



House of Commons
CANADA

Standing Committee on International Trade

CIIT • NUMBER 017 • 2nd SESSION • 40th PARLIAMENT

EVIDENCE

Thursday, May 7, 2009

—
Chair

Mr. Lee Richardson

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

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

Standing Committee on International Trade

Thursday, May 7, 2009

•(0910)

[English]

The Chair (Mr. Lee Richardson (Calgary Centre, CPC)): We're going to begin the 17th meeting this session of the Standing Committee on International Trade.

Today we will continue our discussion of Bill C-24, an Act to implement the Free Trade Agreement between Canada and the Republic of Peru, the Agreement on the Environment between Canada and the Republic of Peru and the Agreement on Labour Cooperation between Canada and the Republic of Peru.

First, a technical announcement. We had lined up Dr. Luis Carlos Rodrigo, who is the president of the Canada-Peru Chamber of Commerce, from Lima, and the Canadian Wheat Board, but unfortunately our technical problems prevent them from appearing today. It was an equipment problem within this building, not in Winnipeg or in Lima, I'm told.

So I'm delighted to have the Canadian Federation of Agriculture here, represented by Laurent Pellerin and Robert Godfrey.

My sense is we'll probably go the hour with these witnesses. We'll give it a full hour, until about 10:15, at which time we'll revert to committee business. We have some travel to discuss.

With that, I will ask Laurent Pellerin to begin with an opening statement from the Canadian Federation of Agriculture.

Monsieur Pellerin.

[Translation]

Mr. Laurent Pellerin (President, Canadian Federation of Agriculture): I will make most of my presentation in French. I may speak English at times, but I will try to make my presentation in French.

First of all, I want to thank you for the invitation to today's committee meeting. The opening and closing of borders are very significant issues for Canadian producers. You are aware of the situation for certain types of operations, pork production in particular. We are currently seeing border closures for the moment. These are issues that we follow very closely.

We were asked to participate in this meeting on Monday, late in the afternoon. You will understand that we do not have a printed document to distribute to everyone today. I will speak using my notes on the Canada/Peru Free Trade Agreement, an issue that we have been following over the last few months.

The Canadian Federation of Agriculture is the biggest producer organization in Canada: it represents more than 200,000 Canadian farmers. The vast majority of Canadian producers are members of a provincial association and a product association. We consulted with each of these associations in order to prepare our document and the comments that we will make today. The impacts of the Canada/Peru Free Trade Agreement vary from one product to another. It is more advantageous for certain producers, whereas for others, it represents almost the status quo. And then there are other groups that do not have much interest in signing an agreement with Peru.

First of all, I would like to say that this agreement should be implemented as quickly as possible. It is not a huge achievement with regard to the objectives of agricultural producers, but some improvements are worth implementing.

We are negotiating this agreement more or less at the same time as the United States, or a bit later. We believe, however, that we must negotiate parity with the United States in future negotiations or free trade agreements and contracts with countries like Peru. Unfortunately, in the case of Peru, Canada is far from achieving the same thing as the United States. We recognize that the Peruvian market is probably more significant for the United States than it is for Canada, but all the same, parity would have been a very desirable goal.

In the case of Peru, the United States will have shorter tariff elimination periods, and in some cases, tariff-free access, and in others higher quotas. Even if Canada negotiated something better than our current conditions, because the Americans negotiated tariff reductions and completely free access before us, the market or business will favour American products over ours. This is something we must bear in mind.

As a result, it is important to ensure when we are negotiating contracts with countries like Peru that we obtain similar access to that obtained by other countries, particularly our American neighbours with whom we already do a lot of business.

The agreement is a success for some sectors while for others, it does not change much. The sectors that will benefit the most from this agreement are no doubt the producers of Canadian wheat, durum, barley and pulse crops, which is to say all of the beans and oilseeds. Our Canadian producers already had a presence in this market. A shorter elimination period and tariff-free access in this sector will certainly improve and facilitate trade for grain producers.

Some tariff lines will have a shorter elimination period for Canada than for the U.S. There are not many, but there are a few for which this is the case, for example garlic, frozen green beans and frozen spinach. The tariff elimination period is shorter for Canada than it is for the Americans for these products. These are not very significant volumes, but we must take advantage of this.

• (0915)

For other sectors, this agreement is more problematic or has limited possibilities. For example, the tariffs will almost all be eliminated immediately on U.S. beef, whereas only a part of tariffs on Canadian beef will be eliminated. This will result in fiercer competition with the United States.

In the near term, the United States will get immediate access for all Prime and Choice beef cuts, plus a quota starting at 800 tonnes per year and increasing to 1,433 tonnes by year 11 of the agreement.

As concerns Canadian products, these 800 tonnes, increasing to 1,433 tonnes, allocated to the United States, are not particularly large quantities. In Canada, over the same period, producers will also obtain duty-free access for beef cuts meeting the Peru "fine" cut standard, which corresponds to Canadian Prime and AAA cuts, plus a quota for boneless beef which will start at 100 tonnes and increase to 122 tonnes in year 5 of the agreement. So you can see that Canada's quota is even smaller.

A great deal of fresh, chilled and frozen beef offal is traded between Canada and Peru. In this sector, the tariffs will be eliminated simultaneously for both Canada and the United States, but it should be noted that the quota or volume exported by the United States is twice as large as Canada's. So once again, the agreement will favour the U.S. market.

In the long term, both Canada and the United States will achieve duty-free access for pork carcasses and cuts. However, in the short and medium term, the agreement is definitely more favourable for the Americans and could seriously affect the products from Canada because there again, the tariffs on U.S. pork will be eliminated by the beginning of the 5th year, whereas for Canada they will not be eliminated until the 17th year. This is an extremely large gap in an area where Canada is very present on export markets. One of our main competitors on the global market, the United States, will have a significant advantage.

Still in the pork sector, the quota for cuts in the offal category, including pig fat and bellies, will start at 325 tonnes per year and increase to 504 tonnes in year 10. Once again, these are not large quantities. However, the Canadian Pork Council has told us that this agreement must be supported, since a deal with slightly increasing quotas is better than no deal at all with a risk of retaliation. They agree with these measures.

Canada is extremely present on the potato market as well. Duty-free access strongly favours the United States over Canada, particularly during the first nine years. Tariffs on fresh and chilled potatoes, other than seed, will be eliminated immediately for the United States. As for tariffs on Canadian potatoes, they are subject to a gradual reduction and will be eliminated as of year 10. There again, our small Peruvian market may be replaced by American products,

which will be more competitive because they will have duty-free access.

In the sector of frozen potatoes, Canada is fairly active—

Some voices: Oh, oh!

• (0920)

M. Peter Julian (Burnaby—New Westminster, NPD): Mr. Chair, some people are talking. All other conversations must stop so that we can hear the witness clearly.

[*English*]

The Chair: Thank you.

Mr. Pellerin.

[*Translation*]

Mr. Laurent Pellerin: As concerns frozen potatoes, I don't need to name the large Canadian companies in this sector, because you already know them. Canada is very active on this market as well, and Canadian potato farmers count on this market, especially the frozen french fry market. If the agreement is signed, tariffs on frozen potatoes from the United States will be eliminated immediately, whereas the tariffs on Canadian potatoes will be eliminated gradually, reaching zero in year 10 of the agreement. This market could potentially be attractive for Canada, but you will understand that over the next 10 years, the United States will have a major competitive advantage in the potato sector, and so this is not a major gain for Canada.

As concerns products in the bean category, whether dry or canned beans, the tariffs on U.S. products will be eliminated immediately. Similarly to the two sectors I have just mentioned, the tariffs on Canadian products will be eliminated at the end of the 10th year of the agreement.

So if we do business with Peru, there is a risk that Canadian products will be replaced by American products for the next 10 years because of the competitive advantage. American producers will not have to pay this tariff from the outset. We thus risk losing our market in the three sectors I have just discussed.

In general, the reduction of Canadian tariffs will take four years longer than U.S. tariffs. Therefore, there is a risk that American products will replace Canadian products on the Peruvian market.

Aside from the tariff reduction issues, there are two other important conditions that must also be monitored. As concerns the preference matching provisions for the U.S.-Peru Free Trade Agreement, Canada did not receive the same commitment as the United States. So Peru could give priority to U.S. products with no possibility of recourse for us, but Canada was not given the same commitment concerning our products. So there again, you can see that the tariff treatment is different.

There is a Peruvian agricultural price support system to protect Peruvian markets from imports. In the case of U.S. products, this Peruvian legislation does not apply at all, whereas Peru could implement a price ban system on Canadian products for the duration of the agreement.

Here again, we did not receive a similar commitment to that given to the Americans. I could come back to the example of potatoes. If their imports affect the local Peruvian potato market, Peru does not have the right to implement its price ban system to prevent the entry of American potatoes. But if the same potatoes came from Canada, Peru could apply its price ban system to prevent them from entering. So this provision could be detrimental to some of our exports.

In general, the agreement does provide certain access guarantees to Canada for wheat, barley and pulses. The Canadian Federation of Agriculture recognizes that the export volume to Peru is not very high, but for the products concerned, it is nonetheless significant.

In closing, I will repeat what I said in my introduction. Should Canada sign this agreement with Peru, it must be ensured that in future bilateral negotiations with other countries, Canada achieves parity with other trading partners who are important for us, like the United States. Otherwise, our products and our producers are at risk on these markets.

• (0925)

This will be my last comment concerning the draft agreement with Peru.

[English]

The Chair: Great. Thank you.

With that, we will go to questions, and we'll begin with Mr. Brison.

[Translation]

Hon. Scott Brison (Kings—Hants, Lib.): Thank you very much.

I greatly appreciated your comments on our supply management system.

Does the Peruvian beef and pork industry represent a significant threat for our Canadian industries?

Mr. Laurent Pellerin: No. Peru does not produce a great deal of meat, so there is really no threat in that regard.

Was the question of supply management completely excluded from the negotiations?

[English]

You asked whether supply management has been excluded from the negotiations. There's no impact at all on supply management commodities, so that's the good side of it. Our domestic production is really under the same protection system, and the products we have on the export market, such as grain, beef, pork, potatoes, and others, will have slightly better conditions than what they have now. It's not a big increase or a very large door opening, but it's a little bit more.

Hon. Scott Brison: So supply management is excluded and there will be no effect. It's better for grains and potatoes. It's helpful and not a risk to pork or beef. So on the whole, it's a move forward.

Mr. Laurent Pellerin: That's why we say we have to sign that as soon as possible, and make sure that the next time we negotiate with a country, we look for or try to achieve a result that will give us the same conditions the other countries, namely the U.S., have, because there is a very open market in pork, grain, and beef with the U.S. Not obtaining the same conditions will come back in our faces. There is no doubt about that.

• (0930)

Hon. Scott Brison: In the U.S.-Peruvian deal, I don't think the conditions in the agreements on labour or environment are as rigorous.

Mr. Laurent Pellerin: I'm not aware of the—

Hon. Scott Brison: That's my understanding.

That's the only question I had. I wanted to know what the effect on those sectors would be, and it's neutral or positive, so that's helpful.

Could I split my time with my colleague?

The Chair: Did you want to jump in, Mr. Wilfert?

Hon. Bryon Wilfert (Richmond Hill, Lib.): Since I'm not on this committee, I guess I'll just ask a couple of questions.

On the issue of access, with regard to beef and pork, when we're negotiating these free trade agreements, certainly with regard to Korea, we often look at what the Americans have been doing, or with regard to Singapore, we say that we should be able to maintain, particularly in the agriculture sector, the same, if not almost the same, standards.

What is your view of why, in this case, we're prepared to settle for less? If I understood your comments earlier, this is not necessarily going to have a great impact on the beef and pork sectors, but there is concern from some of those groups with regard to the long-term implications.

Mr. Laurent Pellerin: There's an expression in French—I don't know if you have the same in English—*Ce n'est pas le Pérou*; it's not Peru. That's very true of that deal, but overall it's positive. It's little, but it's positive.

I was not that clear on the second-last comment, that if another country negotiates something with Peru in the future, there's a clause in the agreement that the U.S. will obtain the same consideration. Canada was not able to put the same clause in our agreement. So if, for example, Europe obtained something better with Peru than what the U.S. has, the U.S. will have it. If Europe negotiates something better with Peru than what Canada has, Canada will not have it. We didn't include that part in the deal. That's also something that embarrasses us a little.

That's why, if you understand the overall picture, there is a risk in the next couple of years, up to 10 years, that some of the market we already have in Peru will be taken by somebody else, especially the U.S. There is a risk. So there is probably a need for a very close follow-up of the numbers for what Canada is trading with Peru, and back and forth.

Hon. Bryon Wilfert: With regard to Canada-Colombia versus Canada-Peru, again, do you feel that the negotiations that have gone forward protect in the longer term the interests of your membership, and are there any significant differences between what's being negotiated with Colombia and what's being negotiated with Peru?

In both cases, of course, human rights issues are cited. I see that the government has improved significantly over the years, although there are still, in my view, significant issues with regard to human rights, particularly for the indigenous peoples in Peru.

Mr. Laurent Pellerin: I don't have comments on the impact on other sectors—labour and government and things like that. We didn't look at those, but probably somebody would have to look at those to measure the overall impact of that type of deal.

There's no doubt in our minds that long term those countries are really developing rapidly in agriculture. There is also a need for a very close follow-up of what will happen in those countries. You know what Brazil did in the last 10 or 15 years. So when you have a deal that says that in 10 years you will send 120 tonnes of pork to Peru, perhaps it's nothing compared to where that will be in 10 years. So we have to follow up on that deal very closely.

• (0935)

Hon. Bryon Wilfert: I notice that supply management is excluded. I'm not really that familiar with Latin America—my area is Asia—but I know that the Japanese often talk about agriculture as if it's some monolithic issue, which it isn't. If you look at different sectors, you can exclude, as we did with the United States, certain elements—egg marketing, milk, etc.

In terms of supply management being excluded—and I'm not sure on this one, Mr. Chair—is there a timeframe, or is this simply to be reviewed later, or is it permanent?

Mr. Laurent Pellerin: No. My understanding is it's there, period.

It's quite interesting to see, as you mentioned, if we go back 10 or 15 years, that when Canada presented its position, especially when the Canadian farmers presented their position worldwide about the fact that we have domestic production and export production, a lot of people were...not laughing, but were smiling a little bit at Canada.

I have been part of those meetings in Geneva, Cancun, Hong Kong, and everywhere in the world, on trade missions, and I realize now that a lot of people—government people and farmers—are looking at our position in Canada, and they are not smiling anymore, because they all realize that they have some domestic commodities they want to protect. First of all, there is the U.S. The EU also has a lot, as does Japan. They all have some commodities they don't want to put on the world market and some other commodities they are very interested in trading. They looked at our position and asked us to explain a little bit more what we are doing, because they're very interested. So there's a change there also. It's very interesting for us.

Hon. Bryon Wilfert: Thank you, Mr. Chair.

The Chair: Thank you, Mr. Wilfert.

Monsieur Cardin.

[Translation]

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

Hello, Mr. Pellerin and Mr. Godfrey. You are right, it is not in Peru that we will make our fortune. I understand that you did your study. You did, for all intents and purposes, an impact study concerning the entire agricultural industry. You are thus in a position to tell us that, even if we lag behind the United States, over a longer period, we will do business with Peru, even if the gap is not particularly large.

When free trade agreements are developed here, we rarely see complete impact studies that deal with all industries. You see things from an agricultural standpoint, while we see them from the viewpoint of all industries.

I can understand your position. The Bloc Québécois is currently tending toward disagreement concerning the free trade agreement for other... Moreover, in agriculture, supply management is protected, and that suits us just fine, obviously. So the impact studies are conclusive for you, but they are less so from a comprehensive standpoint.

We also criticize the government for never submitting any overall impact studies. Of course, it is easy, up to a certain point, to tell us in what direction they are heading.

Earlier, you referred to the most favoured nation clause. Correct me if I am wrong, but my understanding of this clause is that even if we sign a free trade agreement, these agreements are not necessarily affected by the most-favoured-nation clause, but this affects us with regard to other countries that are members of the WTO. Even with the most-favoured-nation clause, our conditions would not be adjusted to those of the United States, because we did not negotiate them.

You also referred to certain problems with the negotiations.

That is why I am wondering about these things. Even if you agree with regard to agriculture issues and you hope that the agreement is signed as quickly as possible, the fact remains that an overall impact study would have been useful for this agreement. We do not have one and therefore we are always left guessing.

Those were my, shall we say, editorial comments. Given that I have an agriculture expert with me, I will turn the floor over to him now.

Mr. Claude Guimond (Rimouski-Neigette—Témiscouata—Les Basques, BQ): Thank you.

Hello, Mr. Pellerin. Hello, Mr. Godfrey. Mr. Cardin made an excellent remark concerning the vision of the Bloc Québécois.

Mr. Pellerin, I have known you for a long time. You represented Quebec farm producers in Africa, particularly with the UPA DI. You were present everywhere and you have always been a staunch defender of fairness among farmers from Quebec, Canada and the world over.

Your analysis earlier was technical and commercial. It was well presented and clear.

The regrettable thing about this free trade agreement with Peru and the one with Columbia, which we are dealing with at the same time, is that there are major weaknesses in the area of accountability, especially concerning a genuine policy of accountability with regard to human rights, among other things.

In your area, which is also mine, as a farmer, what is your vision of a solid agreement that would be effective in trade terms, but would also give the farmers concerned the opportunity to obtain a fair income throughout the planet?

• (0940)

Mr. Laurent Pellerin: When I was with the UPA, and now, as part of my duties with the Canadian Federation of Agriculture, we agreed and agree on the idea of a world trade framework that is fairer for everyone. So we support WTO negotiations seeking to implement fairer trade conditions.

Unfortunately, in the documents submitted to the WTO and in private contracts of this type, the results are not always very positive. We can see that trade for trade's sake is becoming more and more prevalent. We can easily imagine that there is pressure being exerted in this regard. Large multinational corporations are specialists in this type of trade, which is not always fair or profitable for producers. These people exert a great deal of pressure to promote agreements like the one currently being presented.

That is probably why the WTO said that it is so difficult to agree on a document that suits everyone. Ideally, there should be a world trade framework in place that is fairer and more acceptable to farmers. That way, we could do business differently. These bilateral, trilateral or multilateral agreements, in the case of contracts signed between several countries, for example, Canada, Mexico and the United States, are a sort of substitute for a world trade contract that would suit everyone. That is why I am not really surprised to see that, in contracts of this type, signed between two countries, we do not succeed in achieving all our objectives.

Despite the risks inherent in a contract like this one with Peru and the fact that the improvements with regard to duty-free access are not very significant, we feel that it is worth it in some cases. There are improvements with respect to products exported to Peru, especially grain products like wheat and barley. With time, things will get better. In this way, at least we can stabilize this sector. Moreover, when there is no trade agreement with a country, there is always the risk of losing ground, that is, markets. At least this agreement establishes a foundation with Peru on which we can build access to these markets.

We tried to draw your attention to the following two points: There needs to be follow-up concerning the impact of this agreement, but especially concerning the quantities that will be exported or those that we will lose. If we do not achieve the results we are hoping for, I think that Canadian negotiators should quickly become party to the negotiations that are currently being held with other countries.

[English]

The Chair: Thank you.

Mr. Julian.

[Translation]

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

Thank you, Mr. Pellerin. Your testimony is very interesting.

I would like to come back to the question of tariff lines. We obtained conditions that are better than those that the United States managed to negotiate. We are talking here about garlic, peas and frozen spinach, among other things. What amount are we talking about? One or two million, perhaps?

• (0945)

[English]

Mr. Robert Godfrey (Director, Trade Policy and International Relations, Canadian Federation of Agriculture): I don't have an exact figure, but the garlic production in this country isn't grand.

[Translation]

Mr. Peter Julian: If I understand correctly, in the vast majority of other areas, what the federal government negotiated is not as good as what the United States got. I do not know whether you have done an in-depth analysis, but I would like to know whether you can say in what percentage of the cases the results of the negotiations is not as good as what the United States got. Is it 90%, 95% or 99%?

Mr. Laurent Pellerin: Generally speaking, the United States did better with respect to the length of time it will take for the tariff to be reduced to zero by a ratio of 4 to 10. In other words, the reduction is faster for the United States: four years compared to ten years.

Mr. Peter Julian: Yes, I understand, but overall...

Mr. Laurent Pellerin: If you want a percentage, I would say it is 40% faster.

Mr. Peter Julian: I am looking at the overall situation. With respect to the tariffs established in agriculture, I want to know in what percentage of the cases Canada's conditions are poorer under this agreement.

[English]

Mr. Robert Godfrey: Just so I understand your question, you're wondering what percentage of this agreement did we do better than the United States...?

Mr. Laurent Pellerin: Only on the tariff lines.

Mr. Peter Julian: I'm asking what percentage of the agreement are we clearly inferior, in the negotiation that was undertaken, to the United States?

Mr. Robert Godfrey: I don't have a percentage.

[Translation]

Mr. Peter Julian: It is quite substantial. We did significantly poorly in areas such as pork, potatoes, French fries, beef and beans.

[English]

Mr. Robert Godfrey: To a point, yes, absolutely. But—

[Translation]

Mr. Peter Julian: We need to know these things. Since I have a number of questions, I am going to move on to the next one. This is an important point. We saw this in the case of softwood lumber and a number of other areas: this government seems unable to promote Canada's interests in bipartite negotiations.

In that regard, we had a number of forecasts in the past regarding the impact of these negotiations on agricultural exports. In a number of cases, our exports were reduced as a result of bipartite agreements, for a number of reasons.

Has the federation tracked that, and has it noted the difference between the forecasts made by the Department of International Trade and the actual results during the first and second years following the signing of these bipartite agreements?

Mr. Laurent Pellerin: We have not tracked that systematically, no, and we do not have the resources to do that sort of follow-up. Agriculture Canada does some of this. Some of our federations have done some tracking as well, for example with respect to the quotas or the 5% tariff line with respect to the entry of tariff-free products, to determine to what extent the forecasts were accurate. So for some of our products such as milk and poultry, in particular, people measured whether the forecasts were achieved and to what extent.

Generally speaking, these people told us this: Canada met its obligations, that is when it agreed to open up 5% of its market to foreign products with no tariff, it did open the border and the products came in. In other cases, for example the United States or Europe, when 5% of the market was open, that figure was generally not achieved.

Mr. Peter Julian: Exactly. Ultimately, we are at a disadvantage, if we compare what was signed and what actually happened. It is important to know that.

In this committee, we are having a debate about the best approach to international trade. A number of witnesses have told us that Canada invests less than other countries such as Australia, the United States and the European Community in export support, and in the export of our agricultural products in particular. Those other countries invest hundreds of millions of dollars to support their agricultural exports. In Canada, the amounts invested are ridiculously low—a few million dollars compared to the hundreds of millions of dollars spent by other countries.

In your opinion, does Canada really have a robust export strategy when it invests \$1 million while other countries invest hundreds of millions of dollars?

• (0950)

Mr. Laurent Pellerin: I hesitate to say yes or no in response to this question, because the answer is probably neither yes nor no.

Here is the answer: we have to take into account the export strategies of all Canadian industries. We must certainly keep in mind Canadian agricultural products—I'm not familiar with the other areas. And we must also keep in mind that the areas in which we are most active include wheat, pork, beef and a few others.

Let us also look at the sales argument that is being used throughout the world. Probably because of it, it takes less money to

promote our product. Our sales argument is that we have a very high-quality product and a reputation in Canada that has never been found lacking. That is our sales pitch throughout the world. Of course, it takes less money when you have that.

However, some other countries have chosen to engage in dumping strategies. For example, some European surpluses were dumped throughout world markets at very low prices. There is no doubt that eliminating these surpluses costs more than using our sales strategy here in Canada.

Should Canada be earmarking more money to promote its exports? As a producer and partner of the people who export our products, we obviously think that there should be improvements in this area. There is no doubt about that. We could do an even better job if there were more money, but it is not just a question of money. We must remember that as well.

Mr. Peter Julian: I have two other questions.

[English]

The Chair: I'm sorry, that's over seven and a half minutes so far.

Mr. Harris.

Mr. Richard Harris (Cariboo—Prince George, CPC): I think Mr. Keddy was going to go first with a short one.

Mr. Gerald Keddy (South Shore—St. Margaret's, CPC): I will be short. I know we have two other questions.

Specifically on beef and pork, because those are the two issues that we seem to be coming back to all the time, it's my understanding that the way that quota was set was based on what we've demonstrated for export capacity in past years.

So our duty-free—where we will start off—is based on the maximum amount we've ever shipped into Peru up to this point. I just think that needs to be said. It still allows for the market to grow.

The other issue—and you might want to comment on it—is that when you are comparing Canada's market with the American market, the Americans have an advantage when they negotiate because they have that huge market that's ten times larger than ours, which other countries want to get into.

I don't know if you have a comment on that or not.

Mr. Laurent Pellerin: Yes, you are right. We stopped where we were.

Mr. Gerald Keddy: At least we're duty-free and equal.

Mr. Laurent Pellerin: Yes. You are also right that it is not because we have to pay a duty that our product will not go there. We have to keep that in mind also.

As I already said to Mr. Julian, because our product is of very high quality, it is very well recognized everywhere in the world.

I will use a very easy example. The malt barley that we produce in Canada is in demand everywhere in the world. I don't know exactly why. It's probably because people like beer.

Mr. Gerald Keddy: I think so.

Mr. Laurent Pellerin: Also, the hard wheat that we have in Canada to produce pasta is the best in the world. It is not the Canadian farmers who say that. Everybody in the world, including the Italians—I was in Italy a month ago—recognizes that the durum wheat from Canada is the best for pasta.

So if the Peruvian people want to eat pasta, they will probably go with Canadian wheat. And if they have to pay a duty, they will pay the duty whatever the case is for wheat. There's no doubt about that. So we have to keep that in mind also.

We also have to recognize what we put on the table. Because there is no tariff or there is a faster reduction in the tariff on the U.S. product than there is on the Canadian product, there is a risk that the market will shift a little bit and we will lose some, because the quota is there, but there is no obligation to fill that quota. It can go beyond the quota.

• (0955)

Mr. Richard Harris: Mr. Pellerin, I'm so happy to hear what you just said, because we're talking about how much the Government of Canada invests in promoting our products, including our egg products, around the world. The fact is that we have a huge advantage already because of the high quality of our products and the demand for them out there.

It would probably be overkill if we even dreamed of spending as much money as do some countries that have a product to sell that is far inferior to ours.

I'm sure Mr. Julian knows that. However, his point was taken, and I'm glad you made ours. Thank you.

There's another thing about the beef and pork. It's not going to affect the supply management. The fact is that what we're exporting now in beef, for example, to Peru—around 5,000 tonnes a year, give or take—will immediately become duty-free. Over the 10 years, that will allow us to increase that export by 50% or so, which will be duty-free as well.

I'm not sure exactly what our shipments on pork are at this time. Is it in the neighbourhood of 325 tonnes or somewhere around there?

Mr. Laurent Pellerin: Yes.

Mr. Richard Harris: So we have the same situation, growing about another 50% over the 17-year period.

Mr. Laurent Pellerin: It's growing to 500.

Mr. Richard Harris: Right. That's good.

As far as an agreement that is fair to everyone in any country is concerned, that is certainly a utopia that we would like to find someday, but I doubt if it'll be in my lifetime or Mr. Julian's. But do you agree that in order to be able to negotiate a free trade agreement between any country and Canada, it has to be essentially a very broad-based agreement that tries to be general and tries to cover as much as we can?

In this day and age, any bilateral trade agreement is based on that initial premise of “let's try to accomplish that and then we'll try to streamline it in some areas if we can”. But if we get a good general agreement, then it's good for both sides, and while we'd like to live in a perfect world, it's just simply not a reality. We do the best we can,

particularly when we're competing against the U.S., which has that huge market on their side when they go into an agreement. We're doing pretty good. Can you comment on that?

Mr. Laurent Pellerin: I have two or three comments.

First of all, you are right, and that's the reason why I would suggest that it's a good idea to sign and accept this agreement as soon as possible. Overall, it's there, with a little plus and minus here and there, with some risks and with a need for a close follow-up, but then you have to write that into the agreement somewhere.

It's disappointing because Canada will not automatically obtain better conditions than the other countries will, including the U.S. That's bad for us. If you look at this in the future, it's possible to include that in the agreement.

As well, probably it's better in negotiations to be seated in the U.S. chair than in the Canadian chair, but I prefer to be seated in a Canadian chair anyway. There's no doubt about that.

Mr. Richard Harris: Thank you.

Mr. Ed Holder (London West, CPC): What's our time, Mr. Chairman, if I may ask?

The Vice-Chair (Mr. John Cannis (Scarborough Centre, Lib.)): It's exactly seven minutes, but we'll go to you, Mr. Holder, and then to Mr. Guimond.

Mr. Ed Holder: Thank you very much, Mr. Chairman.

I had the privilege to be in Peru two months ago on behalf of FIPA, the Foro Interparlamentario de las Américas, for a different reason, insofar as we were encouraging the Peruvians, through this organization that we in Canada feel strongly about, to work together as democracies in the Americas.

When I was there, I had the opportunity to meet with the president of the Congress, with the president of the Chamber of Commerce, and with many legislators, and it quickly changed from a dialogue around FIPA to a dialogue around free trade. Every person I met asked when Canada was going to move on free trade. As we know—and I want to put this on the record to remind the committee—on February 1 of this year, the Americans had free trade with Peru. I will say this to all our committee members: to the extent that we are not part of that, we suffer a serious disadvantage with respect to the Americans in trade with Peru.

I would also remind the committee that, as a result of this, 95% of our exports go immediately tariff-free. We've talked about a few today that go immediately tariff-free, including wheat, barley, and peas. We didn't talk about wood, forestry products, cotton, fabrics, machinery, and even better access for our mining and energy, which is huge for Canada. It just shocks me when different parties take a different position on this, because I think it's so good for Canada and it's such a great opportunity.

While this agreement may not be perfect, I would submit to you that it is as you said, Mr. Pellerin, when you came back, and your first comments were, “I urge you to pass the free trade agreement with Peru immediately.” I can't be clearer than that.

We had a representative of the Bloc there who saw what it was like in Peru. There were representatives of the Liberal Party there. I was there on behalf of the Conservative Party. We can see the impact that Canada is making.

So I'm shocked—and I say this again—when parties don't appreciate its impact, even an impact on changing lives in other countries and making them better. I would also remind you that the economy grew by almost 10% in Peru in 2008. That gives us even better access into an economy that's growing and into a country that is trying to promote democracy within its own realm.

So I would ask you, sir, what do you believe is the disadvantage to us of delaying? Knowing that the Americans have this in place already, what is the disadvantage to Canada of delaying?

•(1000)

Mr. Laurent Pellerin: I will come back to what I already said. Overall we agree, and we think we have to sign this agreement. We all have to keep that in mind. That's our basic position.

But on the other hand, you have to recognize that there are some risks for Canadian agriculture in that agreement. Despite the fact that the Peruvian economy is growing 10% per year, if they want to buy something from somebody, the U.S. will be in a better position than us.

Mr. Ed Holder: But would you not agree that they're already in that better position?

Mr. Laurent Pellerin: Yes.

Mr. Ed Holder: So I come back to your point about the whole principle that putting the free trade agreement in place now, versus delaying, has a much better impact for Canada, knowing 95% of our exports will go in tariff-free.

We don't have the same market as the United States, but I would submit to you that all the levels—even in beef and pork production—are set at the highest level we have been, in terms of dealing with Peru.

So do you sign the free trade agreement?

Mr. Laurent Pellerin: We sign the agreement. There's no doubt about that.

Mr. Ed Holder: Thanks very much.

The Chair: Mr. Ed, you did it again.

Monsieur Guimond.

[Translation]

Mr. Claude Guimond: Thank you, Mr. Chair.

I would just like to say, Mr. Pellerin, that you should not always listen to the Conservatives.

I will turn the floor over to my colleague, Mr. Cardin, who is more experienced than me, and who will ask you the questions that are of interest to the Bloc Québécois.

Mr. Serge Cardin: A little earlier, you spoke about world trade frameworks. We're talking about fairer markets, and so on, and I understood—and correct me if I'm wrong—that all the bilateral agreements that have been signed result in a frenzied race because of competition. Soon we will have at least 200 partner countries, 200

bilateral agreements, and conditions that fluctuate a great deal based probably more on policies between the countries than on considerations that have to do with trade and fairness.

I would like to know what you think is preferable. The Bloc Québécois thinks that we should be devoting more energy to multilateral agreements than to bilateral agreements. However, we do understand that some conditions require us to enter into agreements, but we think that every country on the planet should focus much more on negotiating multilateral agreements, precisely to make things fairer, to make sure the rules are the same for everyone.

•(1005)

Mr. Laurent Pellerin: Without repeating what I said earlier, the Canadian Federation of Agriculture has clearly been arguing for a long time as to the need for a global framework trade agreement that is fair to all agricultural producers throughout the world, one which does not exist right now.

Unfortunately, I have been following all of the WTO meetings for the past 15 years, and I have observed that we are unable to draft a text that meets this objective of creating a fair world trade framework for agricultural producers. Nobody can say whether or not the WTO will manage to conclude an agreement within three or six months' time, and it is even more difficult to say how attractive this agreement will be. We simply have no idea, things are progressing so slowly and there are so many vested interests.

If we are unable to establish a more equitable international trade agreement for producers, I think that, in the meantime, it would be a good strategy to give some thought to reaching bipartite or tripartite agreements. We have to at least ensure that we have trade agreements with countries throughout the world. At a minimum, I think that over the next period we should achieve this, while waiting for some real will to reach an international agreement that is more equitable, and, for producers, more humane as well.

The major proponents of world trade discussions, during the current negotiations, are talking only about business, and business for business' sake. So there is no discussion about business to achieve a better life for citizens or business designed to enhance the welfare of states. It is as though we had delegated our powers to somebody who is dealing with the trade issues of the entire world from Geneva. These trade issues have to have a little dose of humanity.

Mr. Serge Cardin: This is particularly true in the agricultural sector, because we have the issue of food sovereignty and safety. So it is important that we have a framework that is adequate in terms of importance and equity. This would help all farmers because, in many countries, this is the most important industry.

I would like to ask you a final, more general question. Do you get the feeling that a window is opening to this possibility of establishing fairer trade, either in agriculture or other sectors, given what occurred, particularly in the United States—the financial crisis and the very greedy multinationals? I get the feeling, globally, that there is a desire to open the door to multilateral agreements that are much fairer for all people.

Mr. Laurent Pellerin: I think you are right, the times are conducive to the progress of new ideas on the international scene. It is clear that the financial crisis had an impact, but if we think about the situation that existed scarcely 12 months ago, we will recall that we were dealing with a world food crisis or, at the very least, a crisis involving the cost of food. This crisis gave many people pause for thought.

Here in Canada, we can discuss these matters from a very comfortable, serene place, because few people in Canada cannot afford to eat. I visited certain African countries on several occasions, and, last fall, I travelled to India, China and elsewhere in Asia. You can see that, for some countries, feeding their people is a daily concern, a daily challenge.

Last year, I participated in several meetings of experts in Europe. I received several invitations as a guest speaker at the European Parliament and elsewhere. I repeated, every time I spoke, that during this time of food crisis—last winter—we should all be aware of the fact that we were lucky not to have known such a food crisis during all of the previous years.

There is no world plan to ensure that we will have enough food on the planet. We have left it to market forces to ensure that there is enough food to go around to all the people on the planet. Last winter, people woke up and realized that we were running the risk of not having enough food for the entire world and that we needed a plan.

I hope that, when we discuss trade issues in future in Geneva, we will also include the need to develop a strategic plan to ensure that, year after year, we will have enough food to feed the world's population and to create a reserve, because we need one. If a few countries in the world suffered a poor harvest for one year, it would result in stock shortages everywhere. You saw what countries did when they had shortages: they put restrictions on exports. They kept their food, which was quite understandable. A billion people live in India. You can understand why the president of India decided that he would not export rice. He preferred not to export because he was facing problems with his own people. Farmers were not happy because they had an opportunity to sell their rice at a higher price, but they were unable to do so.

We need to have a trade discussion that will include other parameters, and not just business for the sake of business.

•(1010)

Mr. Serge Cardin: Thank you very much, Mr. Pellerin. We have excellent translators. I am convinced that the Conservatives received your message.

[*English*]

The Chair: Thank you. I'm sure they got all the messages across, as usual.

No more questions over here, or from the Liberals?

Well, Mr. Julian, I think you deserve, after getting pulverized over here, one more response. Make it short, if you will.

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

My mother invented the expression, "Haste makes waste". I think the softwood lumber agreement is one example of why we shouldn't rush through on Peru, after hearing only one witness on Peru.

An hon. member: Did your mother make up that expression?

Mr. Peter Julian: Yes, she did.

I have a couple of very quick questions.

First, has the federation done any study on the impact in rural regions in Peru? We saw what happened in Mexico after NAFTA, with the meltdown in rural regions. Has any study been done on what the agricultural implications are for rural Peru?

[*Translation*]

Quebec has a traceability system. This system may help increase the exports of products such as pork and beef on international markets. Has your federation adopted a position with respect to this issue? Should Quebec's traceability system be extended to cover all of Canada?

Mr. Laurent Pellerin: The Canadian Federation of Agriculture has not done any work to assess the impact on the rural situation in Peru. Moreover, in another life, I had an opportunity to meet and work with Peru's Minister of Agriculture, on several occasions. In Quebec, producers have some expertise in the area of farm credit, particularly with respect to crop insurance. The Peruvian Minister of Agriculture wanted to set up a crop insurance program and he came to see what we were doing in Quebec. We had some work contracts and exchanges with Peru in order to develop a crop insurance program to better protect Peruvian producers.

I know at least one thing when it comes to supporting Peruvian peasants and developing agriculture, and that is, you have to ensure, when they grow crops, that you share the risk with all of the citizens. That is something that we need to work on.

With respect to traceability, I had an opportunity to participate, with the Canadian Cattlemen's Association, in a mission to Mexico. Every group was asked to explain how its traceability system worked. We realized that Mexico had the same French system that Quebec has. So even though Mexico may be far away, we are close to it in terms of the problems experienced.

There is a very big difference between the traceability system in Canada and that in Quebec. Essentially, the Canadian system is more or less an identification system. It is not really able to trace a product from birth to consumption, whereas Quebec's system, once it has been up and running for a while, will be a traceability system that will begin with birth and follow all of the stages right up until consumption.

Implementing such tools is a tremendous challenge. You need a great deal of cooperation and investment from the producers. You also need public investment because these things are extremely expensive.

Mr. Peter Julian: Do you have a position on this issue?

Mr. Laurent Pellerin: The Canadian Federation of Agriculture would like to see a good identification system in Canada. Which system will be selected? I think that the producers should make this choice together.

[English]

The Chair: Good. Thank you.

I think maybe we'll have time for a couple of real quick ones.

Monsieur Guimond, and then I'll ask Mr. Keddy to wrap it up.

[Translation]

Mr. Claude Guimond: Mr. Pellerin, just last week, we were in Washington. During all of our meetings, agriculture was a subject that was discussed at great length. We even had a meeting with the U.S. Department of Agriculture. You surely know that this department is quite different from Agriculture Canada and from MAPAQ.

As a farmer, I realized that the American elected officials, certain American intellectuals and representatives from the U.S. Department of Agriculture were not very familiar with us, did not really know much about farmers from Quebec and Canada. Nevertheless, to my great surprise, they displayed a great deal of open-mindedness and expressed a desire to get to know us better.

Mr. Julien spoke about traceability. In the United States, there's talk about mandatory country of origin labelling, referred to as the COOL. I must say that we did achieve some progress with respect to traceability. I could see that they were really paying attention to this issue.

You referred at great length to the United States, our big partner. You are the president. Does your organization have a strategy to go to the United States in order to meet with people, the elected officials, and talk to them about agriculture in Quebec and Canada? Do you have any strategy regarding this aspect?

•(1015)

Mr. Laurent Pellerin: We do not have a strategy calling on us to go to the United States in order to explain the Canadian system or what we are doing in Canada, but we do have one that informs American producers of what we are doing here.

For the past few years, the Canadian Federation of Agriculture has been in constant contact with the NFU and the Farm Bureau, the two main producer associations in the United States. Among our members, the Canadian Pork Council has had regular exchanges with the U.S. National Pork Producers Council. Similarly, there have been regular exchanges between American and Canadian producer groups regarding beef, potatoes and horticulture.

I believe that the producers know each other well and they are very familiar with the strategies used on both sides of the border. Canadian dairy producers have often held discussions and have often been invited to the United States, as guest speakers, to explain the Canadian milk supply management system. The United States has its own system, but it is different from ours. Right now, they are implementing their system by slaughtering cows. There is a surplus of milk and so the government is slaughtering cows. Several hundred thousand cows have been slaughtered to reduce production. The volume is controlled. At any rate, all companies are doing the same thing. The people in the automobile sector are trying to adjust their production. The same thing was done with aluminum a few years ago. In the Canadian west, potash mines reduced the amounts they

were selling on the market. Indeed, they stopped producing in order to prevent a fall in prices.

Next October, the Canadian Federation of Agriculture will be hosting the AN/EU meeting, which is held alternately in America and Europe. When this meeting is held in America, it alternates between Canada, Mexico and the United States. Next October, the meeting will take place in Niagara Falls, Ontario, and this event will bring together all of the producers from the developed world.

[English]

The Chair: Thank you, Mr. Guimond.

Thank you, Mr. Pellerin.

Mr. Keddy, a short wrap-up.

Mr. Gerald Keddy: First of all, I didn't get an opportunity last time to thank both our presenters for being here today. It was an encouraging and worthwhile discussion.

Like Mr. Guimond, I was a farmer before politics, but I wouldn't want to have to go back and tell my farmers I'm not supporting trade in other countries, Peru or Colombia or any of these deals, because Canada is a trading nation, and we have to export our product. We simply can't sell it all here in Canada.

The minister announced today he will take the Americans to the WTO over the country of origin labelling. We've worked through the diplomatic channels. We've worked minister to minister, both in trade and in agriculture, and the U.S. continue, as they always have; they're tough trading partners. They've always been tough trading partners, but I would expect we will win this and I expect there will be a pretty timely decision. The Americans are clearly in contra-vention of NAFTA and the WTO on the country of origin labelling. I just wonder if you have a comment on that.

Mr. Laurent Pellerin: The CFA position on that is to ask the minister to go ahead with that panel. Canada has a reputation of being the good guy all the time. I don't like the idea of becoming the bad guy, but I think from time to time we have to—

•(1020)

Mr. Gerald Keddy: Every once in a while.

Mr. Laurent Pellerin: —say okay, that's enough. We'll use that case, if it's the right one. There's no problem with that.

I think beef and pork farmers and other farmers that will be impacted by COOL really agree with that. They are following this very closely. I have a conference call tomorrow afternoon with the Mexican and Canadian cattlemen and pork producers, those on either side of the U.S. The Mexican farmers are really in the same place that we are on that subject. We shared that in March in a common meeting we had.

I think it's about time we brought people back to their real lives, especially in pork with what we are in now. I'm still a hog and beef farmer. These are bad times.

We have to do something to improve the situation. I'm very nervous about what will happen in both livestock commodities, pork and beef, in this country. If we do nothing, I will not be surprised if they decline a lot.

We have to do something very quickly in both cases. We never recovered from BSE in beef. We are in a worse situation now than we were six or seven years ago, in 2003. We export more livestock to the U.S. without killing, processing, and value-adding here in Canada. In pork, it's worse.

We have to do something. We have to build a plan to work on those very bad periods. If not, we will lose farmers; we will lose a large part of the industry; we will lose competitiveness on the world scene, and we will become a very small player.

We must never forget that in pork we are a small country, but overall we are probably the second- or third-largest traders. We are the country most dependent on export, because we export 50% or 60% of our production. No other country has that great a share of their overall production in exports.

We are very sensitive to any movement, such as what we have experienced in the last couple of days with countries closing their borders. We have to watch that very closely.

Mr. Gerald Keddy: Thank you.

The Chair: Thank you, Mr. Keddy. That was a good question.

Mr. Pellerin, thank you again.

Mr. Godfrey, you were excellent today. We've kept you a little longer than usual, but it's been very helpful, and we very much appreciate your attendance.

Mr. Laurent Pellerin: Thank you very much for your time.

The Chair: With that, we're going to take a couple of minutes here while we bid our witnesses adieu. Then we'll come back in camera in about three minutes.

[Proceedings continue in camera]

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

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

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

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

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