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Chair

Mr. Lee Richardson

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• (1540)

[English]

The Chair (Mr. Lee Richardson (Calgary Centre, CPC)): We're going to commence. We have up-and-comers like Mr. Bains here, so we need to get punctual.

This is the 27th meeting of the Standing Committee on International Trade. We are continuing our discussion of ongoing free trade negotiations between Canada and Colombia, with a focus on environmental impacts and human rights concerns.

Appearing as witnesses from the Department of Finance are Dean Beyea, senior chief, international trade, policy division, international trade and finance branch; and Maxime Lavoie, international economist, tariffs and market access, international trade policy division. From the Department of Agriculture and Agri-Food we have Denis Landreville, lead negotiator, regional negotiations, market and industry services branch. Returning again from the Department of Foreign Affairs and International Trade we have Cameron MacKay, director, regional trade policy division, Americas.

I think you're all familiar with the format. We are going to hear each witness's opening statement for ten minutes, followed by questions from committee members. We'll lead with the Liberal Party and try to keep the first round to seven minutes. Hopefully we'll get through it all.

With that, I thank our witnesses for appearing.

We'll lead off with Mr. Beyea.

Mr. Dean Beyea (Senior Chief, International Trade, Policy Division, International Trade and Finance Branch, Department of Finance): I'll lead with a statement on behalf of my colleagues, and then we'll be ready for questions.

The Chair: Thank you.

I'm sorry, but I want to advise the committee before we begin that moments ago we received approval for a visit to Colombia and Panama. It received unanimous consent in the House. You'll want to pay specific attention to the witnesses today, because you're going on a trip there.

Please continue, Mr. Beyea.

[Translation]

Mr. Dean Beyea: Thank you, Mr. Chairman and members of the committee, for giving us the opportunity, my colleagues and I, to come here today to discuss the potential commercial benefits of the Canada-Colombia free trade agreement. We look forward to answering questions you may have on this issue.

Prior to answering questions, however, it would perhaps be best for me to start with some introductory remarks outlining where we see the main commercial benefits for the Canadian economy — both from an agricultural and industrial/manufacturing perspective.

The Colombia FTA negotiation was launched together with the Peru FTA negotiation in June of last year with the twofold objective of creating new market opportunities for Canadian business and preventing Canada from being shut out of markets where our trade competitors are active negotiating FTAs.

• (1545)

[English]

As members of this committee know, Canada's main competitor in the Colombian market, the United States, has already completed an FTA with Colombia. As well, Colombia is also pursuing ambitious an free trade agenda with others, including the European Union, the EFTA countries, Chile, Mexico, and others.

In the case of the U.S.-Colombia agreement, the administration has recently sent the FTA implementing legislation to Congress for approval. It's now up to U.S. legislators to decide when they want to hold the vote on the passing of the U.S.-Colombia FTA.

The possibility that the U.S.-Colombia FTA enters into force, however—this is something I keep hearing in my discussions with our industry—continues to be an important concern for a number of Canadian exporters. What I'm often being told in this regard is that it would be difficult for Canadian companies to maintain their current share in the Colombian market if they were to face significant tariff disadvantage with their U.S. counterparts.

The reality is that Canadian exports, particularly commodity-type exports, are already at some disadvantage vis-à-vis the U.S. for geographic reasons, which translates into higher transportation costs to Colombia. If you add a significant tariff disadvantage to this, you risk seeing Canadian exporters being shut out of the Colombian market.

One of the best examples of this is wheat. Given its high quality, importers in Colombia are willing to pay some premium for Canadian wheat even if it means greater transportation costs than importing U.S. wheat. That said, with a 15% tariff advantage for U.S. wheat, importers may not be willing to pay an even higher premium for Canadian wheat, and Canada's \$100 million of annual wheat exports to Colombia could be at risk. This is something we heard directly from Colombian importers when we were last there.

The same type of concern is also true for other products. Colombia is an important market for Canadian goods of traditional export interest such as barley, peas, lentils, fertilizers, paper products, and more advanced manufactured products such as mining machinery and equipment.

The bulk of these products are covered by significant tariffs and other trade barriers that would be eliminated for U.S. exports. For example, Colombia maintains tariffs averaging 11% on industrial goods and 17% on agricultural products, with tariffs being as high as 80% for some beef products and 60% for certain beans—two products of Canadian export interest.

On the manufacturing side we're talking about tariffs as high as 15% and 20% applied on Canadian-made cotton yarns and paper products. These are sectors that have experienced difficulties in recent years, due in part to a rising dollar, and they are actively seeking new market opportunities.

It's also worth noting that Colombia's bound tariffs are even higher than those I just mentioned, averaging 35% on industrial goods and 92% on agricultural goods. This means that without an FTA, Colombia can raise its tariffs on Canadian exports to these levels. These high tariffs are indicative of the magnitude to which Canadian exporters risk being disadvantaged in the Colombian market.

In comparison, the majority of what we import from Colombia can enter Canada duty free. In 2007 duty-free imports from Colombia represented roughly 80% of our total imports from that market, consisting primarily of coal, bananas, coffee, oil, and raw sugar. In that sense, an FTA with Colombia would establish a more equitable balance for Canadian exporters. It would provide Canadian enterprises with market access opportunities that are similar to the level of market access already enjoyed by the majority of Colombian exports to Canada.

However, as I said at the beginning of this statement, the commercial benefits of an FTA with Colombia are not only defensive; Colombia is an important market with more than 45 million people, and its economy has high growth potential. Colombia's sound macroeconomic policy and improved security under its current leadership have generated favourable economic conditions. Its GDP growth rate was 7.5% in 2007, and the IMF has forecast annual growth rates of 5% for the next five years. This has resulted, and we expect will continue to result, in stronger demand

for imported goods, representing valuable opportunities for Canadian exporters.

Canadian total exports to Colombia are now valued at some \$660 million, which is more than double their value five years ago. In the last year alone, our exports have grown by 30%, which has involved over 1,000 Canadian companies, many of which are SMEs. An FTA would clearly put these companies in an even better position to do business in Colombia and benefit from this dynamic and growing economy.

• (1550)

With enhanced security and important needs for investment in areas of well-known Canadian enterprise, Colombia is also a key destination for Canadian investments. Canadian investments in Colombia's extractive sector are already estimated by our embassy at more than \$2 billion, and they are expected to increase in the coming years.

Investments by Canadian companies are associated with growing export potential for Canadian goods, services, and technologies. An example of the linkage between investment and trade is the strong increase in our exports of capital equipment to Colombia, which are now valued at more than \$165 million, compared to only \$50 million five years ago. Canadian investment in Colombia's extractive sectors have indeed led the way to growing exports of Canadian-made machinery, including mining equipment and heavy transportation equipment.

Sectors where import demand is also expected to grow in the coming years, based on strategic purchasing priorities identified by Colombia, include steel products such as pipelines and valves, chemicals, oil drilling services, civil works, and information technologies. These are all sectors where Canadian companies, including SMEs, have developed a world-renowned expertise.

An FTA with Colombia would obviously allow Canadian companies a better chance to bid successfully on various contracts that will follow the large investments that are planned for the coming years. Providing better market access conditions for Canadian goods and services is probably the best thing the government can do to assist Canadian companies in this fast-growing market.

I think that provides a quick overview on the commercial market access issues.

Thank you, Mr. Chairman.

My team and I are ready to answer any questions you may have, but perhaps before we begin with questions, I should note that the negotiation in the market access area with Colombia is still ongoing. We must be respectful of the confidentiality of the negotiating process, as well as not saying anything that could undermine Canada's interests in the negotiations.

That said, I think we can try to answer as best we can any questions you have.

The Chair: Thank you.

I think the committee is understanding of your closing remark, and also, we had a brief discussion at a previous meeting, with members of the department and others, that policy questions are best left to the minister. So we'll let you comment on the current negotiations rather than delve into government policy.

With that, we'll begin with Mr. Bains.

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

I understand the legitimate point you raised at the end of your remarks about not commenting on the specific negotiations, but I think having these discussions in committee and talking about this does empower negotiators, because it shows the Colombian authorities and the Colombian government that we're very serious about this free trade agreement and that we have specific concerns.

You gave us an overview of the primary purpose of reducing tariffs and market access and how important that is, but we on this trade committee view trade in a holistic approach. Market access is obviously very important, but so are other considerations, depending on the nature of the free trade agreement, and specifically with Colombian human rights coming up time and time again.

So I want to understand from the department's perspective what political direction you've been given or what mandate you've been given to pursue a free trade agreement with Colombia and on dealing with Colombia. But before we do that, I just want to take a more macro-level look.

In dealing with countries, Canada understands with the Doha Round discussions that are taking place that if that doesn't work, we'll have to pursue bilateral free trade agreements. In doing so, we want to essentially look at emerging markets, because as a mature market we see benefit there. On the value chain, we can generally maintain a high quality and standard of life because we can work with those emerging markets to really benefit our local industries here. So we target key emerging markets, and I believe Colombia is one of those emerging markets.

In doing so, we also recognize that we have to address human rights, labour standards, and environmental standards. We can't simply look at just the trade of goods and services. So what mandate do you have when you deal with free trade agreements? Do you have a mandate that clearly gives you authority to examine those other aspects, such as labour, human rights, and the environment, and to what extent?

You didn't mention them at any great length, and I'm not sure if that was done intentionally or you decided to focus just on the tariff reduction side of it.

• (1555)

Mr. Dean Beyea: I think when Ms. Nelder-Corvari was here last week or the week before, she touched broadly on the entire negotiation. I was asked to come here today to talk about commercial interests and the benefits for Canada, so I don't have anything to say on human rights, labour, and the environment. They are addressed

through side agreements, and we had representatives here from the Department of Human Resources and Environment Canada on that.

We are the market access negotiators, and our mandate is to get a deal that's in Canada's economic best interests. The core of that is reducing tariffs over a certain amount of time.

Hon. Navdeep Bains: I just wanted clarification on that. The impression I got—maybe I misunderstood—was that you were also going to answer some of the broader questions outside the market access-related ones.

Specifically on the economic analysis, one of the concerns we've seen in the past is that when we negotiate a free trade agreement there seems to be a lack of economic modelling or analysis done on job creation or how this would impact local jobs—how this would help create jobs or improve our trade relations.

I've asked this question in the past. Do you have any high-level studies or preliminary analysis? Have you outsourced anything you've done to someone to look at, such as an accounting firm or any other agency that has helped you do some sort of analysis? Do you have any internal analysis that you can share with us that won't compromise the negotiations?

Mr. Dean Beyea: There was an economic analysis done with the entire Andean community when we looked at that. It's available on the Department of Foreign Affairs and International Trade website.

Hon. Navdeep Bains: Is there anything specifically on Colombia?

Mr. Dean Beyea: It's subdivided by country, if I'm not mistaken. It's available on that website.

Hon. Navdeep Bains: On the free trade agreement, one possible option has been put forth that we need to sign a free trade agreement because the U.S. is currently pursuing one. It's before Congress. You've alluded to that as well. But that argument shouldn't necessarily be the driving force for us to sign free trade agreements. We are an independent country, therefore we need to look at it through an independent lens.

You've definitely raised a legitimate concern about how we compete with the U.S. in certain markets, and I think that's a fair comment. But do you think it would be in Canada's best interests if we were to set an example and say we're not going to sign a free trade agreement just because the U.S. has done so, and essentially set certain prerequisites before we sign a free trade agreement, not only on the tariff reduction but on the other aspects I alluded to earlier?

Mr. Cameron MacKay (Director, Regional Trade Policy Division, Americas, Department of Foreign Affairs and International Trade): Maybe I can try to address some of that.

On setting prerequisites, when Ms. Nelder-Corvari was here about a week and a half ago, she read a quote from the Prime Minister that I think addressed this question.

On launching and negotiating free trade agreements and why we do it, the fact that the United States may already have a free trade agreement with a trading partner, or has negotiated one and has not yet ratified it, is certainly a consideration when we're considering whether or not to launch or conclude free trade negotiations. It's not necessarily the driving force behind this. There are all kinds of things that go into these considerations as to how we move forward on an FTA. But clearly if our competitors—not just the United States, but the European Union, Japan, Korea, Chile, Mexico, and others—are all negotiating their own preferential agreements with certain key partners, there are commercial considerations we have to take into account with respect to the competitiveness of Canadian businesses in those markets. That's what helps to drive our FTA agenda.

Hon. Navdeep Bains: So that's part of the consideration, because sometimes when I hear department officials or the government give an explanation, they always use a U.S. example as the overarching reason why. Maybe that's not the case, but I just wanted clarification on that.

• (1600)

Mr. Cameron MacKay: I can certainly confirm that generally speaking, in markets around the world, the principal competitors of Canadian businesses tend to come from the United States.

The Chair: Thank you, Mr. Bains.

Monsieur Cardin.

[*Translation*]

Mr. Serge Cardin (Sherbrooke, BQ): Good day, gentlemen and welcome to the committee. I'm sure some of you are regulars here.

The cautionary note that you sounded at the conclusion of your presentation reminds us, up to a point, that it is somewhat difficult to get an overall picture of the negotiations and especially of the potential repercussions of an FTA. Since parliamentarians will also be called upon to ratify the free trade agreement, the situation almost demands that we take a leap of faith, since we may never be privy to all of the details.

I imagine that you analyse the agreement, from both a quantitative and qualitative standpoint, to determine the positives and negatives. As with all economic agreements, both parties must emerge as winners. Therefore, at some point, they must be prepared to make some sacrifices. Often, it is pretty hard for us to get an overall sense of how the negotiations are going. Perhaps we could get some idea if we looked at the tariffs, although they do not always indicate what impact this is having on our various industries or the advantages and disadvantages of the agreement for other sectors.

Considering all of the work that you will be doing to get the parties to potentially sign an agreement, ratification is also an important step. Since there are some details that negotiators are unwilling to disclose to us, is there some way to bring parliamentarians into the loop so that they can make an enlightened decision when the time comes to ratify this agreement that is currently being negotiated?

[*English*]

Mr. Dean Beyea: I think when the time comes to ratify the accord, you'll obviously have the accord to fully consider. It's just that we're in a stage of negotiation now where sometimes it's hard to talk about specific sectors or specific industries without saying something that may compromise our position.

But I think I would say overall, if I could, with respect to Colombia, we have very complementary trade. There aren't a lot of problems. We have export interests in some areas where they're particularly import sensitive and vice versa. But they're relatively small compared to what you often see. The trade patterns are relatively low, about \$1 billion of trade between the two. It's a very small portion of Canada's export market and import source.

Overall there are not a lot of big problems. Certainly we have interests that we're pursuing, particularly in the area of agriculture and other industrial goods, where we hope to make more progress before we're ready to finish negotiations. But if there was anything specific.... I mean, the trade data that are available show clearly what our interests are in. We have our key exports in the order of—

[*Translation*]

Mr. Serge Cardin: Regarding FTAs, mention was made earlier about human rights and you said that this was not part of your mandate. As you said, human rights issues are addressed through side agreements and that reality has people rather concerned. The thing about side agreements is that clearly, they are ineffective. The problem quite often with side agreements is that they do not necessarily strike a balance between trade interests, social interests and human rights.

If you realize in the course of your negotiations that the FTA will adversely affect an industry, I imagine you have a responsibility to bring that fact to light. I do not imagine that you will encourage a Canadian industry to set up business in a region or location where it may encounter some risks. I do not imagine that all industries are interested in taking these kinds of business risks.

The United States have negotiated an FTA that has yet to be ratified. Last fall, they argued that until such time as improvements were made in certain areas, they would not be ratifying the agreement. Yet, we've been told that 50% of the problems relating to security have been resolved.

What happens in a case like this?

• (1605)

[*English*]

Mr. Dean Beyea: I think it's difficult for the market access negotiating team to address broadly that question. As I said, our mandate is to get an overall free trade agreement, which is a framework, let's face it, that at the heart of it cuts import taxes. Obviously, for Canada, we include other key elements, and two of those key elements, which you raised, are environment and labour agreements, broadly.

Certainly business decisions are business decisions, and all a free trade agreement is, in fact, is an agreement that will reduce and eliminate customs duties and make other market access and other labour and environmental commitments between governments. Nobody, obviously, is going to force business into a market they don't want to be in. All we can do is set the framework through this free trade agreement.

There certainly is commercial interest from Canadian industries in the area and from Canadian investors, and in fact internationally. I can bring you quotations from *The Economist* that things are improving overall in Colombia. That's certainly leading to an influx of investment, which is helping to raise standards of living. A commitment to market openness will further enhance this, and that's one of the overall objectives of free trade and committing to open markets.

The Chair: Thank you, Monsieur Cardin and Mr. Beyea.

Mr. Miller, let me interject, just before you begin.

We have had, beginning with the minister's visit in the fall, a pretty general policy outline, a view of free trade negotiations, and where we're going with these various negotiations. I thought our meeting last week covered a lot of the points with regard to human rights and labour matters.

Today, we specifically wanted to talk about some of the financial and the agriculture and agrifood aspects of the agreement. Not to be presumptuous, I wonder whether I could just, as a reminder, ask members to follow that line of questioning with this particular group of witnesses.

Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC): That's exactly my train of thought, Mr. Chairman.

The Chair: I anticipated that, Mr. Miller. We're usually on the same page. Thank you.

You have seven minutes.

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

I thank the witnesses for being here today.

Mr. Beyea, you mentioned that the U.S. had signed a deal and talked a little about how important it was for Canada to basically have the same access. Could you give some examples of how it would be detrimental to industry here in Canada, whether in manufacturing, agriculture, or whatever it might be, if we weren't to have that same access?

•(1610)

Mr. Dean Beyea: I'll start off and then ask Denis, my colleague from the Department of Agriculture, to cover anything I've missed.

I think the biggest one is the one I gave in our opening statement. The U.S. has negotiated the immediate elimination of the wheat tariff; that's \$100 million of wheat exports. We've talked to the importers in Colombia, who said it's a lot cheaper to buy wheat out of Houston than out of the west coast of Canada, but that they're willing to pay the premium. But 15% is 15%, and they'll stop buying Canadian wheat, they say, the day that comes into effect. That certainly makes you stand up and take notice.

We've also heard from the paper industry, which is facing tariffs of up to 15%, and from machinery and equipment. Another issue is for pulses, where tariffs are 15% on lentils and peas and up to 60% on beans. The U.S. has gotten a good chunk of that free immediately. It puts you at an immediate disadvantage. There's potash, copper wire, barley; these are all our primary exports to the region.

There's another industry, interestingly, that you don't often hear about: we have strong interest in the market from some of our textile and yarn exporters. Like most countries, Colombia maintains high tariffs in this area. The U.S. will be at a significant advantage right away, and they're anxious to get into that market.

Those are a few. I don't know whether Denis can add to that.

Mr. Denis Landreville (Lead Negotiator, Regional Negotiations, Market and Industry Services Branch, Department of Agriculture and Agri-Food): Dean has spoken to some of the specifics, touching on wheat, barley, and peas and lentils. There are also products such as pork. We've been a consistent supplier of pork to Colombia, accounting for about one-third of their imports. We compete in that market with potentially preferential suppliers such as Chile and the U.S. We would be one-third of the market, but the only one without preferential access.

Dean mentioned that the average tariffs are around 15% to 20%. Roughly 93% of our agricultural exports to Colombia are in that tariff range, which, in the case of their preferential suppliers, would give us that type of price margin.

Also, 60% of our trade to Colombia faces what is called a price band, which allows them in times of low world prices to increase their applied rates above the 15% to 20% range to their bound rates, which are much higher than their applied rates. The 15% to 20% is day in, day out, but in the case of low world prices, if that ever happens again, such agricultural products as wheat, barley, pork, and canola would see an increase above those tariffs in the case of those price bands being applied.

Those are the kinds of situations that, even without a U.S.-Colombia agreement, put us in an uncompetitive position in that market, with some of the other preferential suppliers they already have.

Mr. Larry Miller: You touched on something that Dean did in his opening remarks, the ability of Colombia to raise those tariffs.

Can you tell me what you think the financial impact of that could possibly be for the agricultural sector? I think you mentioned lentils, wheat, and pork.

Mr. Denis Landreville: If we're all competing on the same footing as other suppliers, the impact is certainly an increase in the tariff across all suppliers. But for example in the case of the U.S., in their agreement Colombia has undertaken to eliminate the use of that price band. Were it to be applied in the case of Canada, it could significantly increase those tariffs, certainly into the upper double digits and at times into the triple-digit tariff range. It can be quite significant. If we were to find ourselves alone in that situation, it would clearly mark a significant reduction in our ability to supply that market on a competitive basis.

• (1615)

Mr. Larry Miller: Do you have any idea, in a dollar amount, what it might be? I don't want to put you on the spot, I just wonder if you might have that.

Mr. Denis Landreville: If the wheat tariff, as an example, were to double from the 15%, it would be a \$30-million tariff increase. It would be doubling the current duties that we pay. And that, again, would have an impact on the \$100-million business we do there, which isn't accounted for. So you'd lose the trade and you'd have to pay a lot more in terms of—

Mr. Larry Miller: I didn't realize.

Along the same lines, you talked a bit more about textiles and the effect there. What would be the financial impact in our textile industries? Do you have any figures, or ideas? Or maybe somebody else does.

Mr. Dean Beyea: We're not exporting a lot to the area—about \$5 million or \$6 million. But they see it really as a growth area. Particularly with the U.S. already giving duty-free access to the market, they see it as a means to have goods transformed there and entered back into Canada. They see it as a real growth potential. With fewer and fewer clothing manufacturers in North America, it's an obvious market for them.

I think our exports to the area have averaged about \$6 million over the past three years. The exports in agriculture are probably about \$250 million, and it's about \$660 million overall. But it's certainly seen as a growth area for a number of niche players in that industry.

Mr. Larry Miller: Could I get your comments on production as well? Machinery is one of the things down there. Is that farm machinery? Is it manufacturing machinery? Could you enlighten me a little on that?

Mr. Dean Beyea: Sure.

Mr. Larry Miller: Maybe you could provide the value of that, as well, if you happen to have that.

Mr. Dean Beyea: Sure.

Overall on machinery and equipment, if you look at the last three years, we've gone from \$40 million of exports to almost \$90 million. It was \$41 million in 2005, \$57 million in 2006, and almost \$90 million in 2007. I assume a lot of them are linked to the investments in the region. There are gas compressors and parts, boring and sinking machinery. There's a lot of telephony that we export to the area, and pumps, gas turbines, transmission apparatus. It's pretty well spread out across the board. There's even cooking machinery, data processing equipment, pipes and valves, hydraulic power engines,

and printing machinery. These are our top exports in the machinery and equipment sector to the region.

Mr. Larry Miller: You also mentioned that exports have grown; I think you said 30% in the last year alone. What has been driving that mainly? What would you estimate is the potential growth with an FTA agreement? I know you can't etch it in stone. Is that growth going to continue? Basically, are there limits on it? What's driving all of that?

Mr. Dean Beyea: I think if you look at the IMF articles in *The Economist* and *Financial Times*, they point to positive developments in security—good macro-economic conditions, which have allowed.... The country was really closed to investment for a number of years.

There are great resources in the area. It's a relatively advanced economy, with an educated workforce. The IMF predicts 5% growth over the next few years, and that's up from 10 years ago at a very low level. They have inflation under control. It's down to 4% from the high teens—17%, 18%—less than a decade ago. A lot of it seemed to be linked to the president. And there has been a change in economic opportunities. The security has led to increased investment and increasing economic opportunities.

Certainly the investment drives the exports; we've seen that connection in this market.

• (1620)

Mr. Larry Miller: Thank you very much, Mr. Chair.

The Chair: Thank you, Mr. Miller, and I thank you for keeping your questions on the topic of the day, which is the commercial aspect of this trade agreement, with particular reference to agriculture and agri-food.

I'm now going to welcome Mr. Julian.

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

Thank you very much for coming before us today.

I want to come to the issue of dispute settlement in this proposed agreement. We had testimony last week from the Department of Foreign Affairs and International Trade on how the dispute resolution process would work. Essentially, quoting from one of the witnesses who spoke last Wednesday, "An investigation is made and a report is written that can lead to ministerial consultation." If the problem is not solved, a dispute resolution panel is formed. They study the cases. If there is non-compliance, the panel "...can then report and then impose financial penalties of substantial amounts to be deposited into a cooperation fund. Then that money can be used to resolve the matter at hand."

As far as we understand from that testimony last week, the dispute settlement mechanism would function exactly the same way for commercial disputes and non-commercial disputes, such as human rights, for example. Human rights is a major concern in Colombia, given the fact that another trade unionist has disappeared, even since last Wednesday. The head of the public servants union of Bogota has disappeared.

So is it correct to say that the dispute settlement mechanism functions exactly the same way for commercial disputes and non-commercial disputes, such as gross violations of human rights?

Mr. Dean Beyea: I think the specifics you've referred to were in Pierre Bouchard's testimony with respect to the labour agreements. Maybe I would ask Cam to speak broadly to the dispute settlement mechanisms within a free trade agreement, because I think we're blurring the line there a bit.

Mr. Cameron MacKay: When Pierre Bouchard was here last week I think he spoke about the dispute settlement mechanism for the labour side agreement. The dispute settlement mechanism for the FTA itself is a separate mechanism. There are some similarities and some differences. I'm not an expert on either of them. We could certainly get you some more information about that if you're interested.

The overall dispute settlement mechanism for the FTA itself would be very broadly similar to the North American Free Trade Agreement or WTO dispute settlement mechanisms, which are some years old now. We've made some minor improvements in what we're seeking in our newer FTAs. My understanding is that the labour side agreement would have its own dispute settlement mechanism. That's what the HRSDC representative, Pierre Bouchard, spoke to when he was here last week. If there are further questions on how that works we would have to refer those questions to him.

Mr. Peter Julian: Essentially, you're saying that this is a NAFTA template agreement, so it would include chapter 11 provisions, such as investor state rights. They would allow companies that feel their profit is being infringed upon by local authorities setting human rights standards or environmental standards, for example, to sue those local authorities in Colombia.

Mr. Cameron MacKay: Now we're talking about a third kind of dispute settlement, which is the investment dispute settlement. The investment dispute settlement mechanisms are a bit different, again, from the main FTA dispute settlement mechanism on the labour side agreement.

Mr. Peter Julian: You're saying that they're different from the labour side agreement and they're different in chapter 11, but you don't have any specifics. Obviously you have some knowledge as to what is in the dispute settlement mechanism for the Canada-Colombia FTA and how it would be similar to the labour side agreement. In fact, it would appear, at least on the surface, to be exactly the same. In testimony last week it wasn't said definitively, but there was an inference that the chapter 11 provisions, the NAFTA template, is part and parcel of this agreement.

The Chair: Mr. MacKay, if I might, just before you begin, and I appreciate the position you're in...

Mr. Julian, I think we did discuss that, as you say, at the last meeting, and I don't think it was expected that these particular witnesses would need to comment on the details of negotiation. I simply want to remind you that it is an ongoing negotiation. These meetings are not private. We are in a negotiation, and I think in the interests of our country's position, there are things they may not want to discuss.

I don't mean to put words in your mouth, Mr. MacKay. I just don't want you to feel that all the details of the ongoing negotiations need to be discussed at this meeting.

Thank you.

• (1625)

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

But the question was directed and the answer did come back. I'm asking for more details—not being told it's different, but being given specific details as to how it might be different. Otherwise one can assume it is very much like what we heard last Wednesday, which is, in the case of human rights issues, kill a trade unionist and pay a fine. I don't think that would be acceptable to most Canadians.

I'll move on to another commercial aspect of the agreement, and that is the impact on the Colombian economy. As you know, under NAFTA there's been a meltdown in the Mexican rural economy, with over one million jobs lost. The last tariffs were taken off goods into the Mexican market on January 1 of this year, which has led to demonstrations and more lost jobs across Mexico. There are major concerns about the impact of NAFTA on the rural economy in Mexico.

So I'd like to know from the ministry's point of view what studies you may have done as to the impact of Canadian exports on the Colombian rural economy, particularly when we talk about foodstuffs, such as beans, going into the Colombian economy. Of course this has been a major concern to people in the Colombian rural economy, who could well see the same impact of Canadian goods in Colombia that we've seen from U.S. goods in Mexico, which has been a horrific meltdown in their rural economy. Have you done any studies to indicate what the impact would be?

Mr. Dean Beyea: I must say that from the beginning of these negotiations, Colombia's primary interests have been in agricultural exports to Canada. Perhaps that addresses some of your questions.

Correct me if I'm wrong, Denis, but in the areas in which we have an export interest, Colombia is almost entirely import dependent on pulses and wheat; it's a large importer. In fact Colombia is often in a position to waive tariffs as a net food importer in a lot of those areas. In general, Colombia's market access opportunities into Canada are certainly focused on the agricultural sector here.

Mr. Peter Julian: But currently over 80% of Colombian goods come into Canada duty-free.

Mr. Dean Beyea: That's right. Canada is an open economy. In fact half of our tariffs are MFN-free. We certainly don't apply them to coffee, bananas, and coal, which are the three primary exports from Colombia to Canada.

Mr. Peter Julian: So essentially we're talking about market access to Colombia. That's why I'm coming back to this question of the impact on the rural economy in Colombia.

But from what I gather, no study has been done, no indication has been made from the Canadian perspective of what that impact may be, whether or not it would be similar to the impact on the Mexican rural economy.

Mr. Dean Beyea: We have done economic analysis. As I mentioned earlier, it's available on the foreign affairs department website.

But I think you also have to think of the benefits of free trade at large, not on a sector basis. In fact, free trade leads to countries and firms competing in areas where they have a comparative advantage. We're seeing that in Colombia, as they're major exporters of certain commodities and net importers of most other agricultural commodities.

The dynamic in a free trade agreement is about generating investment, about providing technology transfers and the positive transfers that follow investment in that market, which allow companies to compete in a greater market. So it's much more than about getting rid of tariffs on 20% of the exports to Canada.

I don't know if there is something else to add...

• (1630)

Mr. Denis Landreville: One of the observations we made early in the presentation was the complementarity of our trade with Colombia. We import a significant amount of agricultural product from Colombia that is already duty-free, and that accounts for a large share of their exports to Canada.

They have been clear in terms of indicating some of their interests on the agricultural side in terms of their export interests to us. As well, in the case of our key agricultural exports to them, one-third of Colombia's imports of pork originate in Canada, 75% of their pulse imports come from Canada, in terms of beans, peas, and lentils, and about 40% of their wheat imports originate in Canada. As we've indicated, those correspond with our key agricultural export interests around which we want to be able to compete and continue to compete in Colombia on the same footing as some of their other preferential suppliers with whom we share imports.

In that respect, certainly we're aware of Colombia's import sensitivities. They've been clearly indicated to us. As well, we are cognizant of their export interests. How we view the negotiations is very much in terms of ensuring that our respective export interests are being adequately addressed in the FTA.

The Chair: Good. Thank you very much, Mr. Landreville.

We'll have to move on.

Mr. Peter Julian: Did you deduct your time, Mr. Chair?

The Chair: Yes, I did.

We're going to move on. Before we move to the second round—I think we should be able to get through a second round—I might just say to the committee that we do have some housekeeping business with regard to the visit to Colombia. We could probably get it done in 15 minutes, so let's aim to wrap this up at five. We'll get through this round, in any event, however much time it takes. But I'll need about 15 minutes at the end of the meeting in camera to deal with the visit to Colombia and Panama.

Ms. Murray.

Ms. Joyce Murray (Vancouver Quadra, Lib.): Thank you, Mr. Chair.

Being new to this committee, I'm still trying to understand what my responsibilities are. Some of the other members have talked about needing to understand the free trade agreement enough to be able to decide whether this is one to support or what the concerns are, and how we can make it better.

This is a great introductory context and understanding, but to be able to say "Yes, this is a good agreement, I support it", or "Here are some specific ways that it could be improved" is very difficult to do on the basis of general background information even though you have some specific figures.

This is what comes to mind for me, having been in negotiations for the Kyoto Protocol in 2001 in Marrakesh. There were also a lot of ways Canada didn't want to tip its hand, and those were also complex negotiations. But the delegation was privy to much more detail than what we're seeing here. So I'm wondering if we're going to get more detail or if it's possible to use a format similar to those negotiations, where there were very specific files that different negotiators were advancing. There was a much clearer idea as to the rationale for the push-back from the other negotiating members.

When there is a high tariff on a particular good, I don't know whether that is because they see that good to be receiving agricultural subsidies here, so they need to protect it there, or what the reasons are for it. The explanation that we don't want higher tariffs than our neighbour is a good one, or that we don't want to have tariffs on our goods when our trading partner doesn't have tariffs sending goods into Canada. I understand those generalities. But I would like to see much more clarity about the measures of success you have as negotiators. So that's my first question.

Do you have some measures of success that can be shared with us as to what you're looking for? What would make this a successful free trade agreement, from your perspective as representatives of Canada at the negotiating table? What would be the measures of success?

And secondly, how would we be able to know, say five years down the road, whether those measures were being met or not?

I'm looking for a better understanding as to what the components of the negotiation are, what we need, from Canada's perspective, for this to be an effective free trade agreement. And this is on the commercial side that I'm directing my questions.

• (1635)

Mr. Dean Beyea: Thanks very much for the questions. Maybe I can try to be more specific.

Certainly our objectives going into these agreements have been twofold. I touched on them earlier. One is defensive vis-à-vis the United States. We're hoping to achieve market access, certainly with respect to what we're already exporting to Colombia, on a level that's on par with the United States. That's an overriding objective. I think it's safe to say that it's difficult in many areas to do better than the United States, given the size of the economy and the weight they have in negotiations vis-à-vis what we do. So we certainly don't want to come out worse.

I think some of the sensitivities in Colombia—if you want something more specific—are a result of their agreement with the United States. They've just opened their market to the largest economy in the world, and are nervous about opening it some more, or potentially opening it some more.

I don't think any of these issues are unresolvable. Our goal is generally to get rid of the tariffs, as much of them up front as we can, and then try to balance import sensitivities on both sides by reducing tariffs over a longer period of time. Hopefully we can minimize those on both sides so that we can each enjoy the benefits of free trade as quickly as possible and not fall behind either what Colombia has done with the United States or will do with respect to Europe and EFTA, and Mexico in particular.

So from a market access perspective, that's what we're doing. Then where you come out is that you end up with a few problem areas: we'd like quicker and faster market access, they'd like a slower and more delayed entry into the market, and vice versa. That's perhaps where we've gotten to in this negotiation. We're trying to find a mutually beneficial balance of interests that will create a good economic agreement for each of our industries.

Mr. Cameron MacKay: Maybe I can just add to that a little bit, about the measures of success.

What we're going for with Colombia—we do this with all of our free trade agreements—is to look for a comprehensive, ambitious FTA that creates new opportunities for Canadian businesses doing business abroad. Reciprocally, of course, our trading partner is looking for opportunities here. We want to level the playing field with respect to that country's other trading partners, particularly those with whom they have preferential trading agreements, such as the United States in the case of Colombia.

We're trying to build on multilateral commitments. That is to say, take the WTO commitments that we have all made with respect to trade in goods and liberalization of services, etc., and build on those. Expand on them in the case of investment, for example, which isn't covered by the WTO. Ultimately the measure of success, broadly speaking, is are Canadians—that is to say, Canadian businesses, private citizens, SMEs, big businesses, NGOs that have a varying range of concerns about our FTA agenda—broadly satisfied with what we've negotiated?

We can never make everyone happy all the time, but we do our best. The ultimate measure of success is when we submit the FTA that we as officials have negotiated with this other country. When we submit it to the government, then on to Parliament, to the members of this committee and the other members of Parliament, to pass the bill to implement the FTA, it ultimately comes back to you to decide if we have achieved what Canada should have achieved in this negotiation.

• (1640)

The Chair: I'm sorry, we're out of time.

Ms. Joyce Murray: Could I have a quick clarification of the answer?

The Chair: Sure.

Ms. Joyce Murray: Thank you, Mr. Richardson.

So parity with the United States agreement—that's pretty objective. I presume we can see what those figures are.

Things are doing better with our importers and our exporters. Are there dollar goals for that—i.e., the exports to Colombia will go from level A to levels B or C? Can we get some idea of the objective?

The fourth one was that Canadians are happy with it. I would be interested to know how you would measure yes or no on whether Canadians are happy with this FTA. What would be the measure there?

Those things will help the members decide whether they want to assist in passing this bill or not. Things that have some objective quality to them would be welcome.

Thank you.

The Chair: Thank you, Ms. Murray.

Monsieur André.

[*Translation*]

Mr. Guy André (Berthier—Maskinongé, BQ): Once again, welcome to the committee. I have two questions for you.

You mentioned on several occasions that a few detailed studies of the impact of the Colombia FTA could be found on the website of the Department of Foreign Affairs. Some sectors are more affected than others. For example, were farmers and some manufacturers consulted? That's my first question.

My second question relates more to the human rights issue, both from a different angle. What is your impression of this country that, fundamentally, has a problem ensuring the safety of unionized workers and certain groups of women and maintaining law and order in all regions, given the presence of the Revolutionary Armed Forces of Colombia, or FARC?

Any time an FTA is negotiated with a country, we see increased mobility of people, goods and investments. How can we ensure the safety of Canadian investors, given that this government seems to engage in questionable practices and does not have a firm grip on its economy, political system and security? This topic was again discussed in the weekend newspapers.

[*English*]

Mr. Dean Beyea: I think that overall, as always, when the government launches a free trade agreement, they do a broad consultation, a call for comments. But in thinking of potential questions today, I thought I would maybe write down the industries and sectors that have contacted me, and which certainly have an interest in the FTA, primarily an export one.

I know that Denis talks to the entire agriculture industry at least once a month, so I'll let him add his specifics, but we've certainly heard from the paper industry in Canada, the forestry sector—in fact, someone with an interest from Quebec; the auto sector; the beef industry; the pork industry; the chemicals industry; textiles and apparel; and we've spoken to the footwear people as well; the liquor industry; the grains industry; the mining industry; the sugar industry and the flour industry. Those are the ones I can list off the top of my head. Some of them call me weekly and some once a month, all with good interests in seeing this negotiation advanced and coming with terms pleasing to them. So we have ongoing consultations with them.

I know that the Department of Agriculture has a very formal process for doing this, and maybe Denis could speak to that.

Perhaps with respect to your other questions and the broader issues—which all seemed to be about whether there was market confidence in going into Colombia, whether we've seen changes in security and concrete facts on that—I thought that maybe one of the best ways to address these was to quote third parties. So I have a list of documents here.

The Economist from March 22, 2007, calls it the “Uribe effect”, a function of rising GDP since the time he came into power, referring to the decline in murders, the increasing gross fixed investment as a percentage of GDP, etc.

Over the last year, Standard & Poor's, Fitch Ratings, and Moody's have all upgraded the credit rating of Colombia.

Business Week in May 2007 called Colombia “The most extreme emerging market on earth”, saying:

The growing confidence in Colombia brings a new set of challenges. The streets are safer, and citizens are road tripping again. Export-import activity is steadily growing. Tourism has nearly tripled in five years, and beach-lined, historic Cartagena is among South America's most expensive real estate markets.

The Guardian, the U.K. paper, says:

In the space of just five years something remarkable has happened—the cities have become relatively safe. Murder and kidnapping rates have plunged, and there are no more bombs. The only explosions are in property prices.

Forbes Magazine calls Colombia a “key ally and fast-emerging global player”:

Last year, for the third year in a row, Colombia's economy grew by 5% and registered a surge in investment.

As well, *Foreign Direct Investment Magazine*, a journal of the *Financial Times*, refers to Colombia coming out of the shadows, and says that:

Colombia has been fighting to prove that it is a safe and worthwhile investment destination and has now put itself firmly back onto the investment map.

•(1645)

[Translation]

Mr. Guy André: According to you, this country is a very safe place. However, when we visited Colombia, we were warned not to leave Bogota or to venture into rural areas. The warning seemed to imply that this country was not very safe, contrary to what you are telling us.

[English]

Mr. Dean Beyea: What I am talking about is an improvement in security. Certainly they're not getting there overnight, as there is considerable work to do, and no one would argue with that. They certainly appear to be on the right path, and certainly the foreign direct investment into the Colombian market is indicative they are on the right path.

It's a good opportunity for Canada, and Canadian industry has an interest in investment in that country.

That's not to say it's perfect. There are certainly security concerns, but the proof is all positive.

[Translation]

Mr. Guy André: A number of foreign workers have allegedly been assaulted or had some unfortunate encounters. Several politicians have also been kidnapped.

Do you know if any foreign investors, workers or businessmen have encountered any problems? Do you have any statistics on the number of people who have either been assaulted or killed?

•(1650)

[English]

Mr. Dean Beyea: No, but I do have statistics, and these are brutal statistics, about the number of murders in Colombia. I'm happy to share them with you. They're from the ministry of social protection in Colombia. I think what you'll see is that they show steady and rapid declines. Between 2002 and 2006, murders of union members have decreased by 70%. The rate is certainly much higher than it should be, but you'll certainly see that progress is being made in this area.

The Chair: Thank you.

Thank you, Mr. Cardin.

Mr. Keddy.

Mr. Gerald Keddy (South Shore—St. Margaret's, CPC): Thank you, Mr. Chairman, and welcome to our witnesses.

I didn't quite hear your last statement. From 2002 to 2006, murders of union leaders went down 70% or 60%?

Mr. Dean Beyea: Seventy percent.

Mr. Gerald Keddy: Seventy percent.

Speaking to our witnesses, it would appear to me that although there are certainly some questions that are being asked and more that will be asked and many that need to be asked, we're missing the overall theme here. The overall theme, as I understand it—and I'm not trying to break this down into too simple a nutshell, if you will—is with a 30% increase in exports in the economy of Colombia, we've seen general violence decrease by 40%. Murders are down by 50%, kidnappings are down by 90%, and 45,000 paramilitary and guerrillas have been demobilized. I realize life is not perfect in Colombia, but I think the point many of our members are missing here is that we're headed in the right direction.

I guess the proof would be in whether or not, at the end of the day, this trend continues, but there's be nothing that I see so far, in my research, that would tell me that it wouldn't continue. I guess that's a very general statement.

Do you expect to continue to see this trend?

Mr. Dean Beyea: Yes.

Mr. Gerald Keddy: That's pretty simple.

I think the other issue I have is more of another macro-issue, if you will. It's the general effect of a free trade agreement on Canada's competitiveness and in particular on our competitiveness in the western hemisphere. We've signed five free trade agreements since NAFTA, I think, including NAFTA. The U.S. has signed 20-plus, Mexico has signed 40-plus, and Chile has signed 50-plus. We're being left out of the market and left out of the economy if we don't play some catch-up ball here, to use a worn-out sports analogy.

I would worry a lot more about what would happen to our economy if we continue not to be a player. Compared to the rest of the world, we've generally taken very modest steps in looking at free trade agreements in the last 15 years. If our economy's going to continue to flourish and continue to grow, we need to have free trade agreements. We need to be able to compete with Colombia on an equal footing.

The last time I checked, our farmers in western Canada need to sell wheat, because if you can't sell it, there's no point in growing it. It's as simple as that. And if there's a 15% tariff on wheat, then we're leaving ourselves out of a marketplace that for all intents and purposes is a burgeoning marketplace with great potential—and furthermore, with great potential for the people of Colombia, as tough as things are. There's still violence and there's still not the society we would like to see, but in comparison....

I only have a few Colombian friends, and they left Colombia because of violence as teenagers. Now all of a sudden they're looking at Colombia in a totally different light, having been educated abroad. A number of them married people abroad and are not liable to go back, but there is opportunity in Colombia again today. That's something we didn't see in the past for probably more than a decade. Is that too general? I'm making a statement more than a question, but I think those statistics are important.

• (1655)

Mr. Dean Beyea: Maybe I can read the IMF summary on Colombia from 2007, because it does reinforce what you said:

Colombia's economic strategy since 1999 has yielded considerable success. Growth has been above the Latin American average over the past three years, supported by structural reforms and prudent macroeconomic policy. Colombia has weathered well the recent turbulence in global financial markets. Large capital inflows, primarily comprising foreign direct investment, have contributed to an appreciation of the real exchange rate. In light of the improved security situation and continued commitment of the government to sound macroeconomic policies and further structural reforms, long-term economic growth in the neighbourhood of about 5 percent per year appears feasible.

It is a market that's certainly pursuing free trade in an aggressive manner. It's a small group of expertise in that country, and they're not in Bogota very often because they're negotiating with Europe. They're negotiating into Asia. They're looking at expanding in South America. They're reworking their agreement with Mexico; they've

negotiated an agreement with the United States. Certainly the opportunity is there.

Mr. Gerald Keddy: I have one more quick question.

Do you have a breakdown by province of the provincial bilateral trade between Colombia and Canada and the result of that in jobs in each of those areas? Without the agreement trade has grown, so surely with the agreement trade will grow even faster. If we go ahead with this agreement, what's the potential? I'm talking about Canadian jobs.

Mr. Dean Beyea: I don't have a provincial breakdown of the kind you described, but overwhelmingly our first objective is to protect trade that's currently going into the market, the \$660 million, and then look at the growth opportunities that opening up the market will have. We haven't—

Mr. Gerald Keddy: It's \$660 million in overall trade from Canada to Colombia.

Mr. Dean Beyea: In 2007 our exports to Colombia were at \$660 million, split roughly two-thirds industrial, one-third agriculture.

The Chair: Thank you, Mr. Keddy.

That completes round two. I think we have time for round three. That's a five-minute round, beginning with Mr. Simms.

Mr. Scott Simms (Bonavista—Gander—Grand Falls—Windsor, Lib.): Thank you, Mr. Chair.

I appreciate everyone having me here and I appreciate your patience.

I have a general question. I won't put this to anyone specifically. Whoever wants to jump in may do so.

I was reading some of the research from the Library of Parliament that talked about these snap-back provisions in a Canada-Colombia free trade agreement—violation of environmental, labour, or human rights obligations.

Maybe it's because I'm new to this committee or particularly thick—I'm not sure which one is which—but could you flesh out for me what we're talking about in this snap-back provision, in the sense of what triggers this snap-back provision and what triggers, at least in our terms, a violation of environmental, labour, or human rights obligations?

Mr. Dean Beyea: The only snap-back mechanism—and that's usually what's referred to as a snap-back to previous tariff levels—is the only one I think we as a group are familiar with. It's the bilateral safeguard chapter, where if there is injury caused by the elimination of tariffs over time, there are provisions during the elimination of the tariff period and sometimes a year or two beyond to take safeguard measures.

• (1700)

Mr. Scott Simms: So the environmental standards or labour standards are all fleshed out in advance? Or is this some kind of moving target?

Mr. Dean Beyea: I don't think we have that level of expertise here.

The Chair: For clarity, I'm not sure where you get that information, Mr. Simms, but there is no snap-back provision in this agreement at this point. So I think you might have some difficulty—

Hon. Navdeep Bains: The Library of Parliament. The questions that the policy research analyst—

Mr. Scott Simms: Maybe we can just ask them generally. If I'm off the mark you can tell me, I'm sure.

The Chair: I'm just saying that for clarity there isn't one in this agreement. I think there may have been reference to the question of whether or not there should be or there might be, or will there be, but at this point there isn't. This is just for your own clarification. I just want to have some sense of sympathy for the witnesses to answer your question in that regard, when there isn't something to answer the question on at this point.

In any event, please carry on.

Mr. Scott Simms: As you were saying, sir?

Mr. Dean Beyea: Sorry, I was talking about the bilateral safeguard chapter, which involves the fact that while tariffs on sensitive goods aren't usually reduced immediately, they're phased out over a certain period. Usually what we would negotiate is a bilateral safeguard mechanism that allows you to return to those previous tariff levels, should there be injury caused from imports of those products into the market that resulted from the tariff decrease. It allows you to maintain the higher level for a certain period of time to the end of the phase-out period—for a year or two.

Mr. Scott Simms: Would you have a prior FTA where this has taken place?

I'm just trying to come to terms with how we gauge these environmental or labour standards indiscretions by other countries.

Mr. Dean Beyea: No, I think we're talking about two different things. "Snap-back" is generally a term you use in tariffs. I'm not familiar with any snap-back provisions in labour or environment. Again, I would say we were asked to speak here about the market access elements of the agreement.

I don't know if Cam wants to add something.

Mr. Cameron MacKay: Maybe it would be only to say that when Ms. Carol Nelder-Corvari and her colleagues were here last week or the week before, we had some detailed discussion about the labour and environment side agreements to the FTA, and they have their own dispute settlement and consultation mechanisms. In the FTA itself we're looking at the possibility of chapters to complement that. My understanding of "snap-back" is not involved in those side agreements, and what Mr. Beyea just described is the normal emergency action kind of provision that we would have in most of our FTAs. The side agreements are very broadly like the NAFTA side agreements, but we went into some detail a couple of weeks ago with the experts here describing the many differences and the improvements we've made, we think, since we negotiated the side agreements on NAFTA.

I hope that's helpful.

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

The Chair: I think that clarifies it. Thank you.

Mr. Cannan.

Mr. Ron Cannan (Kelowna—Lake Country, CPC): Thank you, Mr. Chair; and thank you to our panel of witnesses.

I just want to pick up on something my colleague Mr. Keddy had alluded to. With the slow pace of the WTO talks, I think it's important that we continue to engage in these bilateral trade agreements. So I'm supportive of moving forward as we talk about a free trade agreement, and making sure it's a fair trade agreement as well.

I just recently came back from spending a couple of days in Washington. I know in your discussions you alluded to the U.S. having this agreement, and just because they have an agreement, as Mr. Bains said, it doesn't mean we have to follow suit.

They've put theirs basically in the stall mode in Congress. In speaking with representatives in the House in the past week, it's now hurry up and wait, from their perspective. If we do become first out of the gate, what kinds of advantages would that present for Canadian businesses, if we have an agreement signed prior to theirs?

Mr. Dean Beyea: The scenario we described works to our advantage. In the scenario that Denis described with respect to pork, where the imports of pork are divided pretty evenly among three sources—Chile, the United States, and Canada—at about 3,000 tonnes a year, we now have a considerable tariff advantage vis-à-vis the United States should our agreement come into force before theirs. Those are just a couple, but it applies across the board.

When you look at developing country markets, markets such as Colombia and Latin America, their tariff framework is much higher than ours in general. In the WTO, their industrial tariffs are bound at 35% and their agriculture tariffs somewhere near 100%. So they have the flexibility to move up to those levels.

They're applied on the industrial side between about 5% and 20%, and on the agriculture side they're considerably higher, as high as, on some products, 80% on beef and 60% on beans. If we were to move ahead and gain that advantage for our exporters into the market, it would be a significant advantage, I would argue, for the majority of our exports into Colombia.

● (1705)

Mr. Ron Cannan: You talked about manufacturing as well in your opening comments, but one area that is key is the service sector. Canada has excellent oil and gas and mining, but also environmental services. When we talk about trying to have a sustainable environment, not only in Canada but helping others around the world, how will this agreement be able to provide a competitive trading agreement in terms of access for our service sectors, specifically in environmental services? Does this free trade agreement enhance that opportunity for those specific service sectors?

Mr. Cameron MacKay: Certainly that's one of our aims. That's one of the service sectors that Canada is particularly competitive in internationally. We're also looking at mining services, engineering, architecture, a broad range of professional services. Our objective in any FTA negotiation is to take WTO commitments that have already been made by that trading partner and try to improve on them.

Mr. Ron Cannan: What about opportunities for high-tech or the information technology sector? Do you see some good opportunities there?

Mr. Cameron MacKay: Certainly they would all be on the table in the negotiations.

Mr. Dean Beyea: If I could add to that, Colombia has a long-term competitive plan that includes major investments in public and private infrastructure—roads, airports, bridges, tunnels, energy, telecom, and the modernization of a number of key industries—which are going to create opportunities for Canada in many of those industries, particularly services. The increasing number of new oil, gas, and mining exploration concessions issued by the Colombian government continue to create opportunities for Canadian companies to provide exploration, drilling services, financial and engineering services, to name a few.

Certainly with the economy moving forward they're investing in infrastructure. There are big investments planned. We have a great group at the embassy that looks at the long-term investments being planned by Colombia, and there are great market access opportunities, both publicly and through private expansion in Colombia.

Mr. Cameron MacKay: Just one final word on that would be in terms of services. Again, we're aiming to have a services chapter, a chapter on temporary entry, for example, for professionals who need to follow the service providers; a telecommunications chapter, I think you mentioned that sector; financial services, etc; along with our standard investment chapter. So we're looking at a comprehensive FTA that would help all these sectors in the Colombian market ideally.

Mr. Ron Cannan: As far as the movement of goods and services is concerned, one of the challenges right now with our friends to the south is the thickening of the border, and we're looking at broadening our export markets. What are the challenges of exporting into Colombia right now? Is there a pretty good prescreening

program in place? Or has that been established to a limited scale, so we can have security of movement of goods and services two ways, without having to be bogged down within just-in-time manufacturing, for example?

Mr. Dean Beyea: One of our objectives in this agreement is to negotiate a customs procedures chapter, a customs cooperation chapter. We've had our customs guys down there. They negotiate procedures, proceedings, and means to identify origin and to recognize origin in each other's market. You're absolutely right that it goes part and parcel with clearing up what we need to clear up to make sure goods of Canadian origin can get in quickly and there's a means to address concerns we might have that they're not. That's part of the customs cooperation chapter in general. We're certainly pursuing those objectives in the agreement.

● (1710)

Mr. Ron Cannan: That's excellent, because companies are trying to do business, and there are phone calls that they're looking for parts and they're stuck at the border missing pieces. So I appreciate what you've done to date and look forward to our trip there next month. Hopefully we'll learn first-hand the positive benefits of the potential agreement we're looking to put in place.

Thank you.

The Chair: Thank you, Mr. Cannan and other members of the committee, for your questions today.

With that, I'm going to thank our witnesses for appearing. There are sometimes difficult questions in the circumstances, but we very much appreciate your coming.

We are going to suspend for about two minutes while we go in camera. There will be about a two-minute break.

[Proceedings continue in camera]

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