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Chair

Mr. Fabian Manning

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•(0915)

[English]

The Chair (Mr. Fabian Manning (Avalon, CPC)): I call the meeting to order.

I was here first this morning, if you want to make a note of that, followed by Mr. MacAulay.

I want to welcome Mr. Bénéhah and Mr. Sumaila, who have some opening remarks. Before we have opening remarks, Mr. MacAulay has a point of order.

Hon. Lawrence MacAulay (Cardigan, Lib.): Thank you very much, Mr. Chair. I would like to make a motion.

The clerk is checking with witnesses from Tuesday. Looking at the material today, I believe it will be pretty much exactly the same questions and answers, so I would make a motion that with the agreement of the witnesses who presented, Tuesday's in camera meeting would be public, not in camera.

The Chair: Just for everybody's clarification, we had an in camera session on Tuesday. Mr. MacAulay is asking that the proceedings of the in camera session be made for public use. That would be on the advice of the officials from the department, if they agree, for the simple reason that we came into an in camera session, and it wouldn't be fair, as Mr. MacAulay's pointed out, to take these in camera sessions and make them public without their permission, so we're waiting on advice from them.

So as not to hold up our witnesses, I was going to defer the decision—if this is okay with everybody—until we hear from the officials of the department to see what they come back with. We'll deal with it after our witnesses are finished here this morning. Would that be okay? It's because I don't want to get into a debate with witnesses at the table. Is that okay? The motion just stands there for now, and we'll deal with it later.

Once again I welcome our witnesses. You have time now for some opening remarks, and then we'll have a question-and-answer period around the table.

Mr. Bénéhah, you can start whenever you're ready.

[Translation]

Dr. Marc Bénéhah (Professor, Université du Québec à Rimouski, As an Individual): I will tell you about the fisheries subsidies negotiations that are currently underway within the World Trade Organization. I will be speaking in both French and English because the draft text that I have here is written in English. I have

been told that there is a French version, but I have been unable to locate it. I believe that it has just been published.

As you are no doubt aware, a draft text on the current fisheries subsidies negotiations within the WTO has just been made public. Of course, it is only a draft text; it has not been adopted as an agreement. We don't know if it will eventually lead to an agreement. That will, of course, depend on the outcome of the Doha Round. So this is a virtual text that may become an agreement, but that is not its current status.

There are boxes in this text. At the outset, we wondered what this agreement would look like: would it resemble an agreement on agriculture, or would it be a completely separate sectoral agreement on fisheries? In the end, that is not what happened. It is important for you to be aware of that, since the operational consequences could be far-reaching.

A decision was made to add an annex to the WTO Agreement on Subsidies and Countervailing Measures, also known as the SCM Agreement. From an official point of view, the draft text has now become Annex 8 of that agreement. It is not a separate agreement, like the Agreement on Agriculture, for example. This annex is now part and parcel of the SCM Agreement. If it is adopted, it will be interpreted in relation to the agreement.

What you would like to know is what subsidies will be targeted, and which ones will be subject to some type of disciplinary action. As is the case for the agriculture agreement, a traffic light approach has been adopted; this involves red, green, blue, etc. coloured boxes. There are three boxes in this agreement, and I will tell you what is in each one of them.

The first box contains the prohibited subsidies. Picture it as a red box, within it the subsidies that are not allowed. Then we have the box of subsidies that are not prohibited. The vocabulary for this category is somewhat strange. It doesn't mean that they are allowed under all circumstances, but in most cases, they would be acceptable. Nevertheless, there are still some restrictions. That, essentially, is the green box. Then there is a box for what is known as the special and differential treatment approach, namely, all of the special treatment afforded to developing countries.

The red box is the most important one since it includes the prohibited subsidies. There are a number of subsidies that are banned and absolutely prohibited.

• (0920)

I will even tell you that in cases of disputes arising over the subsidies, the end of the annex states that the dispute settlement mechanism used will be the same as that used for prohibited subsidies in the subsidies agreement. This is a separate mechanism, a very specialized one and one that moves very quickly. It reflects the seriousness of that prohibition.

One important point is that we're not just talking about fishing vessels, we're also talking about service vessels, for example vessels that bring fuel to fishing vessels. It is interesting to note that there are references to both fishing vessels and service vessels. This does not deal strictly with fishing vessels. What do those prohibitions include? They include any subsidies for the acquisition, construction, repair, renewal, and modernization of fishing vessels.

The second item in the prohibited red box includes any subsidies for the purposes of transferring vessels to third countries. If Canada wants at some point to transfer or sell surplus fishing fleet vessels to other countries, any subsidies to achieve that, to sweep the dust under the rug, are totally prohibited. It is forbidden to transfer any part of Canada's fleet to third countries, because the goal is to ensure that global supply does not increase. Therefore, if Canada's dust is swept under the carpet, then that does not work. Therefore, any assistance for any transfers to third countries is prohibited.

As expected, any assistance for the operating costs of vessels is prohibited. The simplest example would be a subsidy for the purposes of purchasing fuel at a special price; that would be absolutely prohibited. Any assistance for operating costs is also prohibited. Any subsidy whose purpose would be to cover fishing vessel losses would also be absolutely prohibited.

Another equally important item is subsidies for ports or port infrastructures for activities related to fishing. If you want to repair a dock that is used by fishing vessels to unload their catch, then any subsidies related to fishing activities in that port will be prohibited.

Another item that might be very important for you is the one covering income support for fishers. Let us suppose that you decide to set a minimum income level, whether that be through prices or through income. Any policy whose purpose is to guarantee incomes directly through the use of targets, whether they be income or prices to fishers, would be absolutely unacceptable and considered to be a prohibited subsidy.

Another important point I would make is this. Let us suppose that Canada acquired access rights for fishing in another country's offshore zones. If the Government of Canada were to transfer its rights to Canadian fishers, with no compensation, at the same price it paid, then that would be called a transfer of rights and would be a prohibited subsidy.

• (0925)

I should make an important distinction. The fact that Canada is purchasing access rights from a developing country in order to fish in the Caribbean, for example, and is doing this government-to-government, does not constitute a subsidy in itself. Countries were concerned for a very long time about whether or not that type of contract between countries was already prohibited. It's not prohibited. When Canada transfers to fishers the rights that it

purchased without making them pay for those rights, that constitutes a subsidy. But the purchase of rights by Canada from another country does not constitute a subsidy in itself.

In World Trade Organization agreements, usually all the effects that are used for subsidy criteria are trade effects. They are called trade effects. But for the first time in the fisheries sector, something completely new is happening within the World Trade Organization. For the first time, ecological effects will be used to determine disciplines for certain trade practices. For example, with respect to the red box, any time a subsidy's purpose is to stimulate fishing of a stock that is clearly threatened, then that subsidy will be absolutely prohibited. I would like to draw your attention to the fact that for the first time practices are being prohibited for considerations other than trade considerations. For example, something could increase the market share but could have ecological effects.

What is in the box of subsidies that are not prohibited? As I already pointed out, the term is somewhat ambiguous because it implies that they are absolutely allowed. Not necessarily, because the texts overlap and in the end marginal means may be used. Overall though they are actually allowed.

• (0930)

[English]

The Chair: Mr. Bénitah, I know you have a wealth of knowledge there, but if you could wrap up your remarks, we'll give Mr. Sumaila some time to have some opening remarks so we can get to some questions around the table. Maybe you can expand on some of your knowledge during the question and answer period.

Dr. Marc Bénitah: No problem.

The Chair: Mr. Sumaila, for some opening remarks.

Dr. Rashid Sumaila (Professor, University of British Columbia, As an Individual): Thank you very much for inviting me to be here.

To start with, when I talk here about subsidies, I'm talking about payments coming from the government, and therefore from taxpayers, to the fishing sector. These can be direct payments or indirect—say, through tax rebates and the like.

There are three key reasons people are concerned about subsidies. One of them is that it has been estimated that these are quite substantial amounts—I'll give you figures later—so it's a lot of money that goes to the fishing sector. Economists usually are concerned about the proper use of taxpayer money and whether this is the best use of it or not. This is one reason people are concerned about subsidies.

The second reason is the trade implications of subsidies. Marc touched on that. If one party gets subsidies and the other doesn't, then the one that doesn't get them is disadvantaged. That is the second reason.

The third reason, which has become very important recently for the WTO, is the effects of subsidies on the sustainability of resources. That's the ecological impact, which the WTO has taken on since the last Hong Kong meeting.

With regard to fisheries, more than a billion people worldwide depend on fish as a key source of protein. Fishing activities support coastal communities and hundreds of millions of people who depend on fishing for all or part of their income and livelihood. Yet according to the Food and Agriculture Organization of the United Nations, more than 75% of the world's fisheries are now either over-exploited, fully exploited, significantly depleted, or recovering from exploitation. So the ecology is quite an issue here.

Now, according to a report my colleagues and I put up, global subsidies are estimated to be around \$30 billion to \$34 billion a year. That's quite a big amount of money. These large subsidies have helped to produce a worldwide fishing fleet that is estimated to be up to 250% more than what is required to fish these stocks sustainably.

I have to say this. Some subsidies support sustainable fisheries, such as moneys we spend on management and research, because they help us to manage the resources sustainably through time. They are classified as good subsidies.

Our study, however, shows that up to about \$20 billion are subsidies that go to support overcapacity and therefore overfishing. This is really the part of subsidies that needs to be looked at closely, and that's what I think the WTO is also looking at.

This \$20 billion amount is estimated to be about 25% of the total landed value of the fish we land globally—25%, quite a big percentage. The total landed value is estimated to be around \$80 billion or \$90 billion or \$95 billion a year.

This is important for Canada: subsidies that promote fishing capacity are concentrated in relatively few countries of the world—there are not many countries that do it—putting other non-subsidizing nations at an economic disadvantage. Among the world's top providers of these destructive subsidies are the European Union, Japan, and China.

Comparatively, while Canada provides substantial subsidies for programs such as fisheries management, social and community benefit, and capacity reduction effort, the country provides relatively few capacity-enhancing subsidies.

Fisheries subsidies are not only environmentally destructive, as I said earlier, but they preserve uneconomic and inefficient practices, and therefore it's important to eliminate them wherever possible.

The long-distance water fleets of countries such as China, Spain, and Japan are highly subsidized for their operations. Our recent study actually shows that a lot of the fleets that fish in the deep sea and the high seas wouldn't make profits without subsidies.

I think this is also important for Canada, given that sometimes these boats come into the Canadian EEZ and cause a lot of pain and help to deplete the resources.

One other area where fishing subsidies have been shown to be big and influential is in terms of illegal fishing. There are reports showing that a lot of money goes to illegal fishing operations around the world. Most of the operations will again not be that profitable, if these subsidies are taken out.

Here is an example. It has been reported that the Spanish government has given at least 1.7 million euros, or more than \$2

million Canadian, of subsidies to a businessman with well-known connections to pirate fishing. This businessman is currently facing legal action for illegal fishing by at least four countries, and he was recently held by the United States.

● (0935)

With respect to fish populations off the west coast of Africa, I'll go to the developing countries, because I think this is important for Canada. A lot of the subsidies go to support fishing, and they weaken developing countries with huge consequences for the people and the resources. It has been estimated that the fish stocks off the coast of west Africa have declined by about 50% in the last few decades, starting in 1950.

There is constant conflict between traditional fishermen and foreign vessels from countries with access agreements with some west African countries. The Europeans are quite big on this. China and South Korea are also buying access. There are a lot of problems attached to this.

Concerns about the decline in world fish populations and the relationship of subsidies to overcapacity and overfishing led to the inclusion of fisheries subsidies in the current WTO negotiations, as mentioned by Marc. The fisheries subsidy negotiations are historic, in that it is the first time that conservation considerations, in addition to trade issues, have been taken up by the WTO. We actually took issue on this one from the Fisheries Centre. Daniel Pauly and I just had correspondence in *Nature* magazine, where we highlighted the need for the WTO countries to support the WTO in dealing with the bad subsidies because of these effects.

In late November 2007, the WTO rules group chairman, who is from Uruguay, released a draft. I think most of your topic came from this WTO draft. The draft text contains a strong prohibition on subsidies that increase overcapacity and encourage overfishing, including subsidies for vessel construction and operating costs. The text also reflects the importance of sustainability and fisheries management for any exemptions to the broad prohibitions. The chairman's text forms a strong basis for ongoing negotiations among the WTO members.

In mid-2007, 125 scientists from 27 countries, led by fisheries experts from the University of British Columbia and Dalhousie University, warned the WTO director, Pascal Lamy, that unless the WTO acts to significantly reduce worldwide subsidies to the fishing sector, global overfishing and other destructive fishing practices will likely result in permanent damage to the world's ocean ecosystems. The group of scientists asserted, and I'll quote:

An ambitious outcome in the ongoing WTO fisheries subsidies negotiations is vital to the future of the world's fisheries. We urge you to use your skill and leadership to significantly achieve a successful outcome in the fisheries subsidies negotiations and demonstrate to the world that the WTO can play a constructive role in solving problems of global consequence.

I think this is a big one for the WTO. We all know the image of the WTO when it comes to global issues like conservation, so this may be their big chance to prove to the world that they can help sustainability. The scientists said that the world's oceans are at the tipping point, and they identified reducing fisheries subsidies as one of the most significant actions that can be taken because of the strong economic incentives they create to overfish.

We can try lots of management arrangements to deal with overfishing. One of the biggest ones to use is the market. One way to do it is to take out incentives that encourage people to fish when they don't make profits.

I'm about to get to the end here.

With respect to elements of successful WTO fisheries subsidies, a broad prohibition of the subsidies is the only approach that will effectively help curtail global overfishing. To the extent that some subsidies are prohibited, they should remain subject to WTO review and discipline, to check against the risks they might cause. Subsidies that are not prohibited need to have some rules to make sure that when they're given they don't lead to overfishing.

• (0940)

There has also been recognition in the WTO negotiations that some flexibility should be given to developing countries in the fishery subsidies rules. And I think maybe for Canada, this is one outlet for some of Canada's concern regarding aboriginal people and social safety networks and so on. We could look at what has been given to the developing countries to see whether some can be adapted to take care of some key concerns in this country.

Critical issues in this area include defining the circumstances under which developing country subsidies should be allowed, the types of subsidies that would be permitted, and further criteria for ensuring that currently underexploited resources do not become depleted in the future. One argument put across by developing countries is that they have resources but don't have the capacity to fish, so they need subsidies. It's the same story that was given in Canada, too. Right? It's very easy to build up capacity, but taking it down is usually quite difficult.

So making the rules clear, how to avoid this buildup, is important.

Thank you.

The Chair: Thank you, Mr. Sumaila.

We will begin questions with Mr. Byrne, I understand.

Hon. Gerry Byrne (Humber—St. Barbe—Baie Verte, Lib.): Yes?

Hon. Lawrence MacAulay: It's me.

The Chair: That's internal. You'll have to straighten that out yourselves.

Go ahead, Mr. MacAulay.

Hon. Lawrence MacAulay: Thank you very much, Mr. Chair.

Welcome, indeed. It was a very interesting presentation.

Mr. Sumaila, you have indicated that, if I heard you correctly, there is \$34 billion in subsidies, and it is felt that there is \$20 billion that goes to help with overfishing. Is that correct?

Dr. Rashid Sumaila: It's a total of \$30 billion to \$34 billion, and part of this \$34 billion is for the subsidies we call good subsidies, such as those for management.

Hon. Lawrence MacAulay: How much is it ?

Dr. Rashid Sumaila: The total is \$30 billion to \$34 billion, and about \$20 billion is for so-called overfishing or harmful substances. It is \$20 billion.

Hon. Lawrence MacAulay: It's \$20 billion of the \$34 billion.

Dr. Rashid Sumaila: Yes.

Hon. Lawrence MacAulay: And you feel that this is the way the WTO has a chance to show its weight in the world and attempt to eliminate these subsidies and bring the fishery in line.

Dr. Rashid Sumaila: Absolutely, yes.

Hon. Lawrence MacAulay: Thank you very much. My concern, and I think the fishermen's concern in this country, is the boxes, and in particular, the red box. In your opinion, you talk about even the gas tax....

Fishermen have tax curbs. They receive income support in employment insurance.

Dr. Rashid Sumaila: Yes.

Hon. Lawrence MacAulay: Would this type of thing be in the red box?

Dr. Rashid Sumaila: You know, when we did our report—I started with our report—we actually classified income support as what we call an ugly subsidy. You know, we have the good, the bad, and the ugly.

Hon. Lawrence MacAulay: I'm interested in the ugly.

Dr. Rashid Sumaila: The reason we say this is that if the income support is designed properly, it can actually help fishers without leading to overfishing, so it is good. But if it is not designed properly, it can actually lead to overfishing. EI, employment insurance, has been cited by some researchers as actually tending to encourage overfishing. Because the way it was designed before—I think there have been some modifications recently—it encouraged fishers to keep trying to fish, even when they didn't make money, to meet targets in order to get their EI. In those cases, it just led to more capacity than there would be.

So that is where we stand in our report in terms of what income support can lead to.

Hon. Lawrence MacAulay: Okay, but would the capital gains tax exemption and all this play into the same role?

Dr. Rashid Sumaila: You said the capital gains tax.

Hon. Lawrence MacAulay: I mean the exemption for fishermen.

Dr. Rashid Sumaila: Oh, yes. Another key point about subsidies is that when you give one sector an advantage vis-à-vis the rest of the economy—if the rest of the economy is paying capital gains tax and the fishery sector is not—that is a subsidy.

Hon. Lawrence MacAulay: The small craft harbours repair, the \$100 million that goes in every year—and everybody here at this table is looking for more money to be put into this program—would look to me like that's in the red box too. It could be considered a subsidy that is illegal according to the WTO, should we agree to it.

• (0945)

Dr. Rashid Sumaila: Yes, it could be.

Hon. Lawrence MacAulay: In fact, it is already in the red box.

Dr. Rashid Sumaila: Yes.

Dr. Marc Bénéhah: Please, I would like to add that the category is at least subsidies that do not have any meaning in the WTO, so it's not a good idea to answer these questions by, for example, saying this subsidy is ugly—you don't find this word.

The answer to your question on income support is of course that it is prohibited. There is no doubt about that. If you provide income support under, for example, a target for the—

Hon. Lawrence MacAulay: But, sir, that would include everything I indicated: small craft harbours repair, capital gains tax exemption—

Dr. Marc Bénéhah: Yes.

Hon. Lawrence MacAulay: —employment insurance, gas tax cards.

Dr. Marc Bénéhah: Yes, it's an operating cost, and every time you have a tax exemption, it's a subsidy according to the WTO, because it's explicitly written.

I would like to add another thing, please. When you discuss the subsidies in the WTO, you have to take the technical definitions, because sometimes economists for their own reasons take a very broad approach to what a subsidy is. But from a legal point of view, of course, you have to have the technical definition of subsidies, and that means you have a financial contribution by the government, and you have a benefit for the recipient. For example, a tax exemption is clearly a subsidy, so it would be in the red box without any doubt.

Hon. Lawrence MacAulay: Just to confirm, everything else that I've mentioned will also be in the red box.

A witness: Yes.

Hon. Lawrence MacAulay: So what does this cover? What do we do? What involvement do you feel we had to this point in order to let this type of thing happen?

To me and to the people I represent this is not a problem—it's a disaster.

Dr. Rashid Sumaila: It's a disaster?

Hon. Lawrence MacAulay: Yes.

Dr. Rashid Sumaila: In what respect, sir?

Hon. Lawrence MacAulay: In the respect that the fishermen end up with no money.

Hon. Gerry Byrne: Anyways, we're here to question the witnesses, not to....

Dr. Marc Bénéhah: Excuse me. You know I didn't have the time to talk about it, but there is a second box—the box of subsidies that are not prohibited. There is leeway here, and there is some room to manoeuvre to help fishermen, but not in the way of the red box. It's important to have a look at the non-prohibited subsidies, because the goal of this box is to avoid the disaster you talk about.

You want to know what is....?

Hon. Lawrence MacAulay: In what way could that happen?

Dr. Marc Bénéhah: Perhaps, if you want, I could tell you what is in the—

The Chair: We have three minutes left, boys, so you can do what you like with it.

Go ahead, Gerry.

Hon. Gerry Byrne: I just wanted to follow up, Mr. Bénéhah—

Dr. Marc Bénéhah: I have a problem. My computers want to restart every 30 minutes.

Hon. Gerry Byrne: I want you to discuss a little bit about the subjective issues that could be open for interpretation by the WTO, specifically environmental concerns.

Take, for example, a circumstance whereby a body of scientific evidence exists, within the Department of Fisheries and Oceans here in Canada, alleging that the overall population health and the stock assessment is marginal or poor, but the Government of Canada decides to allow a commercial fishery on that stock. Notwithstanding the actual truth of the matter—the body of scientific evidence existing showing that the stock is marginal—could that decision be challenged by another country, especially one that participates in a transboundary fishery of the same stock?

Dr. Marc Bénéhah: Of course it could be challenged, and the technique of the draft text is to pass the buck to the international organizations. You have the FAO—and you know it's a technique we already find in the law of the sea to say the international norms of something like the FAO....

Of course Canada—

• (0950)

Hon. Gerry Byrne: Or NAFO.

Dr. Marc Bénitah: —could not decree in the absolute that the fishery stocks are not threatened. Everything Canada decides in this field must be confirmed, and there is even a peer review. For example, if Canada says that a stock is not threatened, it has to go through, for example, the FAO. There is a peer review there, and the peer review must say that they agree.

My answer to your question is of course it could be threatened, and every country—it's written clearly—could ask questions about the nature of the stock, and Canada must have a decision based on the international criteria and validated by the international environmental organizations, so for sure it's not arbitrary.

Hon. Gerry Byrne: So that would include not only transboundary stocks in which other countries have participated—

Dr. Marc Bénitah: So that we conform to the criteria that are in the transboundary agreement on fish stocks....

Hon. Gerry Byrne: What about exclusively domestic fisheries? Take, for example, sedentary species such as crab or scallop that are outside of the exclusive economic zone of Canada but are still considered the exclusive jurisdiction for management purposes of Canada. Say, for example, Canada were to allow a fishery to occur in such a species, and it does not directly impact on another country. Can another country actually challenge the right of Canada to allow the commercial fishery to take place on that fishery?

Dr. Marc Bénitah: Yes. The criteria are not by the nature of the stock. It is where it takes place. So it could be sedentary.

The only leeway is for developing countries, for example, if it's inshore fishing, in the territorial sea. So here you have a leeway. So it's not the nature of the stock that is the criterion, it is where it takes place.

The fact that you fish in your EEZ, your exclusive economic zone, doesn't change anything through the prohibitions. For Canada, there could be something different. Every time in the agreement they speak about marine fishing, that means all fishing that is.... I don't know what it means for aboriginal people. If the fishing is in rivers, for example, or in the delta region, which are not in the sea, the disciplines don't apply here. They are not covered by the boxes.

Hon. Gerry Byrne: Very insightful. Thank you very much.

Dr. Marc Bénitah: You have all the leeway. You can do everything here to help everybody you want.

The Chair: Thank you, Mr. Bénitah, for some great information.

Mr. Blais.

[Translation]

Mr. Raynald Blais (Gaspésie—Îles-de-la-Madeleine, BQ): Thank you Mr. Chairman.

Good morning gentlemen. Thank you for coming this morning.

I would say, to use the words of my friend Mr. MacAulay, that the dreaded red box catastrophe perhaps just happened less than 24 hours ago, given that the Conservatives did nothing to support small craft harbours. They provided for no extra funding. That dreaded catastrophe affects small craft harbours and their infrastructure. As

we have often said, those infrastructures are in such a poor state that, to use an image, they're like a leaky roof that is not being repaired. At one point that roof collapses and that is what is currently happening. Whether it be red boxes or the lack of measures on the part of our government, we are heading towards a catastrophe.

Mr. Marc Bénitah: I would like to add another point in that context. It is clear in the text that you do not have the right to support port infrastructure where fishing is involved. However, if you are undertaking an overall renewal of a port and that project is not directly linked to assistance for fishers, then you have a certain amount of room to manoeuvre. So it is not a complete catastrophe.

Mr. Raynald Blais: It is a dreaded catastrophe.

What you've just said shows that we truly are in a funnel. Negotiations on subsidy agreements have begun. The fact that fisheries are included in that process leaves one with the impression that we have gotten to the point of no return, and that is why I am using the image of a funnel. To get out of this situation we have to deal with it. That will mean finding areas we can intervene in so that in-shore fishing or mid-shore fishing are not affected.

I am not saying that in the current situation this is inevitable but the principle is. It is my impression that we are in a funnel that means that I, as a manager, will have to deal with the situation. As you just pointed out, this means that we are going to have to figure out how to prevent infrastructure from being in a category of prohibited subsidies. In the case of cod, for example, we could succeed in making people understand that this is not necessarily a threatened species. If it is threatened, then fishing it may be prohibited.

Does the principle I just raised reflect the situation?

• (0955)

[English]

Dr. Rashid Sumaila: I don't know. There is possibly a positive part to this that I see. When we talk about a disaster happening, that is a disaster to the fishing communities in the short term. In the long term, if we don't take the necessary action, the disaster is going to come to us anyway, and we've seen this happen in Newfoundland.

So one has to balance the fear of doing something now, because of the difficulties politically and economically, with the long-term survival of the resources and the communities that depend on the resources. So there is a positive side to this that—

[Translation]

Mr. Raynald Blais: But that debate is for another day. I would like you to give me an answer about the funnel principle. What you have just raised relates to another matter, namely, what caused the overfishing and how we can deal with it. I would like you to tell me about the current situation as it applies to the fishing subsidy agreements. I would like to know whether or not we are in a funnel from which there is no possible escape.

Mr. Marc B nitah: I would not want to create any false hope by inferring that you might be able to find some type of loophole, as is the case when it comes to taxation matters. Truth be told, it is, as you have described it, a funnel. The aim is to put an end to subsidies for fishermen. I don't believe that they intended to create a colander with loopholes in the rules. Much to the contrary, it seems very clear that their aim was to create a funnel.

Mr. Raynald Blais: Negotiations are all well and good. They are currently underway, and we don't know where they will lead us. If they use the funnel principle, then we will eventually find ourselves facing prohibited subsidies.

How would all of that work?

Mr. Marc B nitah: The principle is very simple and the question is very important. There may be a colander effect. In criminal law, the state keeps an eye on things and files complaints. The WTO, in its capacity as an organization, cannot act as an enforcer. As I see it, the police-type mechanisms will apply in two ways. The one that is of greatest concern would allow a country to file a complaint against Canada, for example, if it feels that the subsidies paid by Canada to its fishermen are potentially harmful. In that type of situation, a WTO tribunal called [*Editor's Note: Inaudible*] panel would be convened.

Mr. Raynald Blais: That is similar to what happened with the softwood lumber agreement, for example.

Mr. Marc B nitah: That's correct, but there is another mechanism that we must not underestimate and which exerts more pressure at the social level. There is a subsidy committee which is not a tribunal but to which a country can indicate, for example, that Canada is doing something untoward. The country can ask the committee to take a look at what is happening. Of course, the subsidies committee has no enforcement powers, but it can take note of what some of the countries are saying. For example, the United States can turn to the committee to express its concerns about Canada's salmon policy and ask the committee to take a look and report back. So Canada will have to respond to some questions; it will be aware that it has been singled out and that it is being closely monitored. Nevertheless, the basic weapon is the official complaint that one country can make against another.

•(1000)

Mr. Raynald Blais: I apologize, but we are running out of time. I would like to know if the seal hunt is included in this.

[*English*]

The Chair: Quickly.

[*Translation*]

Mr. Raynald Blais: In my opinion, it isn't included because a seal is not a fish.

[*English*]

The Chair: I will allow a quick response from Mr. Sumaila, just 30 seconds.

Dr. Rashid Sumaila: Maybe one of the ways that Canada could deal with this is if the money saved from these rules could be used to support the communities in finding ways to live off the sea. I know it's difficult to say, but in the long run, this is what we will need to do.

So use the resources, and give people the skills and training on what we need to be able to leave off overfishing, because that is essentially where we end up.

The Chair: Thank you.

Mr. Stoffer.

Mr. Peter Stoffer (Sackville—Eastern Shore, NDP): Thank you very much.

Between our previous witnesses and our current witnesses—a very esteemed and stimulating debate—I get more and more nervous and scared all the time. I appreciate our esteemed gentlemen.

I honestly think the goal is to protect the fish from overfishing, illegal catches, and that. That is the end goal and a very lofty goal to achieve. In simplistic terms, it's something that everyone should be able to support.

My problem is that when you make comments that “maybe we could retrain them into something else” and “short-term pain for long-term gain”, do you actually visit those rural fishing communities in northern, eastern, and western Canada, and first nations groups, and sit there and tell them that?

Dr. Rashid Sumaila: I actually do some of that. I visit. I go to Prince Rupert.

Mr. Peter Stoffer: Good for you.

Dr. Rashid Sumaila: I go all over the world. I'm just back from Dakar, actually.

Mr. Peter Stoffer: What do they tell you?

Dr. Rashid Sumaila: The fishermen are asking for subsidies like the Europeans pay their fleets to be taken out.

Mr. Peter Stoffer: That's fair.

Dr. Rashid Sumaila: Because that kills the fish. One of the fishermen told me “they're killing and eating our lives away”.

Mr. Peter Stoffer: That's understandable. But do you then tell them that their subsidies go as well? Do you tell them that?

Dr. Rashid Sumaila: I do.

Mr. Peter Stoffer: What do they say then?

Dr. Rashid Sumaila: They say it's difficult. Of course they don't want that. Clearly the fishermen don't want their subsidies to go away. I want subsidies if I can get them, but is that what the nation wants?

Mr. Peter Stoffer: On the definition of a subsidy or a strategic investment, it depends how you meander around it. I want to thank you for that, but I want to make sure that in these negotiations Canada doesn't throw out the baby with the bathwater.

Sir, you indicated about the other boxes...you didn't get a chance to say. There must be something positive here that I can take to the bank. Perhaps you'd like to proceed on that and use my remaining time to explain the so-called amber and green boxes, if you don't mind.

Dr. Marc B nitah: I think it's important to make you more optimistic—

Mr. Peter Stoffer: Help me out.

Mr. Marc B nitah: —to know what's in the subsidy.

[*Translation*]

A voice: You can speak in French.

Mr. Marc Bénitah: You would like me to speak French; that's fine, but my text is in English.

[*English*]

For example, there are subsidies for improving fishing or service vessel and crew safety. There are subsidies for the adoption of gear for selective fishing techniques. If you want to make fishing more environmentally friendly, you could give subsidies in this context.

A point that's very important for you involves everything for retraining fishermen. For example, to retrain fishermen for other activities that are not related to fishing in any way, you could give them these kinds of subsidies. The exact text is "subsidies to cover personnel costs exclusively for re-education, retraining or redeployment of fishworkers into occupations unrelated to fishing". That's very important, because there is a social impact.

•(1005)

Mr. Peter Stoffer: My next question I ask out of ignorance, because I don't know. If we take a fisherman out of Musquodoboit Harbour and give him \$50,000 to retrain as an oil rigger, couldn't somebody else in another round of discussions about energy say that we subsidized that worker in order to do this job? Could that not be challenged in another field of WTO?

Dr. Marc Bénitah: The possibility exists, but this new subsidized worker must have an adverse effect on another country. So in most cases most countries wouldn't say a word about that. If it's in a specific sector, it's possible, but the danger is not very great.

Dr. Rashid Sumaila: We should also remember that these rules apply to other countries, so we are giving up some flexibility and other countries are also giving up some flexibility. A lot of the fishing that is done by Spain along Canada's exclusive economic zone wouldn't take place if fuel subsidies were not there.

Mr. Peter Stoffer: China, for example, has a lot of state-controlled companies, right, so—

The Chair: Okay, thank you, Mr. Stoffer.

Mr. Allen.

Mr. Mike Allen (Tobique—Mactaquac, CPC): Thank you, Mr. Chair.

If I have any time left I'll pass it over to Mr. Keddy. I'm hoping I won't, but there's that will.

I want to start with a question of clarification, and it follows the questions Mr. MacAulay started with respect to the capital gains tax exemption, as well as the employment insurance program.

My understanding, at least in discussions that I've heard around this, and I'm by no means a trade expert, is if a program is generally available—and the capital gains tax exemption for business is, as it applies to farmers, to fishermen, to small business—then those programs are generally seen as an entire economy program and therefore not specific per se to the fishermen and therefore would not be a subsidy. The same thing with employment insurance. We have many seasonal industries. In Atlantic Canada, we're basically driven

by seasonal industry. So my understanding is it applies to most of our industries, so therefore it would not be a subsidy.

Can you clarify that for me, because you took me down the red-box path when I thought it was a green-box path.

Dr. Rashid Sumaila: I tried to say this in the beginning when I defined what "subsidy" is. It's exactly what you say. The key thing is a few sectors benefit more when it's economy-wide. Like EI, if there are the same rules for all Canadians, then it's not a subsidy.

Dr. Marc Bénitah: The answer is very clear. It is clearly written in the annex that the subsidy is to the extent that it is specific. If you have a program that is generally available for all the economy, for agriculture, for every industry, and it's also applied to fishing—for example, employment insurance is not specific, so it couldn't be challenged. So you could be optimistic in this regard.

There is an ambiguity there: what is specific exactly in the context of fisheries? For example, if you have a subsidy available to all the fishing sectors, the issue is to know it is enough not to be specific, to be available for the same thing. For example, we don't know if a subsidy is available for all the agriculture sector if it's so wide that it's not specific. If it's available to all the economy, no problem, but if it's available only to all the aspects of the fishing industry, there is an ambiguity here for sure. It's exactly the same as for the agriculture sector.

Mr. Mike Allen: Thank you very much.

Uruguay's ambassador put this text together on November 30, 2007, and I find I'm having a hard time grasping this. Previous testimony talked about quite a number of countries, including EU countries and Japan, that support our position on some of these things, like port infrastructure and not subsidies, and we believe we're going to be able to get these folks outside.

I'm puzzled. When an ambassador puts together a working document that presents a possible compromise and this many countries appear to be in line with our position, who's on the other side of this position who could really put us in a tough spot? I would like to understand who that is. Do we really think we're going to lose the situation on this text?

•(1010)

Dr. Marc Bénitah: It's a political economy question.

My impression is that the only real debate now is for developing countries, countries like India, for example. One aspect we didn't talk about is that even when something is permitted, you have to have fisheries management. For Canada it's not a problem, but for many developing countries it's going to cost a lot.

For example, the issue of port infrastructure: is there leeway for Canada to have something modified about that? My impression is no, it's too late for that. For developing countries, perhaps they could.

Remember, in about two months, in April, we will have a general assembly of the WTO. Nothing about port infrastructure is going to change in the draft text in these two months. That's my impression. The only thing that could change is something for developing countries.

Dr. Rashid Sumaila: I think you're talking about New Zealand, Australia, the United States, and Brazil, which is a developing country, really supporting this in general. Most countries will say the structure of the draft is reasonable, but that they have concerns. I think Canada is probably along those lines.

These are the countries that are generally happy to some extent with what is down here.

Mr. Mike Allen: You've led me to my last question.

You've talked about developing countries, and I want to ask you about the special and differential treatment to developing countries. Business is pretty smart. They're going to go to where the capital is going to be the cheapest. You also talked about the pirate fishing. Is this going to create a flow of business to operate where they're going to get a subsidy and then fish out of those developing countries and create more pirate fishing?

Dr. Rashid Sumaila: The rules as they stand are quite strict on the conditions under which even the developing countries can give subsidies. You mentioned one. You have to have a management system. There are rules that hopefully will avoid that from happening. I agree with you that businesses are good and always find ways, but there are rules to make it very difficult for them to do so.

Dr. Marc Bénitah: There is perhaps an important detail here. The subsidy is targeted according to the country that gives the subsidy, not the flag of the boat. For example, if Canada gives a subsidy to a boat that has a Panamanian flag, the subsidy is targeted. It is very clear in the text. What you are talking about as leeway is limited. We target the country that gives the subsidy, so flying another flag won't help. I think that is important.

Mr. Mike Allen: Okay. Thank you.

Mr. Gerald Keddy (South Shore—St. Margaret's, CPC): Maybe we could take a look at what we've clarified already.

The capital gains and employment insurance shouldn't be caught up under the umbrella at the World Trade Organization talks. They should be open.

Dr. Rashid Sumaila: They should be open.

Mr. Gerald Keddy: They shouldn't be countervailable. They shouldn't be put on the table, because they are countrywide.

Dr. Rashid Sumaila: That's right, if they are countrywide.

Mr. Gerald Keddy: The issue I'm wondering about is our conservation-based fishery. We have a total allowable catch in every species; we don't have a huge foreign fishery inside our 200-mile limit. I'm not quite certain why our treatment of port infrastructure.... It's not all port infrastructure; it's strictly fisheries infrastructure, and there is a fair amount of existing private infrastructure that the government has no investment in whatsoever. Why would that be treated as a subsidy to the fishery, when the fishery's conservation-based?

Is that an argument?

• (1015)

Dr. Marc Bénitah: If the subsidy is for management issues, it's allowed. If the subsidy is directed to the management of the fishery—for example, the environmental impact or something like that—it's in the green box.

Mr. Gerald Keddy: I'll ask it a different way.

On our port infrastructure, the fishermen fishing out of small craft harbours are fishing inside the 200-mile limit. They're not fishing in another country. They are fishing in a conservation-based fishery with the TAC. Why would they be treated the same? If the intent here is to prevent overfishing, especially by foreign boats in international waters or by foreign boats off west Africa or wherever it happens to be, we should be treated differently because we are a different fishery.

Dr. Rashid Sumaila: May I rephrase your question? Do you mean that if we have good management, then why worry about subsidies to the ports? Is that essentially what you are asking?

Mr. Gerald Keddy: Yes.

Dr. Rashid Sumaila: This is a point I hear a lot. People ask me that.

If you have perfect, excellent management, then it shouldn't be a problem—

Mr. Gerald Keddy: I'm not saying it's perfect.

Dr. Rashid Sumaila: Very good; usually they are not.

There is a relationship between what management you can put out there and the amount of capacity you have out there. If it is too much capacity, you can see politicians know about this; when there is too much capacity, people are going to complain. It is going to be painful to do something about the fishery, and the tendency is actually to push the system down. That's why it is probably a good thing not to allow this to happen in the first place.

The Chair: We'll go back one more time. Mr. Simms.

Mr. Scott Simms (Bonavista—Gander—Grand Falls—Windsor, Lib.): I wasn't sure where you were going.

I have five minutes, right?

The Chair: Yes, you have.

Mr. Scott Simms: I'd like a quick clarification. You talked about the fact that because the EI system is Canada-wide, cutting across all industries, it won't be red-flagged as it were, or red-boxed. Is that correct?

Dr. Rashid Sumaila: Yes.

Mr. Scott Simms: However, if I were to say to you that EI benefits are based on the amount of catch...?

Hon. Gerry Byrne: It's a separate program.

Dr. Rashid Sumaila: It's a separate program.

Mr. Scott Simms: Where does that put it, then?

Dr. Rashid Sumaila: You set the target, right, which is not what happens to all other sectors. Then it does become a subsidy. It's a special advantage given to the fisheries.

Mr. Scott Simms: You mentioned earlier the fact that Canada is pretty low on the scale when it comes to subsidies.

Dr. Rashid Sumaila: Bad subsidies.

Mr. Scott Simms: When it comes to the other nations, such as Spain, some of the developing countries, when they treat their fisheries, do they treat it as seasonal work, or are these direct subsidies, straight to the fishing industry itself?

Flesh out how it is they do it so that it is so much more than ours.

Dr. Rashid Sumaila: One reason is fuel subsidies, for example. China gives quite a bit in fuel subsidies.

Mr. Scott Simms: Fuel, okay.

Dr. Rashid Sumaila: So that differentiates.

I have a table here I could look at.

Mr. Scott Simms: Would you call that bad or ugly?

Dr. Rashid Sumaila: Fuel subsidies are clearly bad in our classification. They encourage fishers to go out there even when they don't make money. That's simple.

Mr. Scott Simms: Sure.

Dr. Rashid Sumaila: I know it's difficult to deal with it politically.

Mr. Scott Simms: No, I'm trying to define "ugly". Carry on.

So it's mostly fuel subsidies.

Dr. Rashid Sumaila: Yes.

Mr. Scott Simms: Do they have subsidies that deal with seasonal work in a general way? Is it the same type of thing for agriculture?

Dr. Rashid Sumaila: Not that I know about, not like in Canada.

Mr. Scott Simms: Not like here, okay.

So that potentially gives them a lot more red flags than it would us. I see.

Let me return to infrastructure in these other nations. You talked about fuel subsidies, how about infrastructure subsidies that they would provide for these ports? I know Spain would probably be famous for doing this.

• (1020)

Dr. Rashid Sumaila: Yes, they do have that in Europe. That's probably why the European Union is not for the draft as much as, say, New Zealand and so on.

One thing we find in our study is that the infrastructure subsidies in developing countries can be quite high. Most of it is actually development aid, the idea being to help developing countries to increase their capacity to get food, fish to feed the people, and so on.

Mr. Scott Simms: Okay, so it's from other sources, then, external. I see.

Can I say that in the European Union, in Brussels, and in the individual legislatures of Europe—and I pick on them specifically—they're going to have greater problems with what you're saying than we would?

Dr. Rashid Sumaila: At least I expect that they would have more problems than we do, because we have fewer of these bad subsidies than they do.

Mr. Scott Simms: Yet we're two months away.

Dr. Rashid Sumaila: We are two months away.

Mr. Scott Simms: So what have they said thus far? You've basically caused a stir here in the last two days over this issue; there's no doubt about it. Over there, they're probably climbing the walls.

Dr. Rashid Sumaila: They probably are. I don't know exactly what's happening in the EU now, but they will be debating the consequences of this.

Mr. Scott Simms: Did you want to ask a question?

Hon. Gerry Byrne: I do, if you wouldn't mind, if you have room.

This is all fast-tracked for ratification, proposed for sometime this year. It's probably not going to get there. But if Canada doesn't act swiftly and effectively to remove these contentious issues from the draft agreement, basically prior to agreement in principle, what happens then?

If we can't clearly remove the reference that EI subsidies are red-flagged, if we can't make that a green flag, what happens then?

Dr. Marc B nitah: What happens is that you have 150 countries negotiating. If in two months there is no change, things are finished.

Hon. Gerry Byrne: Things are finished.

The Chair: You don't want to hear that.

Dr. Marc B nitah: After April, for example, once the principle of adopting the text is agreed upon, all the work that will be done after April is just writing the text. The substance will not be modified.

Hon. Gerry Byrne: What's the date for this?

Dr. Marc B nitah: After April.

Hon. Gerry Byrne: April.

The Chair: Mr. L vesque.

[Translation]

Mr. Yvon L vesque (Abitibi—Baie-James—Nunavik—Eeyou, BQ): I would like to raise the issue of small craft harbours. In my region, for example, a number of aboriginal nations live in coastal areas. The ports are the only means they have for travelling from one community to the next. The ports are used for fishing, but they are also a means of travelling from one village to the next. I imagine this is also an issue on the Pacific Coast.

When a port is used for both fishing and transport, does government support for renovations fall into the red box or the green box?

Furthermore, an increasing number of ports are being divested to the communities. Is restoration work carried out before divesting the port to a community considered as a subsidy to the fishing industry?

Dr. Marc B nitah: The text clearly stipulates that any construction work carried out on ports that is directly related to fishing falls into the red box. If, however, the work is more general, and is not directly related to fishing, it is not prohibited. It would not be in the red box.

Mr. Raynald Blais: The wording is therefore very important.

•(1025)

Dr. Marc B nitah: Absolutely.

Mr. Raynald Blais: Let us take the example of a wharf: from a fisherman's perspective, it is directly related to fishing, but a wharf may also be used by other people. Would renovation work on a wharf be allowed?

Dr. Marc B nitah: It is my understanding that it will be allowed as long as the wharf is not used exclusively and directly for fishing.

As you pointed out, word choice is very important. Let us take, for example, the paragraph on infrastructure. It is an important one.

Mr. Raynald Blais: The text says exclusively or predominantly.

Dr. Marc B nitah: Exactly: exclusively or predominantly. The language is very strong. There really has to be a direct intention to support the fishing industry. If it is not exclusively or predominantly related to fishing, it will be difficult to run afoul of the provision.

Mr. Raynald Blais: As I understand it, some countries, such as New Zealand, have emerged as leaders on this front within the context of the negotiations.

Dr. Marc B nitah: I'm sorry, leaders on what front?

Mr. Raynald Blais: In eliminating subsidies. New Zealand has the support of other countries, but which ones? I have heard talk of the United States and Iceland. Is that true?

Dr. Marc B nitah: Absolutely. Pressure groups have been set up in these countries. There is one group called Friends of the Fish, and the United States, Australia and New Zealand are members. I suspect that Canada is also a member, but keeps it quiet. Then you have the recalcitrants, such as the Japanese, who want nothing to do with all of this. South Korea also heavily subsidizes its fisheries.

The major players fighting against fisheries subsidies include Australia, the United States and New Zealand. But that list is by no means exhaustive.

Mr. Raynald Blais: What is more, not all countries—and therefore not all fisheries—fall under the jurisdiction of the World Trade Organization. For example, could a small country with a traditional fishing industry find itself in a situation whereby... Might it be affected?

Dr. Marc B nitah: The text explicitly places traditional fisheries in the green box.

Mr. Raynald Blais: Of course, you need an accurate definition of traditional fishery.

Dr. Marc B nitah: Exactly.

Mr. Raynald Blais: The same is true for overfishing. Can the cod fishing in the Gulf of St. Lawrence be said to be overfishing?

Dr. Marc B nitah: As I said, the agreement makes no mention of any specific species. It covers all species and refers to the issue of overfishing to international organizations such as the FAO. This is a solution the WTO has chosen to avoid having to deal with the problem. Obviously, the WTO is not an expert body in environmental issues. That is why institutions such as the FAO, which has developed a code of conduct for responsible fisheries, have a key role to play. All the scientific issues relating to fishing stocks—the hot potato, as it were—are referred to other international organizations deemed to be experts in the field.

Mr. Raynald Blais: You are based not too far from us. Do you accept appointments?

Dr. Marc B nitah: Yes, of course.

[English]

The Chair: Thank you, Mr. Blais.

Mr. Stoffer.

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

Gentlemen, let me just paint you a picture here of what I think may happen, and you can tell me if I'm wrong.

If all my colleagues are fishermen, including me, and the government says, as in the previous committee a gentleman said, there are too many boats chasing too few fish, so the government buys all my colleagues out and I stay behind, and now I'm very profitable because I have all the fish to myself, would that not be considered a subsidy to my enterprise?

Dr. Rashid Sumaila: Buy-back subsidies, that's what you're talking about.

Mr. Peter Stoffer: Yes.

So they're gone now, I have no competition, and I have it all to myself—thank you very much, government taxpayer. Is that a subsidy?

Dr. Rashid Sumaila: It is a subsidy.

Dr. Marc B nitah: No, excuse me. There is a subsidy if you have two things: a financial contribution by a government—

Mr. Peter Stoffer: Yes.

Dr. Marc B nitah: —and a benefit to the recipient.

If you don't have a financial contribution by a government, there is no subsidy.

•(1030)

Mr. Peter Stoffer: The point is that the government gives, say, Mr. Kamp, \$50,000 to stop fishing. He's out of the industry—bye, bye.

Dr. Marc B nitah: Yes.

Mr. Peter Stoffer: So he's gone, Mr. Keddy's gone, and so on. All my competition is gone.

The government, through its tax system, bought them out and said goodbye. Now I'm left by myself, and I have all the fish to myself.

Dr. Marc B nitah: Yes.

Mr. Peter Stoffer: Is that considered a subsidy, to my benefit?

Dr. Marc B nitah: No. The government doesn't pay you anything, so it's not a subsidy.

Mr. Peter Stoffer: No, somebody else is paid, but I get the profit

Dr. Marc B nitah: No, you yourself have to receive the subsidy.

Mr. Peter Stoffer: But the reality is that I'm getting a benefit because my competition has now been bought off. Would that not be considered a subsidy?

Dr. Marc B nitah: No, it's not a subsidy, because it's something given by the new conditions of the market. It's not something that is due to a direct payment by the government.

Dr. Rashid Sumaila: My colleagues have written a lot about buy-back subsidies, actually. The way to make it not a subsidy, for sure, is to internalize the buy, so the one who is remaining should pay those who go off.

Mr. Peter Stoffer: That's not what's happening, though. I'm not losing a penny of this; the taxpayer is. I'm profiting from it because my competition is gone.

Dr. Rashid Sumaila: So it's a subsidy.

Mr. Peter Stoffer: This gentleman says it's not a subsidy.

Dr. Marc B nitah: If your benefit comes from the new conditions of the market due to what happened, there is no subsidy.

Mr. Peter Stoffer: I'll let you two work that out between yourselves.

My other problem is indigenous exemptions. I don't see anything in the text. Why?

Dr. Marc B nitah: You're right.

Mr. Peter Stoffer: If you're in Nunavut right now, and you're an Inuit fisherman with a high cost of fuel and everything else, under no circumstances can you make a profit catching fish if you've paid for everything all on your own. You need government assistance to be able to do that. Yet companies can buy their gas in the Faroe Islands, come up the coast to the OA-OB line, fish for turbot, and go away again. Yet if we assist our fishermen who have adjacency rights to the fish, that could be considered a subsidy, and these are indigenous people.

Why would there not be exemptions in the text for indigenous people, our first nations people? For example, the Marshall decision, which allowed almost \$750 million to buy out non-aboriginal fishermen, to take their enterprises and transfer them over on a communal basis to first nations people—is that considered a subsidy?

Dr. Rashid Sumaila: I think you are touching on a point that Canada can make strongly at the negotiations to include some exemptions for aboriginal fisheries—

Mr. Peter Stoffer: Okay, you're saying they might, but we've only got two months to go.

Dr. Rashid Sumaila: Yes, this is the place to push. That's what I'm saying.

Mr. Peter Stoffer: Do I have to push you? Is that what I've got to do?

Dr. Rashid Sumaila: No, no. Push the negotiators, the countries, the WTO, to put something in explicitly for aboriginals. Two months maybe—

Dr. Marc B nitah: I agree. I agree with you that it's a strange aspect of how the draft text.... The only way for aboriginal people, as I see it now, is to say that what they fish is not marine capture; it's a delta or a river or something like that.

As I told you, everything with deltas or rivers, internal waters, is not affected by the draft text.

Mr. Peter Stoffer: No, but the Gulf of St. Lawrence—

Dr. Marc B nitah: Oh, yes, yes, that.

Mr. Peter Stoffer: —the Bay of Fundy, those areas are acceptable.

Dr. Marc B nitah: Yes. Everything concerning artisanal fishing is in the box for developing countries.

I agree with you that it's strange.

Mr. Peter Stoffer: Two things, then: figure out that buyout subsidy for me later on, and he can get back to us on what the consensus is; and two, do everything in your power to protect our first nations people in Canada.

Thank you.

The Chair: Thank you, Mr. Stoffer.

Mr. Kamp.

Mr. Randy Kamp (Pitt Meadows—Maple Ridge—Mission, CPC): Thank you, Mr. Chair.

Thank you, gentlemen, for coming.

I may have missed this at the beginning. Can you just tell us why you're here? You're academics, I understand, and I think, Mr. Sumaila, you referred to a report. Have you written a report on this? What extra piece have you brought to this? Why are you appearing before us?

Dr. Rashid Sumaila: Yes. I was invited by the chair of the committee, I guess, because of our work in this area. I've written a report with my colleagues, written a series of papers on this issue—

Mr. Randy Kamp: Are you an economist?

Dr. Rashid Sumaila: I'm an economist by training. I've been to Geneva. I've talked with the Canadian ambassador and ten other ambassadors, talked with Pascal Lamy about our report, presented it to him. I made a presentation to a group of countries interested in this issue. So this is something. This constitutes a big part of my research at the moment, yes.

•(1035)

Mr. Randy Kamp: So is this report available to us?

Dr. Rashid Sumaila: It's available in public. I actually sent material; it's just that it came a bit late. So you will get translations of this and references to the work.

Mr. Randy Kamp: Can you tell us, as you see it, if the primary motivation for this discipline is about subsidies, trade, or over-capacity?

Dr. Rashid Sumaila: You know, the WTO initially started mainly about trade, but then slowly the sustainability issue came in, and I think it's very strong and powerful now. They need to conserve our fishery resources through time, yes.

Mr. Randy Kamp: Do you think that's the primary motivation for this?

Dr. Rashid Sumaila: At the moment, if I am to put the two together, it would be difficult to say, but at least fifty-fifty. Conservation has become very important in recent years.

Mr. Randy Kamp: But aquaculture is not part of this issue at all, is it?

Dr. Rashid Sumaila: Aquaculture is not, as far as I can tell.

Mr. Randy Kamp: You can subsidize your aquaculture industry all you like and impact trade inequities, but they don't care about that at this point.

Dr. Rashid Sumaila: In terms of fisheries, aquaculture is not a part. I don't know for sure, but I believe subsidies to aquaculture will be captured in other sectors, like in the agricultural sector it is. So for the trade side there has to be something on aquaculture too.

Mr. Randy Kamp: The \$20 billion in bad subsidies you referred to, have you in your studies translated that into either landed value or tonnage or anything like that?

Dr. Rashid Sumaila: This \$20 billion would be about 25% of landed value globally. When we did a study of deep sea fisheries and the subsidies that go to them, we did a calculation of their profits and it came out to about 10% and the subsidy is about 25%. This is why economists are quite concerned about this. A lot of the activity that leads to overfishing and all that is actually fuelled by these subsidies.

Mr. Randy Kamp: I'm curious why significant effort wouldn't be put into also addressing illegal IUU fishing, which is a huge problem and a big part of the overcapacity. I just wondered where your biggest return might be.

Dr. Rashid Sumaila: Yes.

Mr. Randy Kamp: Finally, how closely are you monitoring Canada's participation in these talks? Do you get to...? Because we talked to them earlier in the week, and in terms of timelines, I think you're creating quite a dire picture for us. I'm not sure we got that quite so clearly on Tuesday. So I'm just wondering how closely you're monitoring what our negotiators are doing.

Dr. Rashid Sumaila: I try to follow the discussions and get information about meetings and so on. Yes, I do that; but very closely, no.

As for the feeling I get in Geneva from other country representatives, Brazil, for example, has said that Canada doesn't seem to have a position on this, that it's almost like we're sitting on the fence, not sure whether to go for it or oppose it.

So that's the general feeling I get from the envoys in Geneva about Canada's position.

Dr. Marc Bénitah: Sometimes when we're discussing this we can get some ideas. If I were in your place, the first thing I would ask Canadian negotiators about is the strange absence of asking for special treatment for aboriginal fishing. It's really very strange. Clearly there are a lot of things concerning artisanal fishing in developing countries, but the idea of taking aboriginal fishing as something special is completely absent from the text. And that's very strange.

Dr. Rashid Sumaila: And I think that is a point on which Canada will get a lot of support within the WTO fora.

Mr. Randy Kamp: Thank you very much.

The Chair: Thank you, Mr. Kamp.

I'll ask our witnesses if they would like to make some short closing comments and just sum up their testimony.

I realize that "short" is not something you—

• (1040)

Dr. Marc Bénitah: Perhaps my closing comment can serve as an answer to an earlier remark about whether it's a trade affair or an environment affair.

It's clear that it's not a trade game here. The idea is that fishing is a common pooled resource. Like air, it's a universal resource. The idea is to target the issue of the resource becoming threatened. It's clear that's it's absolutely not a trade game. From the point of view of money, it's not really so important in terms of trade flows. But in terms of environmental impact, it's really very important. It's a common pooled resource for all of humanity. You can't say you're going to save a resource here but not there. Everything is connected.

So it's not a trade game; for sure it's not a trade game.

The Chair: Thank you.

Dr. Rashid Sumaila: If what Marc says is true...and I believe conservation is a strong reason, but whether trade is not part of the game at all is another issue altogether. But if conservation is a strong thing—and Canada really stands for conservation, at least in the acts and all that we read—then this is the big challenge for our representatives and politicians sitting here. The ability to deal with the pressure, social and economic, that will come from doing something for conservation is not easy, I know, honourable members, but this is something that needs to be done, not only for the fish but also for the fishing communities in the long term.

At my WTO presentation, the last point I made was that we have two groups, it seems, in Geneva. We have the friends of fish and the friends of fishers. And really, when I look at these two groups, I wonder whether you can truly be a friend of the fishers without first being a friend of the fish, because they depend on this resource.

This is the point we need to make, and make clearly: to be a true friend of fishing communities, we have to protect the resource. Otherwise it will hit us in the face, as it has done before. We all know the story about Newfoundland cod.

I'll leave you with that one.

The Chair: Thank you, once again, to our witnesses, and thank you for accepting our invitation to be here.

We'll take a break before we resume. We have a little bit of committee business to take care of before we adjourn.

• _____ (Pause) _____

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• (1045)

The Chair: Sorry to rush along, but there's another committee en route here, and we have a few things to discuss.

First of all, I want to advise the committee—

Mr. Peter Stoffer: Point of order. I found a BlackBerry.

An hon. member: That's not a point of order.

Mr. Peter Stoffer: It could be one of theirs.

Sorry, I thought it was theirs.

The Chair: We had a motion made a couple of meetings ago to send a letter off to Mr. Sean O'Neachtain, who is the person in the European Parliament—that's my understanding—who we believed was supporting our cause in relation to the seal hunt. Someone made the suggestion that we send him off a letter. Anyway, before we sent off the letter, we inquired a bit, and somebody was speaking to—

Mr. François Côté (Committee Researcher): It was Mrs. Allison Saunders.

The Chair: —Allison Saunders, who is the first secretary, fisheries and environment, Canadian mission to the European Union, and she was speaking to Mr. O'Neachtain, and he advised her that he was misreported. He was speaking favourably of a level playing field of information on this topic, but he did not actually express support for the hunt itself. So I don't think we'll be sending a letter off to congratulate him or thank him for his support at the present time.

Some hon. members: Oh, oh!

The Chair: Is everybody clear on that? All right.

Hon. Gerry Byrne: Can you circulate that letter?

Mr. François Côté: I can do that.

The Chair: On Mr. MacAulay's motion.... Is Mr. MacAulay still here? No.

Anyway, on Mr. MacAulay's motion, we understand that DFO and the finance department are in discussions on his motion, and they will get back to us. So I told him I'd advise him as soon as we're advised on that. We hope to have something by our next meeting, but it doesn't look like we'll get an answer today.

On March 10, Ambassador Sullivan will be here in the afternoon for the in camera session we discussed earlier, so put that in your calendars. So everybody's aware of that.

On March 11, Minister Hearn has agreed to come again for another hour with a group of his officials from his department. This will include the assistant associate....

The Clerk of the Committee (Ms. Julia Lockhart): It is the associate deputy minister.

The Chair: Associate Deputy Minister Claire Dansereau will be here with him. We had made a request for this lady to appear on her own. I just wanted to let you know that she's going to be here with him. So do we still follow with the request for her to appear on her own?

Go ahead, Mr. Blais.

•(1050)

[Translation]

Mr. Raynald Blais: I am trying to cast my mind back to what was said before. Are we talking about the associate deputy minister? I thought that we had adopted a motion to have her appear before us for a period of two hours. That was the intention of the motion adopted by the committee, not something else.

[English]

The Chair: You are correct, Mr. Blais. There was a motion passed to have her here for two hours.

[Translation]

Mr. Raynald Blais: I have nothing against her accompanying the minister when he appears before the committee, but I also want to meet with her as an independent witness. Furthermore, this is also what the committee asked for in its motion. If she wants to be accompanied by the minister, we can discuss it, but a motion that has been adopted by the committee in the appropriate manner cannot simply be set aside or reworded.

[English]

The Chair: Thank you, Mr. Blais.

Mr. Byrne, did you have a comment?

Hon. Gerry Byrne: It is not on this particular issue.

The Chair: Okay, we'll get back to you in a second.

We'll go to Mr. Keddy.

Mr. Gerald Keddy: I appreciate what Mr. Blais is saying. However, I think there have been some new developments that we've been hearing about for the last couple of meetings. My suggestion would be that if Claire Dansereau wants to come with the minister, we have the option of not asking the minister any questions and taking all the time to ask her the questions. If the committee decides we need another hour in excess of the first meeting, we can take it. But frankly, I would like to follow up on some of this WTO stuff.

The Chair: Is there any other comment on this?

Mr. Bill Matthews (Random—Burin—St. George's, Lib.): There's been a motion passed by the committee, and I think the motion should be proceeded with.

The Chair: We will request that Ms. Dansereau appear here. I'm not sure we'll get her in before March break, but if the motion is passed by the committee, the request will go forward, and she'll be here with the minister on March 11.

The order of reference will expire before the March break. So if you want to deal with it, we'll have to deal with it after that.

Do you have something on this particular issue, Mr. Stoffer? Just a moment.

Mr. Blais.

[Translation]

Mr. Raynald Blais: There is nothing mysterious about it. When the committee receives notice of the appointment made by the privy council and cabinet, it has a limited period of time in which to meet with the appointees. The clerk provides us with information during this period.

It is this timeframe that has to be respected. It would have to be respected if we had something against the appointment of the person in question. I have nothing against the person in question, and I am not questioning her appointment. That is not what I perceive to be the problem. I feel that, in light of the work that she will be doing, it is important to have enough time to talk with her. That is why the motion was tabled. We want to meet with her and have a real dialogue so that we can find out how she intends to approach the different issues that we are studying or that are important to us.

Please do not feel that I am planning to use this timeframe to challenge her appointment.

[*English*]

Hon. Gerry Byrne: No.

The Chair: The committee has made a motion, which is passed. We'll follow up on the motion, and we'll advise the committee of that.

On March 4 next week, we will be dealing with the James Bay eelgrass study. On March 10, as I mentioned, Ambassador Sullivan will be coming. On March 11, which is our regular Tuesday meeting, we will have the minister and his group. On March 6 we had slated in some committee business to work on, but in light of our testimony today, there's been some suggestion all around that we may invite back Mr. John O'Neill and Mr. Ruseski, who were here this morning, to respond to some of the things that were raised here this morning, just for clarification and maybe some more questions. They were the people who were here the other day.

Mr. Byrne.

•(1055)

Hon. Gerry Byrne: Mr. Chair, with all due respect, the forthrightness of those witnesses was next to nonexistent.

On the WTO issue, I think we need to broaden the depth and the scope of the witnesses. This, to my mind, has become one of the most paramount, pre-eminent issues that this committee should be looking at, given the timeframes that are involved. The officials from the Department of Fisheries and Oceans and the Department of Finance offered us absolutely nothing. I think what we need to do is get either corroborating or contradictory evidence from additional expert witnesses and broaden the scope and depth of the testimony that's provided, not simply use up more time with a group of people who came here and basically said nothing.

The Chair: I realize, and this is a debate I think we need to have, but we're struck on time now. I'm just asking if we should, on March 6, bring back—I know what you're saying and your point of view—those two gentlemen here and ask them specifically about the issues that were raised here this morning and let them respond to those and then follow up on your suggestion of getting some more expert witnesses. Would that be correct?

Hon. Gerry Byrne: I would certainly agree with having them for a half-hour without—

The Chair: How about we set down one hour for them and one hour for committee business on Thursday? Would that be okay?

Hon. Gerry Byrne: I'd prefer one hour for them and one hour for additional witnesses.

The Chair: I don't know if we can do that by next Thursday, and we have March 10 and 11 already booked.

Hon. Gerry Byrne: This is a serious issue. That's my concern.

The Chair: We will canvass for some more expert witnesses, but in the meantime maybe we'll get them back for one hour and do committee business for another hour on March 6. Then we'll go from there. We'll certainly take your suggestion seriously.

Okay, everybody, thank you very much.

Oh, sorry, Mr. Byrne.

Hon. Gerry Byrne: I just want to report to the committee that I did indeed receive from our clerk information regarding the Larocque decision, as each and every one of you have done. I received it this Monday past in my mail slot. The information was completely—

The Chair: Order, please.

Go ahead.

Hon. Gerry Byrne: It was very incomplete. The information was scanty at best. The Department of Fisheries and Oceans is not forthcoming on this request whatsoever. And I think if you analyze the information that has been provided to each and every one of us, you will agree with my assessment.

For example, the Department of Fisheries and Oceans refused to actually indicate exactly what the tonnage was, or what the types of fish being allocated under the scientific quotas originally were. They did indicate what they estimated to be the market value, the landed value. Five thousand metric tonnes of shrimp, according to the Department of Fisheries and Oceans, is worth \$1.1 million. That is absolutely laughable. Five thousand metric tonnes of shrimp is far in excess of a value of \$1.1 million, yet that's what's been recorded by the Department of Fisheries and Oceans.

I wish that the department would just give us the information. They are starting to hide something now. It's very clear there is something being hidden, and I think this committee should get to the bottom of it.

Why won't they give us the types of species that were allocated and the amount of quota that was allocated? Why is it they're just listing the name of the group that was allocated, some sort of fish for some sort of fishery, and their estimation of the dollar value? Why aren't they giving us the whole list? There were 178 different allocations, I believe, but information on only 61 allocations was given to the committee, and that information was marginal at best.

I'm asking the committee to join with me in raising this issue further and to take specific actions if this information is not provided.

The Chair: Under committee business next week, we'll have an opportunity to further develop that.

An hon. member: Right on.

The Chair: Okay.

Thank you very much.

The meeting is adjourned.

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