

Ms. Marta Morgan: We've been regularly consulted by the federal negotiators on the Canada-Korea free trade agreement as it's gone along.

VAdm Peter Cairns: So have we, actually, in shipbuilding. We've been well represented by our negotiators, actually. I think the problem is that we just have a very big gap to bridge.

Hon. Navdeep Bains: I'm glad that some have been consulted. I think that is a step in the right direction.

The major issue, and all of you have alluded to it in some respect and have expressed concern, is around market access. That seems to be the fundamental issue with this potential free trade agreement. That seems to be the key issue.

Mr. Laurin, you mentioned that you had many members who have had experiences where they've faced non-tariff barrier issues. You said you could provide a more detailed list, because the one you provide in your package is high level...some of the concerns you addressed.

It would be appreciated if you could comment on it, and if you could also provide a detailed list of specific examples of companies or examples of businesses that have encountered non-tariff barriers or other obstacles in terms of being able to access the Korean market. It gives us a better understanding of some of the experiences that companies are going through.

Could you share, and talk about some of those experiences the members have expressed?

• (1615)

Mr. Jean Michel Laurin: Just to go on the record, we have been consulted, early on and throughout. I think communication with the Department of Foreign Affairs and International Trade has not been a problem on this issue. I think, in terms of some of the non-tariff barriers, it's a long list so I didn't want to—

Hon. Navdeep Bains: I appreciate that, but perhaps you could submit it to the chair.

Mr. Jean Michel Laurin: I'm very happy to share the list with members of the committee.

In terms of some of the issues you're facing, some of them are import clearance procedures, for example, where some food producers have said they're encountering four to five times longer delays dealing with Korea than they are with other comparable Asian countries. There are internationally recognized standards when you try to export food products. So they're saying this is one type of non-tariff barrier they're facing.

Another issue is having science-based testing criteria. That's for food products, but other types of products as well. It's an ongoing issue for many different sectors. Sometimes you're dealing with labelling requirements that change, and the process is not transparent.

Hon. Navdeep Bains: Is this strictly for Canadian companies or is this, in your experience or from what you've heard, applicable to other countries as well?

Mr. Jean Michel Laurin: I can't tell, but I suspect it's not only for Canadian companies.

Hon. Navdeep Bains: You made a comment that you felt it was a very protectionist regime, or protectionist environment, so that's why I'm asking you if it's strictly directed at Canadians, or—

Mr. Jean Michel Laurin: Also, if you look at Korea's economic history, it's developed its own industry around national champions, its *chaebols*, large conglomerates.

Hon. Navdeep Bains: Shipbuilding being one, as mentioned.

Mr. Jean Michel Laurin: They have very close relationships with their suppliers. It's very hard to penetrate that. It's always been very hard to penetrate that. It's more or less the same thing in Japan with the *keiretsu*. It's a market structure dynamic. It's very hard to penetrate these markets just because of the structure. When you try to enter that market, there are government regulations in place that make it hard to penetrate.

As I said, I'll be very happy to share the list.

There are also some issues dealing with export subsidies. Some members have been saying that Korea's import-export bank has been subsidizing some of the industry with non-bank guarantees and other types of financial instruments. And there is a whole list of other issues relating, for example, to intellectual property, and our friends at the Réseau des ingénieurs du Québec have outlined some of them.

Hon. Navdeep Bains: Many of you have indicated that you have been consulted and you've had the opportunity to provide your input. Have you had an opportunity to look at the economic analysis done by the department and their recent environmental and economic assessments?

And if you have had an opportunity to look at those, do you agree with the analysis that's been done—the numbers, for example—by Industry Canada? I think the number given on job losses was that if this potential free trade agreement were to be negotiated and completed, there would only be between the range of five to 32 jobs lost, something along those lines.

Mr. Jean Michel Laurin: Quite frankly, I find it a little hard to assess. I'm not saying we can't try doing it. I think probably the big problem in trying to assess the impact of that trade agreement is that it's very hard to assess what type of improved market access we'll have into Korea, because we're talking about non-tariff barriers. If you're talking about tariff barriers, you can pretty much fit them into an equation and just do an economic model and figure it out. But you're talking about non-tariff barriers, so it all depends on what type of improved access we really gain.

Some of our members are saying they'd like to see some improvement in that regard before we actually give away some tariff reductions.

Hon. Navdeep Bains: Would you be in favour of an initial snap-back tariff to ease some of those concerns? For example, if we were to reduce tariffs and sign a free trade agreement, but if we feel they still continue with these practices of non-tariff barriers, we would have some mechanism in place that could automatically reintroduce a tariff to prevent that behaviour.

Mr. Jean Michel Laurin: I think it's important to ensure that trade—and you said it in your comment—is free but fair as well. And dispute settlement mechanisms.... It's quite important to have something that's efficient and effective in dealing with some of these issues.

There have been precedents before. For example, when China joined the WTO, there were measures put in place because it's a different type of economy.

I think that in dealing with Korea it's not the type of country we're used to signing free trade agreements with, so there should be some measures in place, not to protect the market, but just because you're dealing with—

• (1620)

Hon. Navdeep Bains: Market access.

Mr. Jean Michel Laurin: Exactly, for market access, because I think everyone says it, that reducing tariff barriers is really the big issue.

And to come back to your initial question on whether we have had a chance to look at the economic impact assessment, we have. In terms of the impact on Canada, again, we didn't do our own study. I think we would come to different conclusions. I know, for example, the car manufacturers have done their own study and they came to quite radically different conclusions from the government's own studies. And actually, government has done more than one study looking at the issue, and these don't necessarily all come to the same conclusion.

I'm putting myself in your shoes. It's really hard to assess the overall impact of this trade deal. And again, it's hard to assess it because we have different, conflicting reports that have been issued. But on the other hand, it's hard to assess what type of.... We'll have to see the deal before we can actually see if it's a benefit or a cost for the Canadian economy.

Hon. Navdeep Bains: Okay. Thank you very much.

The Chair: Thank you, Mr. Bains.

Monsieur André.

[Translation]

Mr. Guy André (Berthier—Maskinongé, BQ): Good afternoon. Thank you for sharing with us some of your knowledge on the various issues related to the bilateral agreement between Canada and Korea.

As you know, we met with union representatives from the automobile sector. They are naturally against this agreement and you made mention of this fact. They did a rather exhaustive assessment and concluded that many jobs would be lost as a result of this agreement between Canada and Korea.

The industry leaders, particularly the Forest Products Association of Canada, contend that this agreement will create jobs and more advantageous trade conditions. The manufacturing association does have some reservations, of course. Indeed, as you said, the manufacturing sector has lost 135,000 jobs in Quebec alone. Rather than lose even more jobs, it would like to create some new ones. At the moment, this would not appear to be the likely outcome of the Canada-South Korea agreement.

My question will be brief. After that, I will ask my colleague to ask a supplementary question.

During a meeting, Minister Emerson told us that it was impossible at this time to assess bilateral trade on the basis of a trade balance surplus or deficit. That is not what is important. At least that's what he said. Having a trade surplus or deficit does not constitute a significant criterion.

I would like to hear your opinion on the matter. When assessing bilateral trade with a country, is this a factor that we should consider?

Furthermore, what other criteria should we consider when deciding whether or not to trade with a country?

Mr. Etienne Couture: As far as the trade balance is concerned, this is one issue to consider among many. I do not think that we can summarily dismiss it.

However, and this was something our colleague pointed out earlier, since we are running into non-tariff barriers, this liberalization will have a greater impact on us because these non-tariff barriers will be operating in reverse.

It's not only about volume. At the same time, this liberalization will have an impact that we cannot ignore.

Mr. Guy André: The issue of the trade balance is significant.

Mr. Jean Michel Laurin: If I may, I would like to add something.

We need to view the trade balance of Canada or of Quebec in its entirety. Overall, we want to export more than we import. In Canada especially, since we have a small economy, we need to trade with the rest of the world in order to maintain our standard of living. I am convinced that we need to intensify international trade if our nation wants to remain prosperous.

However, when it comes to individual countries, we need to understand what type of trade is involved. Overall, you need to export more than you import. Unfortunately, I believe that Quebec, for the past four years, has been importing more than it exports.

In Canada, we still have a positive trade balance, but it is shrinking year after year. There are nevertheless some business opportunities with respect to certain countries. For example, are we importing components or raw materials to which we add value, which enables us to export products to the United States, Europe or elsewhere in the world? This is the type of trade where we can run up a trade deficit with one country because it enables us to conduct even more significant trade with another country.

This is how we have to analyze or examine the issue.

• (1625)

Ms. Marta Morgan: I would simply like to add one more thing.

It is very important that agreements also include a process for resolving problems or disputes. Non-tariff barriers are often the most difficult barriers to overcome and they can crop up at any time.

When a barrier occurs, if there is no dispute resolution mechanism in place, if there is no free trade agreement or political support at the highest level of the two countries in order to resolve the issue, we can very quickly find ourselves in a situation where we have no access to a market, without any way of rectifying the situation.

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

Since we have very little time, I will be brief. This type of trade with other countries poses problems because Quebec and Canada are exporters of raw materials. We have a lot of raw materials and we export them.

Do you not think that it would be preferable to process the raw goods here so that we can export processed products rather than shipping the raw goods somewhere else and buying them back as finished products here?

In my opinion, there is a disconnect here. I would like to ask Mr. Couture and the other witnesses what they think about this matter.

Mr. Etienne Couture: Certainly. Indeed, we are well aware of this situation. Clearly, this represents greater value. This should even be one of our priorities, namely, to always ensure that our exported products have as much value added as possible. Updating these products will lead to more innovation. Given the way in which the future is unfolding, we will have no other option but to do this. As for our products here, it is essential that the raw goods be processed here, if we want to maintain some commercial success, with or without a free trade agreement.

However, with respect to innovation, in the case of a country such as South Korea, which we are discussing here, it is clear that the products it ships to us have a higher value added because of the cheaper labour force and so on and so forth. This situation exists in many countries. It is, therefore, crucial that we promote value-added products here, and this is what we are asking. Indeed, we are asking the government for a formal commitment to provide more support to Canadian businesses, because this is a job that needs to be done. We cannot hide our head in the sand by saying that the companies will die; at any rate, some of these companies will die. That being said, support must be provided during the transition process.

[English]

Ms. Marta Morgan: *Est-ce que je peux répondre?*

We hear this a lot, that we should be exporting and we should be producing value-added as opposed to non-value-added. I think it's a bit of a dead end, in a way. For example, if you look at the forest products industry, it's one of the most capital-intensive industries in the country. It's one of the most productive industries in the country, and it's one of the industries that pay the highest wages in the country. So what's that telling us? It's telling us that while what we are exporting is primary products, we are the best in the world at doing it.

I think that is probably the critical factor. Where are our comparative advantages, and where will those comparative advantages be in the future? I don't think it's a trade-off between value-added or not value-added. It may be a mixture of both, but it's not really on a continuum from positive to negative or negative to positive. We can see right now the value that natural resources are bringing to our economy in terms of investment, ancillary industries, high productivity, high-wage employment. I think we have to build on that as well as building on our value-added sectors.

The Chair: I'll allow you a brief response. We are over time, but go ahead.

[Translation]

Mr. Jean Michel Laurin: Mr. Chairman, I would just like to answer the question quickly.

First of all, two-thirds of Canada's exports are manufactured goods. So we are already adding a lot of value to the natural resources. The natural resources sector does nevertheless play an important role. Many of the manufacturing industries are in fact located here, in Canada, because of our access to these natural resources. We cannot prevent these companies from exporting their products internationally when they are competitive.

Essentially, we have to ensure that we are competitive here, in Canada or in Quebec, to attract investment and ensure that the natural resources or products are processed here. That is indeed the preferable approach. Nevertheless, the Canadian market often looks small, as was said earlier, compared to the international market in which we operate. If we want to produce sufficient quantities to become competitive in the natural resources sector, we have to be able to export these goods to the four corners of the globe.

•(1630)

[English]

The Chair: Thank you.

Mr. Pallister.

Mr. Brian Pallister (Portage—Lisgar, CPC): Thank you all for your presentations. The best to all of you and your families for the holiday season as well.

These have been enlightening presentations, and they're appreciated by our committee. There are so many great points that have been made, but I'll just raise a couple of things.

I think there's a pretty clear understanding that we can't ignore the reality that competitors to this country are signing free trade agreements much more rapidly than we are and have been doing so for some time. We can't ignore the reality that Korea's attitude towards international trade has changed remarkably over the last few years and that they are ambitiously pursuing other trading partners. We can't ignore the reality that if we fail to enter into an agreement with Korea, our competitors will. We can't ignore the reality that therefore we'll lose access to a great potential market and a launching pad for a very vital, growing, aggressive part of the world's economic activity. If we fail to ignore any of those preface comments, I think we're going to fall further behind.

I have just one really simple question. I think it's been made pretty clear by your testimony that your major concern—and I don't want to erroneously say this—is the issue of non-tariff barriers. That's come through in each of your comments so far. If you know of a better way to address the non-tariff barriers to trade between Korea and Canada than through this exercise in negotiating a free trade agreement, I am certainly interested in hearing what that better way is.

Ms. Marta Morgan: I'll just respond quickly to that.

Our industry has years of experience in trying to deal with these issues, particularly in the area of building codes. Our experience is that you have to sell people what they want to buy from you. You have to sell it to them in a way that meets their codes. You have to

put in dogged and determined work with regulators and industry in order to understand their requirements and figure out how to meet them. And our view is that a Canada–Korea FTA could accelerate that process. It won't be able, in and of itself, to resolve all of these issues, because they're very complicated and rooted and embedded in specific sectors and requirements. But it should be able to accelerate them and put in place mechanisms that can help move them to a quicker resolution than we'd see otherwise.

I can't think of a better way.

Mr. Brian Pallister: I think we're growing to understand that these agreements are not by any means, most of the time, a stopping point. Rather, they're more a starting point to opening up further and better opportunities for our country and for others to do trade more fairly. It concerns me when I hear some of the observations of some of our witnesses, that they seem to view this as all or nothing, that if we don't get exactly what we want from these negotiations, we should pull away, as if to suggest that we could somehow become advantaged by that or advantage our negotiating position vis-à-vis future deals by doing that. Frankly, I find that interesting as an observation.

Finally, you alluded to something.

And, Jean Michel, I believe you alluded to it in your comments.

We'll use the U.S. KORUS agreement as an example: the consequence to Canada of our not signing a deal, walking away, and the U.S. proceeding with theirs. I know it's difficult. You're talking about trying to evaluate a loss that hasn't occurred. It's hypothetical. But what kinds of specific disadvantages exist for Canada in the event that this occurs, that the United States establishes a strengthened relationship with Korea and we fail to do so?

Mr. Jean Michel Laurin: I'd say the impact would be that for those Canadian companies currently exporting products into the Korean market, which are facing a tariff—I understand it's mostly the food products and forest products sectors—there's a chance they might be priced out of the market. I mean, most of the competitors are based in the U.S. That's where they do business, so their competitors can get a 4%, 5%, 6%, 7%, or 8% price advantage going to the market. There's a chance some of the Canadian exporters will be priced out of the markets.

I understand that Canadian exports of manufactured goods in Korea currently approximate \$2 billion a year, and that's growing quite rapidly, so the impact is not that major, considering that Canada has over \$400 billion of exports, but still it's a significant hit for their business to those companies that.... We have some members for whom it's the third or fourth export market. So you can't neglect the fact that for some companies it's important that Canada not be left out.

But I think, just to take a step back, priority should be given to the WTO negotiations. I know it's a very big priority for our members. I think we'd much rather do this on a multilateral basis, but given the fact that the negotiations are not moving as quickly as we wish they would—you have to understand that some countries are moving very aggressively in negotiating bilateral deals, and Korea is one of those—sometimes you have to take into account the fact that even though the United States is negotiating, the fact that we're doing this simultaneously and maybe just a bit later might not be such a big disadvantage. Time will tell, but it's a complicated issue, as you mentioned.

•(1635)

Mr. Brian Pallister: Mr. Cannan.

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

Thank you, witnesses, as well.

I just wanted to add one comment. Coming from the west coast, from the interior of British Columbia, Pacific gateway, we're all anxious. Premier Campbell has been very bullish on the Asia Pacific gateway and expanding the market into Asia. Our forest industry, as you know, has been affected, receiving a triple whammy with the high increase in the dollar, the American economy going down the tubes, and the aspect of the pine beetle.

Ms. Morgan, it's really encouraging to hear your positive comments for the forest sector. We need a shot in the arm. Have you, as an industry, looked at the benefits of this agreement, not only for British Columbia but also for Quebec and Ontario, which have been impacted severely by the forest sector?

Ms. Marta Morgan: We haven't done any quantitative estimates of the benefit of the agreement, but we have seen quite rapid growth on the solid wood export side already—about 25% over the last two years. We would expect that that would be even more rapid if we could get rid of some of the tariffs that are in place currently, at a minimum of 25% a year and possibly more. We currently already export about \$125 million a year in solid wood products, mostly out of the west coast, so it would be a substantial benefit, and it would further diversify the market.

One of the things we see over and over again is that because we do export so much to the U.S., when the currency shifts or we get a trade problem, we're less vulnerable if we have other markets that are strong.

Mr. Ron Cannan: Thank you very much.

Merry Christmas, and may 2008 be an even more prosperous year for all of you. Thank you.

The Chair: Thank you, Mr. Cannan and Mr. Pallister.

We will wrap up with seven minutes of questions and answers from Mr. Stoffer.

Mr. Peter Stoffer: Thank you very much, Mr. Chairman.

It's a pleasure to be with this committee. It's the first time I've been on the international trade committee.

I think if we just built large ships out of wood and had half of them built in Quebec and exported, we'd solve our problem right now. Maybe you should all talk together after this.

As you know, the American free trade deal with Korea is stalled until after the next presidential election. One of the reasons it's stalled is that there's a lot of controversy about what this deal means for the future of Americans.

But there is one thing the United States does that we don't do. In 1924, in the first FTA agreement that the United States had, and right up to today, in every single free trade agreement they have, they block out, carve out, and don't even discuss marine and shipbuilding industries, because it is a vital industry to their shores and to their country. Yet in this country, a former finance minister said that shipbuilding was a sunset industry. It is not. I come from a region of the country that probably would build ships for a long time. Shipbuilding in this country can produce a tremendous amount of high-tech jobs, not just in steel and riveting and hammering away but in the high-tech sector of computers and technology. I remind everyone that when the frigate program was in, in the 1980s in Saint John, 25% of those benefits came out of Ontario and Quebec, and we're about to lose this.

So my question quite clearly is, if we're worried, as Mr. Pallister said, about the Americans signing a deal with Korea, and if it goes through but they leave out a very important segment of their economy, shouldn't then Canada do the same in order to protect what I consider a very vital industry in this country?

Before you answer that, because I probably won't get another question in, I want to say that every time we negotiate free trade deals with other countries, the labour rights, environmental standards, and so on always seem to be treated as a side deal. The reality is that it's very difficult to negotiate a trade deal with China when the wages are a fraction of what they are in our country. They may not be unionized; they may not have the health standards that we have. Doesn't that already put our producers and our workers behind the eight ball when we negotiate with countries where the salaries and wages and maybe certain labour laws or environmental laws are different?

And—I just say this as the sort of fiend that I am—when we negotiate free trade deals with other countries, shouldn't we try to match and increase the true labour standards and the health benefits of workers of other countries? We tried to do that with Mexico and it didn't quite work. So if we're negotiating that in other countries, shouldn't we—not as a side deal but entrenched in the deal—make sure labour and health standards and environmental standards are equal to what we have in this country?

Thank you.

•(1640)

VAdm Peter Cairns: Let me answer your first question first.

It would be nice if we had a Jones Act.

Mr. Peter Stoffer: There you go.

Vadm Peter Cairns: I know there are a lot of people in this country—not only shipbuilders but shipowners—who would appreciate that.

We almost have one, to be very fair. It's called the Coasting Trade Act, and it protects those who actually operate ships in this country. But we didn't put the shipbuilders in it. That's really where the major difference is between what the United States has and what we have in this country. One of the ways we could solve that is to just open up the Coasting Trade Act and drop us in, and we'd all be fat, dumb, and happy, if I could say that.

Our problem is that we can't get into the United States because of that. And as you say, this is your biggest market. So we sit up here north of the 49th parallel, really where geography is an impediment to us now. We don't have a Romania around the corner where we can get cheap welding. We can't do a lot of this stuff. In the days of yore in Nova Scotia, where all those tall ships came, geography was not an impediment. But now geography is an impediment to our industry.

I would pick up on what my colleague here said. I myself agree with him with regard to the WTO. I believe an economist—of which I am not one, and you can see that just by the way I talk—would tell you that all these bilateral agreements are actually negative towards opening the world to free trade. What happens is that you then start to distort the whole trade picture by bilateral agreements. So I myself think that the WTO is the way to go, but unfortunately people do not have the patience for that.

Did I miss a question?

Mr. Peter Stoffer: Not necessarily, but you mentioned the FTA deal we've done, and you know Norway subsidized its industry heavily for many, many years. Now when they're up and running and they've cancelled those subsidies, they're ready to compete—

Vadm Peter Cairns: One of the interesting things about the shipbuilding industry—and this is where we're completely different from anybody at this table—is that we're not in the WTO. We have no rules. There are no WTO rules that really apply to us. We are the last of the wild west shootouts. Countries and governments can do any darn thing they want; there are no real regulations.

The OECD tried to regulate the shipbuilding industry and failed. The European Union is trying to regulate their portion of it, but it has failed. If you look at China, Vietnam, Korea, and Japan, when they started, they were right out of the wild west. The guy who puts the most effort into it and the country that throws the most money at it are the winners. So that's the situation we find ourselves in.

What we find very difficult is that these people have all gone through that, they've matured, they now have these dynamite industries, and we're still sitting here wondering how we deal with that. When we get to a bilateral free trade negotiation, there is nothing in Korea for Canada's shipbuilding industry. There's lots in Canada for Korea's shipbuilding industry, but they'll never let us in the door. We just will not be able to get in the door. No one will expect us.... That's a non-tariff barrier, but there are a million ways of doing that.

Subsidization. Everybody says they don't subsidize. Korea doesn't subsidize, Norway doesn't subsidize. That is really a lot of malarkey. As you quite rightly pointed out, all the Asian countries have pools of cash from which they give industries below market rate loans so that...and those loans are made politically, nothing to do with the risk assessment of the business. I can show you that, if you want all the paper.

● (1645)

Mr. Peter Stoffer: Mr. Chairman, perhaps I may say in conclusion that we know we have approximately \$20 billion worth of work on domestic refurbishment and resupply of various vessels from the military, coast guard, our laker fleets, ferries, etc., but if a free trade deal like Korea happens, there is a good chance more yards may shut down. If more yards shut down, we may lose the capacity to build our own naval fleet in the future.

This is one of the dangers, because the shipyards require long-term investments and long-term plans, not just for their structured financing and capital allowances but for their workers, to ensure they have the trained workforce to do that job down the road. I would certainly hate to see the day we require new JSS ships, for example, and they have to be built somewhere else because we simply don't have the capacity. That would be a sad day.

Merry Christmas to you all.

The Chair: Thank you, Mr. Stoffer, I'm glad you got that in. I thought we were going to have to invite you back as a witness.

I want to thank everyone for that today. I think it was very useful. I also very much appreciated your presentations. On behalf of the clerks, if you do happen to have them in electronic copy, we would welcome them so we can deal with them more expeditiously at this end.

With that, I will thank the witnesses again for appearing today.

To all the committee, we are adjourned.

Merry Christmas, and I'll see you in the new year.

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