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## Standing Committee on International Trade

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EVIDENCE

**Tuesday, October 6, 2009**

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**Chair**

**Mr. Lee Richardson**



## Standing Committee on International Trade

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• (1110)

[English]

**The Chair (Mr. Lee Richardson (Calgary Centre, CPC)):** Good morning. Welcome to the 28th meeting of this session for the Standing Committee on International Trade.

This morning we are going to pursue a study of the defence of supply management at the World Trade Organization.

We have as witnesses Don Stephenson, assistant deputy minister for trade policy and negotiations, from the Department of Foreign Affairs and International Trade, and from the Department of Agriculture and Agri-Food, Gilles Gauthier, director general and chief agriculture negotiator.

I understand that you've just come for this meeting from "buy American". Oh, that's gone? Well, thank you for coming. I appreciate your attendance.

We will follow the standard format as usual. We'll allow opening statements from our witnesses followed by questions in a prescribed order that has been established at the committee.

Without further ado, I'm going to ask Mr. Stephenson to begin with an opening statement.

**Mr. Don Stephenson (Assistant Deputy Minister, Trade Policy and Negotiations, Department of Foreign Affairs and International Trade):** Thank you, Mr. Chairman, for the opportunity to address the committee and to discuss the WTO negotiations in general, as context for discussing the treatment of supply managed products in our negotiating position in particular.

I'm going to leave the second part of that pretty much to my colleague, Gilles Gauthier. Gilles is a very practised negotiator and at the moment serves as Canada's chief negotiator for agriculture in the WTO. He's the guy very much on the front lines on that issue and is best placed to report on the state of the negotiations.

My role, in addition to being the assistant deputy minister for trade policy and negotiations, is as chief negotiator for Canada with respect to the whole WTO negotiation, representing Canada in what are referred to as senior officials meetings in Geneva and managing the negotiations as a whole. Canada's negotiating team includes many players from several government departments, working in close collaboration with our colleagues and counterparts in provincial and territorial governments. So I'm well placed to brief you on the overall state of the negotiations.

I should make the point first that Canada supports a rapid conclusion of the WTO negotiations, the so-called Doha Round.

Canada is a trading nation, heavily dependent on trade for our prosperity, so a rules-based multilateral trading system with strong, independent dispute settlement is in Canada's interests. It's for this reason that Canada has always been a strong supporter of the WTO, and indeed one of its principal architects.

The WTO helps Canada manage its trade relations with the world, including our biggest trading partner, the United States. The WTO agreements are our free trade agreement with most of the world, in the world, including with the European Union, the richest market in the world, and all the so-called emerging markets: China, India, and Brazil. The WTO is the only forum in which it's possible to achieve some things in trade negotiations, including agricultural trade reform, and strengthening rules on trade remedies: anti-dumping and countervailing measures that help us address unfair trade practices, including subsidies.

The WTO is the most effective forum for poor countries to negotiate in, and the WTO has the potential to provide the simplest structure of rules for Canadian businesses, avoiding the spaghetti bowl of rules of multiple bilateral free trade agreements. The Doha development round of negotiations holds the promise of significant improvements in our access to foreign markets, in both developed and developing countries.

In that regard, I would note that perhaps the highest objective for Canada in these negotiations, as for the vast majority of WTO members, developed and developing, is in the area of agriculture: the reduction of trade-distorting agricultural subsidies, and the reduction of tariff and non-tariff barriers to market access for Canadian agricultural products.

Canada has worked hard to advance the negotiations, including my own service as chairman of the industrial tariffs negotiations from February 2006 to August 2008. Across the negotiating agenda, Canada is active in presenting ideas and building coalitions to advance our interests, in the areas of industrial tariffs, services, agriculture, rules, trade facilitation, trade-related intellectual property, and the dispute settlement system.

The committee will know the long history of the Doha Round, which began in 2001. You will also know that the negotiations have been essentially at an impasse since the failure to reach agreement on agriculture and industrial products in July of last year. Ministers came very close to reaching consensus on these elements of the negotiations but failed, principally due to two issues: the protection of developing country agricultural markets from surges in imports, the so-called special safeguard mechanism and the treatment of special products in developing countries; and sectoral tariff negotiations in industrial products, the so-called sectoral agreements.

The last few months have seen renewed interest in advancing the negotiations. At the recent meeting of ministers and leaders in the G8, and at a meeting of WTO trade ministers in APEC in Delhi, and again at Pittsburgh in the G20, there was a consensus that the successful completion of the round would be one positive contribution that could be made to economic recovery. However, a lot of work needs to be done to ensure that the political will shown by leaders translates into concrete action and flexibility towards bridging gaps and maximizing our chances to succeed in concluding the round.

Presently, the focus is on mapping a way forward, the so-called road map in the negotiations. As a first step, the director general of the WTO, Pascal Lamy, has put forward new ideas for approaches to the negotiations that would see discussions taking place in various formats—in bilateral, plurilateral, and multilateral levels of discussion.

Efforts continue to be made to maintain pressure on the negotiators to advance work in their individual negotiating areas. As such, at the Delhi mini-ministerial meeting, a road map for the way forward was discussed.

Canada, by the way, was represented by the parliamentary secretary to the Minister of International Trade, Gerald Keddy, whom I had the pleasure to support.

At the Delhi meeting, ministers unanimously confirmed that the Doha Round should be concluded in 2010, and senior officials met in Geneva the following week to prepare an agenda of action and a process of engagement that would ensure, among other things, transparency among the entire WTO membership. The senior officials' meetings were successful in bringing negotiators back to Geneva to resume the discussions and provided positive signals to leaders in advance of their G20 summit in Pittsburgh, where there was further political impetus to move the negotiations forward.

So the negotiations have been re-energized and progress has been made that gives some reason for optimism that a positive and meaningful outcome is feasible, but at the same time, and as was pointed out by Mr. Keddy in his intervention in Delhi, substantial gaps remain in the positions of the key players and a breakthrough largely depends on meaningful contributions and leadership from those players.

That essentially is a report of the state of the broader negotiations. I'll have the pleasure of being in Geneva again in 10 days' time to pick up the discussions with my colleagues.

I will now turn the floor to my colleague, Gilles Gauthier, chief agricultural negotiator for Canada. He can respond to the specific questions on the state of the agriculture negotiations.

I'd then be very pleased to answer your questions.

• (1115)

[*Translation*]

But before I conclude Mr. Chairman, allow me to mention some of the other important work being carried on in WTO. In fact, in all discussions dealing with the WTO, we have a tendency to only speak about the Doha trade negotiations. However, I think it is important to point out that other things are happening at the WTO. These are in fact rather important issues.

[*English*]

First, I would note that the dispute settlement system in the WTO continues to work well, and not just because there's a Canadian in the chair, John Gero, my successor. As the committee will know, Canada is currently pursuing three challenges under the dispute settlement system: the first with regard to Korean market access for Canadian beef; the second a repeal of the ban on seal products in Europe; and the third, the elimination of trade-restrictive elements of country-of-origin labelling requirements for meat products in the U.S. market.

The WTO also administers important transparency processes, including the trade policy review mechanism and the director general's recent reports on protectionist measures taken by members. As well, there are the negotiations of accession for new members, including Russia, which provide important opportunities for Canada to seek improvements to market access through the reduction of tariff and non-tariff barriers.

Then there is the WTO's work in delivering aid for trade, which is another important part of its work, one in which Canada has played a central role. It's important to remember that many WTO members don't have the capacity to use the market access they get under their WTO agreements because they lack the capacity to produce and export. Economic development, including trade capacity-building, is the most sustainable form of development assistance, and it's a critical component to the success of the Doha development agenda.

Thank you. Let me turn the floor over to Gilles.

• (1120)

**Mr. Gilles Gauthier (Director General and Chief Agriculture Negotiator, Negotiations and Multilateral Trade Policy Directorate, Department of Agriculture and Agri-Food):** Good morning, Mr. Chairman, and good morning, members of the committee.

My name is Gilles Gauthier, and I am Canada's chief agriculture negotiator and director general for negotiations and multilateral trade policy at Agriculture and Agri-Food Canada.

I'd like to thank the committee for this opportunity to brief you on the discussion in the World Trade Organization, the WTO agriculture negotiations, and Canada's defence of issues important to supply management in those negotiations.

Let me begin by noting the importance of the WTO to Canada's agriculture as a whole. Canada is a major participant in global agricultural trade. In 2008, as the fourth largest exporter, Canada exported \$38.7 billion of agriculture and agrifood products, for grains, oilseeds, and red meat exports account for more than 50% of domestic production. Roughly half of our exports go to the U.S. and half to the rest of the world.

Therefore, there is no doubt that Canada has a major stake in a well-functioning WTO system. The Doha negotiations provide a unique opportunity to foster Canada's agricultural trade interests via the elimination of all forms of export subsidies; the substantial reduction and strengthening of disciplines on trade-distorting domestic support measures; and significant improvements to market access for our exporters.

At the same time, Canada is determined to defend the interests that are important to our supply managed industries. Today, you have asked to hear specifically about the efforts Canada is making in this area of the negotiations.

[*Translation*]

The issues that are of greatest interest to Canada's supply-managed industries—our egg, poultry and dairy producers—relate to the agriculture negotiations on market access. In this regard, Canada has taken a very strong position in the negotiations, by opposing any tariff reductions or tariff quota expansion for our supply-managed products.

This position is stronger than that of any other WTO members. For that reason, we can expect to continue to face pressure in this area, both from developed countries because they have accepted to make a concession here, and from developing countries because they view these types of exceptions as inconsistent with the development objectives of the Round.

However, we remain firm in maintaining our negotiating position, both in bilateral meetings with other WTO members and in the multilateral context.

Since I have been in this job, that is for the past few months, I have also made Canada's position on the proposals in the December 2008 text clear to the new chair of the WTO agriculture negotiations, Ambassador David Walker from New Zealand, who was appointed last spring.

Here at home, we are also continuing to consult very closely with our supply-managed industries to ensure that they are well informed about development and that they have every opportunity to advise and to assist the government with respect to advancing Canada's negotiating position, and defending their interests, in Geneva.

I would now be pleased to take your questions.

Thank you, Mr. Chairman.

• (1125)

[*English*]

**The Chair:** Thank you, Mr. Gauthier and Mr. Stephenson.

With that, we'll begin our round of questioning, beginning with Mr. Brison.

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

Thanks to both of you for being with us today.

The first question is on supply management. I'd like to understand how Canada's position, relative to paragraph 71 on sensitive products, compares with Japan's position.

**Mr. Gilles Gauthier:** Thank you, Mr. Chair.

The position of Canada in respect of paragraph 71 is that we are pressing to obtain a minimum of 6% of our tariff line in the agricultural sector to be designated as sensitive product. The current proposal calls for 4% of tariff line. In order to adequately protect the supply managed industry we need 6% of that designation.

Japan is asking for more. They're asking for 8% of tariff line to be designated as sensitive product, so they're further than us in terms of their demand. The difference, though, is that Japan has signalled its willingness to grant a higher degree of market access to its sensitive products in exchange for getting a higher number of tariff lines, whereas our position is that we do not agree to tariff cuts or expansion of TRQs.

**Hon. Scott Brison:** Ambassador Falconer signalled that Canada might accept a 5% solution instead of 6%. Is that accurate?

**Mr. Gilles Gauthier:** In December the then chair, Ambassador Falconer, did submit a working paper in which he outlined a few options to address Canada's desire to obtain 6%. Among these options is indeed a payment, in terms of increased TRQ, of a magnitude of 5% to 6%.

**Hon. Scott Brison:** The 5% would not be acceptable to our supply managed industries.

**Mr. Gilles Gauthier:** That's correct.

**Hon. Scott Brison:** I have a couple of questions on the WTO GPA.

First, is any procurement by American cities or by countries covered under the WTO Agreement on Government Procurement?

**Mr. Don Stephenson:** I'm not exactly certain what the link is to supply management, but no, the U.S. obligations taken under the GPA do not include municipalities, and they include 37 of their states but at varying levels of undertaking.

**Hon. Scott Brison:** Generally excluding transportation projects and infrastructure projects.

**Mr. Don Stephenson:** Yes.

**Hon. Scott Brison:** How do government procurement dollar-value thresholds in the WTO Agreement on Government Procurement compare with the thresholds in NAFTA?

**Mr. Don Stephenson:** I should have brought an expert in procurement agreements.

**Hon. Scott Brison:** You're one of our lead negotiators in "buy American".

**Mr. Don Stephenson:** But I have an expert right beside me on the details of such agreements.

I would have to respond after the meeting with those details.

Generally speaking, GPA commitments are less than NAFTA commitments. The GPA is a series of bilateral agreements between countries in a plurilateral framework. Each country has a different set of obligations that you'd have to compare.

**Hon. Scott Brison:** You referenced that there is a lot of carve-out in the WTO GPA, and the U.S. carves out, in their sub-national governments, significant areas.

Would that include most infrastructure projects that are being carried on now under the guise of stimulus?

**Mr. Don Stephenson:** No. Outside of areas like transportation highways and large sections of the so-called MASH sector—academic institutions, hospitals, schools—there are many sectors in which infrastructure projects would be included.

• (1130)

**Hon. Scott Brison:** Does the U.S. include any provisions in its GPA obligations that protect its ability to use “buy American” provisions specifically?

**Mr. Don Stephenson:** No, it would work the other way around. They have not taken obligations that would restrict; rather, they've taken measures in the agreements to protect. It would be more of a positive list than a negative list.

**Hon. Scott Brison:** What would be required for Canada and the U.S. to include sub-national procurement under NAFTA on a reciprocal basis?

**Mr. Don Stephenson:** What would be required...?

**Hon. Scott Brison:** What steps would have to be taken?

**Mr. Don Stephenson:** First you would have to conclude a negotiation on the substance of the obligations to be taken on both sides. Then the technical steps would be to first of all seek approval of Parliament for entering into the treaty.

In fact, I'm using the NAFTA framework as opposed to using the GPA framework, because in the NAFTA framework there is an opportunity to expand your obligations without a legislative change that would require consideration by Parliament.

Again, I'm a little nervous about providing the wrong information to committee. Perhaps I should provide a written response subsequent to the meeting if you want to understand the exact steps in respect of a NAFTA solution. The proposal being made by Canada is not in fact to use the NAFTA.

**Hon. Scott Brison:** So you would agree that any approach to the WTO is going to leave out significant areas of U.S. stimulus investment.

**Mr. Don Stephenson:** Much of the stimulus spending under the Recovery Act would be implemented at municipal and state levels and therefore would not be captured under the existing U.S. obligations in the GPA.

**Hon. Scott Brison:** Is that it, Mr. Chair?

**The Chair:** That's it.

**Hon. Scott Brison:** Thank you very much.

**The Chair:** Thank you, Mr. Brison.

We'll go to Monsieur Guimond.

[*Translation*]

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

Good morning, gentlemen. Thank you for having accepted the invitation to appear before us today to discuss agriculture and supply management in particular. I am very interested in this issue because I am a dairy producer from Rimouski, in the Lower St. Lawrence area. My brother and I run a farm, and we have one employee. For a small business in a rural area like mine, this is very important. My brother and I are still able to work in agriculture today, as dairy producers, because of supply management; that is very clear. If this model had not been invented, it is very likely that my farm, which is situated very far from markets, would no longer be in business today. That is the case for my farm and for those of several of my dairy producer colleagues, particularly in the region.

I'm on the front lines, and you are at the opposite extreme. Every time you have the opportunity to negotiate on our behalf, I hope that you think of the farmers who, like myself, are very interested in supply management because it is a survival issue.

We have been discussing the Doha Round since 2001. It is slow, it is time-consuming, it has gone on for too long. How do you explain the fact that there has been so little progress since then, particularly for the recognition of the specific character of supply management for Canada in the Doha Round negotiations?

• (1135)

**Mr. Gilles Gauthier:** Mr. Chairman, I understand the wish to maintain supply management perfectly. I myself grew up on a dairy farm and I fully share your concerns.

As for the slowness of the negotiations, you are aware that negotiations involving 153 countries take time, particularly when the framework is such that the countries must arrive at a consensus. The issues are also very important for a great many of these countries, particularly in the area of agriculture.

For most of the WTO countries, the Doha Round is above all a mechanism that allows them to better participate in the international trade system for agricultural products. There are many elements at play for many of these countries. There have also been fundamental reforms in several countries, particularly in Europe. We have to find a way within the negotiations of keeping every country happy as far as their trade interests and economic development are concerned. But to achieve such results takes time; we must be patient.

Throughout these negotiations, Canada has most certainly been actively promoting the interests of our export sectors in order to defend supply management at every opportunity. As I said in my opening statement, we have maintained a firmer negotiating position than any other country in this area. It is up to us to continue to maintain this firm position and to defend our interests.

**Mr. Claude Guimond:** We are hearing more and more about the right to food. There has been a food crisis, and unfortunately, there will surely be others. Last March, the United Nations Special Rapporteur on the right to food, Mr. de Schutter, produced an eloquent report on the serious shortcomings of the Doha Round.

Knowing that supply management is an important tool to protect ourselves from food crises and to regulate our markets, what is your strategy as the chief negotiator to promote supply management among the allied countries? What strategy will you adopt in order to move supply management forward and therefore prevent, I hope, any new food crises?

**Mr. Gilles Gauthier:** Mr. Chairman, it is important to understand that supply management as such is not an issue in the negotiations. The negotiations deal with a global framework for agricultural sector subsidies and the opening of agricultural markets. No one around the negotiating table is asking for the repeal of supply management. It is an issue that is not on the table in the negotiations.

What a great many countries hope to see—for the most part developing countries—would be reforms in the developed countries, so that they could better develop their agricultural production and have access to a market that will bring in significant revenue, which would contribute to their development.

Mr. de Schutter made a presentation at the WTO a few months ago. It was rather interesting to see the reaction of several developing countries, who felt that his comments and proposals were somewhat detached from their economic reality. In their eyes, one development tool would be their capacity to export and to have access to a lucrative market, and to higher prices. Therefore, they are targeting access to our markets. Within that context, one has to step back and study the issue from the perspective of the negotiations overall. We must find a balance between allowing each country to safeguard their interests, while at the same time promoting fair trade for all of the countries participating.

That is what is at stake in the negotiations. The intent of the negotiations is not to determine whether or not certain countries should adopt supply management. It is rather an issue of having international trade rules that are fair for all participants.

• (1140)

[English]

**The Chair:** Thank you, Monsieur Gauthier. That too was eight minutes.

Mr. Julian.

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

This is a very important subject, as you well know. What we've had is I think a very unanimous call from the supply managed sector: the Canadian Hatching Egg Producers, the Dairy Farmers of Canada, the Egg Farmers of Canada, the Chicken Farmers of Canada, the Canadian Turkey Marketing Agency. All of them called on the government to stand strong in its rejection of these proposals, which essentially are a death by a thousand cuts. I would agree with you, Mr. Gauthier, that it's not eliminating the supply managed sector immediately, but what it does is continue to push us back, and that has a very negative impact on the supply managed sector. When we see what has happened with our softwood industry, with our shipbuilding industry.... These are all self-inflicted attacks on our own industries, because we have not negotiated effectively.

I'm wondering, to start, about two things you mentioned in your presentation. One is that there are ongoing consultations with the

supply managed sector. I'm wondering what character those ongoing consultations or communications with the supply managed sector have. Secondly, what impact analysis has been done on the impacts of what is on the table, which is essentially pushing us back, in the supply managed sector?

**Mr. Gilles Gauthier:** With respect to your first question on the consultations, these are ongoing. We have regular meetings with the industry. We debrief them after each negotiating session to make sure they understand the full context of the negotiation. We seek their input as to what types of arguments we can bring to the negotiating table to show that what's currently on the table would be unacceptable to Canada and would have an adverse impact on our industry.

**Mr. Peter Julian:** Just on that, then, when was the last meeting? And were representatives of all of the agencies I just mentioned present?

**Mr. Gilles Gauthier:** The last debriefing I made was a few weeks ago. We have meetings scheduled for this week in preparation for a negotiating session that will take place next week in Geneva. But these are ongoing, and I've made it clear to the industry that I'm always open and available for any discussions to hear their points of view and to make sure that I adequately understand their preoccupation. So these are ongoing.

• (1145)

**Mr. Peter Julian:** Okay. Thank you for that.

Now on the impact analysis....

**Mr. Gilles Gauthier:** The current set of proposals on the table calls for a tariff cut of 23% to our tariff levels currently in place, and they call for an expansion of our tariff rate quota from 4% to 6%. The industry is of the view that this would have a devastating impact on them. On that score, it is clearly our point of view that we need to maintain our firm position against any tariff reduction and any TRQ expansion, so that's the position we keep maintaining at the negotiating table.

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

I'm moving along to Mr. Stephenson, just because of time.

Mr. Stephenson, I'd like to ask you two questions.

What are the instructions you've received from the government around single desk marketing—around the Canadian Wheat Board?

Secondly, is the position of the government essentially a firm one? In other words, have you been instructed that Canada would not sign on to any agricultural provisions that do not fully protect our supply managed sectors?

**Mr. Don Stephenson:** My instructions from the government are that decisions about the manner in which Canadian agricultural producers market their products should be made in Canada and not in Geneva. Until those aren't my instructions, they are. So I guess, yes, it's a firm position.

**Mr. Peter Julian:** So Canada would not sign on to those agricultural provisions, if that's what is put forward, unless our supply managed sector is fully protected?

**Mr. Don Stephenson:** My instructions haven't been given to me in the form of whether, in the future, if that were the choice before Canada, Canada would sign or not sign an agreement. I've simply been instructed in my negotiating mandate to reserve the decision of marketing choice for Canada.

**Mr. Peter Julian:** Period?

**Mr. Don Stephenson:** Period.

[*Translation*]

**Mr. Peter Julian:** I would like to come back to Mr. Gauthier. Paragraph 6 of the discussion paper refers to two choices. Could you please take a few minutes to explain the difference between the two choices to the committee in this paragraph 6 as it affects paragraph 71, so that we can better understand the two proposals that have been made? I know that the government has rejected both, but I would like us to be able to understand the differences between the two.

**Mr. Gilles Gauthier:** In both cases, the proposals are intended to grant Canada its request to have the right to designate up to 6% of tariff lines as sensitive products. That is the basic point. In exchange, Canada would have to accept the different ways of structuring its increase in quota.

There are two different ways of calculating the quota expansion. It could be by calculating only the additional 2% of tariff lines, because the others are agreed upon under the principle of 4% of tariff lines, or by calculating a tariff quota expansion that applies to the entire 6% of the tariff lines. Therefore, those are the two possibilities intended to achieve the same objective: how to calculate the tariff quota expansion that would be granted to other countries in compensation for having granted Canada an increase in tariff lines that could be designated as sensitive products.

**Mr. Peter Julian:** May I ask you a final question?

Where and when will this week's consultations take place?

**Mr. Gilles Gauthier:** The agricultural negotiation group will meet next week. The final schedule has not yet been announced, but in any case, there will be discussions next week concerning Canada's position on sensitive products.

**Mr. Peter Julian:** And they will take place here, in Ottawa?

**Mr. Gilles Gauthier:** No, they will take place in Geneva.

**Mr. Peter Julian:** I was referring to the Canadian consultations.

• (1150)

**Mr. Gilles Gauthier:** Ah, I see.

**Mr. Peter Julian:** Unless everyone decides to fly over to Geneva.

**Mr. Gilles Gauthier:** I'm sorry, I had misunderstood your question.

We are holding consultations with industry representatives this week on the subject of supply management, here in Ottawa.

**Mr. Peter Julian:** On which day?

**Mr. Gilles Gauthier:** They will take place today and tomorrow, here in Ottawa.

[*English*]

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

Mr. Keddy.

**Mr. Gerald Keddy (South Shore—St. Margaret's, CPC):** Thank you, Mr. Chairman.

Welcome, Mr. Gauthier and Mr. Stephenson, to the committee. I appreciate your time in coming here and the level of expertise that you bring to the discussion.

Just before I start my questions, Mr. Chair, Mr. Allison has a question he wants to ask, and then I'll take the rest of the time.

**Mr. Dean Allison (Niagara West—Glanbrook, CPC):** I'll just echo; thank you for being here today.

Mr. Cannan and I represent large wine regions, and I know one of the things we did a few years ago was to drop the excise tax. Obviously that was challenged at the time through the WTO.

As we go back to these negotiations with the WTO and try to prove out unfair subsidies, the challenge is always what is a subsidy and what isn't a subsidy, which I'm sure you gentlemen have to deal with all the time.

Obviously they have great access to our markets in terms of foreign wines, European wines and Australian wines, and because of the monopolies that exist at the provincial levels, it makes it tough for our Canadian wines to be in there.

Are there ways for us to be able to try to challenge these things, these subsidies? Just because the WTO deems it not a subsidy doesn't actually mean that's the case in terms of what's happening, because they get around these things. My concern is, in the future, as we challenge some of these things, will we always have these issues?

**Mr. Don Stephenson:** I'm not entirely sure I know which set of rules you would wish to challenge, the internal trade rules or the international trade rules. In respect of international trade rules and subsidies, they are difficult cases to make and they require a large investment in terms of time, and even expenditure, in the sense of the analytics that have to go into making a subsidy case.

As well, my first lesson on subsidies was to learn that you need a violation of the rules; second, you need somebody who's willing to challenge, because there are subsidy practices in almost all countries that, at least in theory, could be challenged. So there's a little bit of "glass houses" in respect of subsidy challenges.

In the Doha Round, there would be the possibility of dealing with both tariff and non-tariff barrier issues, which is certainly one part of market access.

With regard to where we're going on subsidy rules in general, it's frankly too early to tell. The chairman of that part of the negotiations, the so-called rules negotiations, essentially withdrew his text after the failure in July and agreed to start over. It's a little too early to tell what additional disciplines, what new constraints on subsidies might arise in the Doha negotiations.

**The Chair:** Thank you very much.

**Mr. Dean Allison:** Thanks, Chair.

**The Chair:** Mr. Keddy.

**Mr. Gerald Keddy:** Thank you.



I'd like to try to go over a little bit of what we have discussed already and maybe break it down into layman's terms. Clearly, the message I've heard from both of you is that you have very clear working orders to maintain marketing choice for sensitive products in Canada—I've not heard anything besides that—and I think that's important for our supply managed industry. At the same time, we have to recognize that we send you folks in, Mr. Gauthier in particular, a negotiating team on agriculture products, almost with one hand tied behind your back, because you have a level that you can't ignore and you can't go any further than that, and we need that, quite frankly, in order to protect supply managed products in Canada. So I appreciate the challenge you face.

At the same time, we're not alone on the planet. We have other countries, Japan in particular, that actually would like to have a larger margin for sensitive products than Canada is asking for. So we do have some allies.

My question to you is a little more general. Given the desire of certainly the developing world, and quite frankly, a lot of developed countries, for food security, which is really what we drill down to here—that's really what we're talking about—and the intentions of the Doha Round to respect that, to allow developed countries to have greater food security and some protection from massive influxes of agricultural products from the developed world, I may be oversimplifying but that has certainly held this round back up to this point.

Now that we're at the point where we have changing economic times around the planet, I think we have not only a greater consensus of the developed world to recognize the wants and needs of the developing world, but also a greater consensus of the developed world to look at sensitive products in a different way and to have a willingness to accommodate those sensitive products—and in our case, we're talking supply management—that wasn't there perhaps four or five years ago when the world was in a different economic cycle.

Am I overgeneralizing in that?

• (1155)

**Mr. Gilles Gauthier:** I think you have certainly characterized the situation very well in terms of the developing countries' desire to maintain a degree of protection to their nascent farming industry to a large extent, and the overall Doha Round is premised on the notion that the outcome should provide special and differential treatment to developing countries. According to the proposal on the table, developing countries will be entitled to safeguard a certain amount of their agricultural sector from taking on any market access commitment.

In terms of the developed countries, the position that Canada is taking is still a bit at odds with where the others are. Most other developed countries have accepted the principle of making some concessions, including in their sensitive products. We feel, however, that Canada should be recognized specifically in that regard simply because some other countries, including the developed countries, are also seeking some exceptions elsewhere. For instance, the Americans would like to have special treatment in certain areas of interest to them, such as cotton production.

If the negotiations have to arrive at a point where each other's trade interests will be protected, for us, the fact that we have maintained a very hard-line position on supply management is a pretty powerful signal that, for Canada, that's what matters most and therefore some accommodation should be found to respect that position.

**Mr. Don Stephenson:** Let me add, first of all to agree, that yes, our mandate for the negotiations from the government is very clear on these points, and it does mean that Canada has both offensive and defensive interests to advance in the negotiations. But that's not unusual. All countries have offensive and defensive interests in the negotiations, and during the four years that I was ambassador for Canada in Geneva, I never heard any of my colleagues apologize for having offensive and defensive interests, so I never did.

With respect to supply management, as Gilles has said, we are in an unusual and extreme position, and typically what the chairs of negotiations do—it's what their job is—is propose the compromise that members won't propose by themselves. That explains some of the textual proposals of the chairman in agriculture as well.

What I have not noticed yet, frankly, is a softening at the negotiating table—maybe Gilles has—as a result of and flowing from the economic crisis. Certainly, there have been new calls from leaders and from ministers to move forward in the negotiations and to conclude, but at the negotiating table thus far, that flexibility has not really been seen.

• (1200)

**Mr. Gerald Keddy:** Am I out of time, Mr. Chair?

**The Chair:** You're two minutes over time.

Mr. Cannis.

**Mr. John Cannis (Scarborough Centre, Lib.):** Mr. Chairman, I have a quick question. Then I'll pass my time over to Mr. Brison.

I want to pick up where my good friend, Mr. Allison, asked a question. I have the same concerns.

Mr. Gauthier, in your statement, in the area under Canada's objectives, you state that “the Doha negotiations provide an opportunity to foster Canada's trade interests” via three points. The last point was “significant improvements to market access for our exporters”. Could you tell us a little about these significant improvements and how we went about achieving them? Was it this “offensive and defensive” that Mr. Stephenson just touched upon? Could you add to that?

Lastly, could you comment on what role a government can play, or this government has played, and what it can do even further to enhance these significant improvements and take us to the next level?

**Mr. Gilles Gauthier:** Mr. Chairman, in terms of market access improvements for our exporters, we're certainly looking at significant concessions on the part of both the major developed and the developing countries in the areas of grains and of oilseeds and of the pork and beef industries as well. We're looking for significant tariff cuts affecting these products or expansion of TRQs. What is on the table would indeed provide us with some significant gains for some of these commodities.

In terms of our defensive interests, these are clearly delineated. They are essentially about supply managed products, and on these our position remains, as it always has throughout negotiations, that we don't accept making concessions in these areas.

We have these offensive and defensive interests, like anybody else. So far we've been fairly successful in bringing forward some proposals on market access that would serve our interests. In terms of tariff cuts or TRQ expansions in Europe in particular, as well as in Japan, these would be significant improvements for our exporters.

**Mr. John Cannis:** So in your opinion, in closing, are we ahead of the game, or are we 50/50, or...? Are we beyond the 50/50 point?

**Mr. Gilles Gauthier:** Certainly we're aiming to achieve our negotiating objective, which is to provide new trade opportunities for our exporters while at the same time protecting our defensive interests. These are our overarching negotiating objectives, and we have all reason to believe at this point that we're moving towards achieving those objectives.

**Hon. Scott Brison:** I have a question for Mr. Stephenson.

If Canada wanted to add sub-national procurement groups to the WTO GPA, how would we go about it? Does it require legislation?

**Mr. Don Stephenson:** If we wanted to offer...?

**Hon. Scott Brison:** If we wanted to add sub-national government procurement to our WTO GPA obligations, would that require legislation?

**Mr. Don Stephenson:** Yes, it would be a treaty.

**Hon. Scott Brison:** What would be some of the repercussions or potential unintended consequences of doing that? If we were to add sub-national procurement to the WTO GPA, would that automatically open up our sub-national procurement to all parties of the WTO GPA?

• (1205)

**Mr. Don Stephenson:** No. As I said, in the GPA the structure of the agreement is essentially a series of bilateral agreements in a plurilateral...not the full WTO membership, but a smaller group, a plurilateral group, of WTO members. Canada would be at liberty to structure its offer essentially in any way it deems fit.

**Hon. Scott Brison:** So we could potentially use the WTO GPA framework to open up sub-national procurement to just the U.S. on a reciprocal basis.

**Mr. Don Stephenson:** Yes.

**Hon. Scott Brison:** How would this work on the U.S. side? Does it require the approval of the U.S. Congress? Would they have to do the same?

**Mr. Don Stephenson:** Certainly if they were not going to change the existing obligations that they have taken and offered to other countries in their GPA offer, they would not need to go back to Congress. If they were to take—

**Hon. Scott Brison:** We've established that in the current WTO GPA obligations of the U.S. in terms of sub-national governments there are significant carve-outs. If, as part of this negotiation, we were to say that we'll open up our kimono if they open up theirs; that if we reciprocate, we need them to open up their sub-national

government procurement as well, what would they have to do to level the playing field?

**Mr. Don Stephenson:** First of all, I think it would be a fairly long negotiation to deepen their GPA commitments, because it would involve obligations being taken by states and municipalities. Secondly, although I don't have an expertise in American legislative procedure, I believe they would require congressional approval to expand their coverage. But I know for sure, because we have looked at the question, that they would not require any congressional approval to take on their existing level of obligations in the GPA with a new member, Canada.

**Hon. Scott Brison:** Thank you.

**The Chair:** Thank you.

Mr. Holder.

**Mr. Ed Holder (London West, CPC):** Thanks very much.

I'd like to thank our guests for being here this morning. I find it's very informative and I appreciate your insights.

I keep listening to the comments back and forth about the negotiations, but it sounds more like a hockey game when you talk about your offence and defence. My Cape Breton mom always said that if you go into the corners on the ice with an opposing player, you keep your elbows up.

**Hon. Scott Brison:** Your mother must have been a hell of a hockey player.

**Mr. Ed Holder:** You wouldn't want to mess with a Cape Bretoner, I can tell you.

I'm trying to get a feel for this. It doesn't feel like a negotiation to me, if our stance is so firm. It ties into my question about this whole sense of supply management. I'm trying to get my head around how we can balance a developing country's agricultural needs for markets with our very firm stance on our supply management system. Can you give me a little more insight into that, please, Mr. Gauthier?

**Mr. Gilles Gauthier:** Thank you, Mr. Chairman.

I think you've certainly raised a very good question. Our challenge is to make sure that the position we've taken on supply management prevails. As I said, this is a pretty challenging negotiating position, since essentially, as you said, we are not prepared to accept a concession in these areas.

That being said, the negotiations also involve a very broad range of issues across the agricultural sector. The interests that play are very diverse, and not only for Canada but also for the other countries. Clearly, throughout these negotiations efforts have been made to address the particular needs of individual countries. If you look at the negotiating text currently in play, there is a recognition here and there that the United States needs a special break in some areas because they face a particular problem; Norway and Switzerland need a particular deviation because they face particular issues domestically as well.

This is the process of a negotiation. How do you make sure that while you're moving forward across the board you recognize the particular needs of individual countries? It takes time, and it's one of the reasons up to now for our not being able to arrive at an agreement: simply that not all of these needs have been fully recognized.

• (1210)

**Mr. Ed Holder:** I appreciate that. I guess this really becomes the next question. I had a sense, Mr. Stephenson, from your comments, that you have some optimism that notwithstanding.... If you will, it's a build-up of Mr. Gauthier's comments about how the process of negotiations have been slow to moribund, almost, and now there seems to be a pick-up. My sense is that you have more confidence now that this will conclude. Did I surmise correctly that you might imagine this round would be completed by next year? What's your degree of optimism? If you had to choose a "best before" date, when would it be?

**Mr. Don Stephenson:** That's a complicated question.

There is a point at which the current mandate, the mandate that has guided these negotiations since 2001, is, as you say, stale-dated, and it's no longer possible to conclude under that mandate. I don't think we've reached that point yet. There are some signals that it might happen before the end of 2010.

Your characterization of the negotiation as ice hockey I don't think quite describes it. It's more like kabuki theatre: there's an awful lot of posturing and symbolic gestures, but no movement whatsoever. Perhaps I should change my analogy to sumo wrestling: there's just one very violent moment at the end. The way the negotiations work is that members are locked into positions and remain there for very long periods of time, until the political and the negotiating moment is right. Then there is a lot of movement very quickly. The director general of the WTO refers to these as the "spasms" in the negotiations. Our former chief negotiator referred to them as when the negotiations finally "lurch" forward.

That's actually how it works. There's not movement for a long time, until there's an agreement that we're ready for a real endgame negotiation, such as there was in July of last year, when there was a great deal of movement.

**An hon. member:** And what is your level of confidence?

**Mr. Don Stephenson:** My confidence...? At the political level, there have been many recent statements of commitment to try to draw it to a conclusion. To be honest, we haven't really seen it yet at the negotiating table. I think Mr. Keddy made those remarks in Delhi: that they haven't turned into real substance, real flexibility, or a real endgame negotiation in Geneva.

My confidence? I'm not much at predicting these things, so I guess I simply won't. Leaders have indicated that they'd like to conclude. Technically I think we are close enough to conclude on the outstanding issues, if there is flexibility at the negotiating table.

**Mr. Ed Holder:** I had the privilege to be in St. John's, Newfoundland, not so long ago. While I was there, I purchased a sealskin hat and coat to help the local economy, and to look very good, actually.

**An hon. member:** It would take more than that, buddy.

**Mr. Ed Holder:** They feel very interesting. You should try them, my friend. It certainly proved to me the importance of the seal hunt and what it means to us.

My question is around the dispute settlement mechanism, because that's obviously the critical piece to all of this: when all is said and done, what's the basis on which we're going to be able to settle the disputes among our treaty partners? We have the three that you've talked about: our Korean market for beef, our seal repeal in Europe, and COOL.

I apologize for the time remaining—this could be the total question—but could you give us a sense of where we are in those and whether the dispute settlement mechanism is tough enough, strong enough, and clear enough to protect Canadian interests?

• (1215)

**Mr. Don Stephenson:** I think the track record of the dispute settlement system in the WTO is still a very good one. Although it takes some countries longer than others to implement decisions of WTO panels and appeal bodies, in almost every case, ultimately they do. In that sense we can be confident.

With regard to where we are in respect of these three cases, we're in the very early stages of the process on Korean beef. We have requested the establishment of a panel. In seals, we haven't actually started the process, because legally the measure has not yet been taken by Europe. There's a process analogous to royal assent in Europe, and their ban has not yet reached that point, so legally there is no measure yet to challenge. As soon as they have done that, I expect my instructions from the government will be to make a request for a panel.

With respect to the country-of-origin-labelling requirements in the United States, we have completed the consultation process that precedes a formal challenge in the WTO and a request for a panel. We are ready to proceed, essentially at any time, as soon as the government gives me instruction.

I should caution, and I expect you already know, how long a dispute settlement procedure takes in the WTO. In most instances, the results of panel decisions are appealed to the appellate body, so the whole process—tribunal and then panel and then appellate body—takes the best part of a year before you get a final decision.

**The Chair:** Thank you, Mr. Holder.

Mr. Cardin.

[Translation]

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

Good afternoon and welcome to the committee, gentlemen.

You spoke of a very firm position, without concessions. But Canada is negotiating alongside the Cairns Group, which is viewed as being one of those most adverse to supply management, as well as to any restrictions on agricultural trade.

I would like to know how this position, within the framework of the negotiations, could be to Quebec's or to Canada's advantage. In Quebec, we do not concentrate on very large exporting agricultural industries, but rather on small farms that mainly operate within the domestic market.

**Mr. Gilles Gauthier:** Mr. Chairman, Canada has been part of the Cairns Group for many years because we have many interests in common with the members of this group, however, the other members of the Cairns Group are entirely aware of the Canadian position on supply management and have accepted that Canada maintains this position. You can see through several press releases issued by this group over the years that the Canadian position on supply management is expressly recognized.

To date, the Cairns Group has never indicated it intended to exclude Canada because of its position. They simply take into account the fact that we have a sufficient number of other interests in common to make it important for us to continue in our partnership. For us, this is also a way in which to move forward our export-based interests. It must also be stated that there are divergent interests among the members of the Cairns Group. All of its members do not systematically agree on every issue.

**Mr. Serge Cardin:** It is as though there were negotiations within the group?

• (1220)

**Mr. Gilles Gauthier:** No more so than within the general membership of the WTO.

**Mr. Serge Cardin:** It seems that at some point, a position taken by all of the countries might be critical for supply management. Even if you are a member of this group, that does not necessarily mean that you would have guaranteed support or favour, given the other issues on which you see more eye to eye.

**Mr. Gilles Gauthier:** You have to realize that at the WTO, there are a great many such coalitions that are formed around common interests. The Cairns Group is but one. There is also the G20, which unites the developing countries. There are all kinds of other coalitions, like the G10, that brings together the countries that are importers of agricultural commodities.

There are therefore more informal coalitions focused on a common interest. However, this does not mean that within each of these groups, countries adopt the same positions or defend the same interests as in all areas of the negotiation.

**Mr. Serge Cardin:** Concerning agriculture properly speaking, what seems to be clear in light of the statements made is that the majority of the big countries gave huge subsidies to their agriculture. In response to a question that was put to you earlier, you said that it is not always easy to identify these countries. However, in the reports that are tabled, when you are negotiating at the WTO, are these countries not well identified? In what way and to what extent is this the case?

At the end of the day, if you have this information in hand, it is only a matter of the firm will of these countries to continue to subsidize their agriculture in order that they become competitive around the world.

**Mr. Gilles Gauthier:** The issue of agricultural subsidies is one of the three pillars of the agriculture negotiations. There are proposals on the table that quite directly target a substantial reduction in subsidies, because they create trade distortions. For example, these proposals are aimed at an 80% reduction in European subsidies, a 70% reduction in American subsidies and approximately a 5% to 55% reduction in other developed countries. The reduction goals of these subsidies remain considerable. They are indeed intended to allow the most competitive countries on the international scene to benefit from their competitiveness without having to be subject to the unfair competition caused by such subsidies. It is therefore one of the major objectives of the negotiations.

This is most certainly a sector in which Canada has significant interests to put forward. If you recall, some 15 years ago, several of our agricultural sectors were negatively affected by subsidy wars between the United States and Europe. The Doha Round is therefore aimed at putting an end to these kinds of subsidies and allowing fair competition on the markets. In this context, it would be our agricultural sectors that are globally competitive that would above all be able to benefit enormously from this.

**Mr. Serge Cardin:** However, the Doha Round does not only include agriculture. There are other components as well. What is the relative importance of agriculture in the Doha Round?

**Mr. Gilles Gauthier:** Agriculture is often seen as one of the most important components, for the simple and very good reason that a great majority of countries see it as a way to promote their development. For these developing countries—and there are at least 70—an improvement in agricultural trade rules would allow them to potentially have improved exports, and as a result, better development perspectives. For them, it is absolutely critical for the conclusion of the round.

It is one of the significant components, but there are others, obviously, such as market access for industrial products, intellectual property and the other sectors. However, agriculture is the most important sector for a great many countries.

• (1225)

**Mr. Serge Cardin:** It is therefore a very important issue, and we understand that. We could practically admit that it is not a commodity like the others.

Have you considered the thought that in order to make progress in the agricultural sector, it might be a good idea to hive off those negotiations?

Food sovereignty could be put into perspective in several countries; rules that are somewhat different than those applied to other products could protect this food sovereignty and allow us to face the countries that are subsidized. The idea would be to decrease all of that and encourage the emerging countries. They could then benefit from their agricultural exports.

Do you believe that it would be easier, within the framework of the WTO, to treat agricultural commodities differently from other products? In fact, it is not the same thing.

**Mr. Gilles Gauthier:** Absolutely. The WTO Agreement on Agriculture contains specific rules for agriculture in several areas, whether it concerns subsidies, food aid, export subsidies or export credits in particular. The WTO Agreement on Agriculture and the proposals put forward in the framework of the Doha Round include a great number of provisions specific to agriculture which are intended to recognize the specificity of this sector. You also mentioned food security. It is clear that for a great many developing countries, this is an important request. As far as exceptions are concerned, that is one of the factors that has been put on the agenda. It is an issue of designating their agricultural sectors that will require special treatment. For these countries, it is a concern related to development.

In short, there are quite a few provisions in the agreement on agriculture that clearly are aimed at recognizing the specificity of agricultural commodities in relation to those from other domains.

**Mr. Don Stephenson:** I would like to add that as far as agricultural issues are concerned, we have already tried to negotiate them separately. Within the framework of the WTO agreements in 1995, there was one that we referred to as the built-in agenda. It stipulated that the agriculture negotiations would be reviewed five years later. For the first time, WTO members agreed on a regulatory framework for agriculture. They did not go very far as far as market openings are concerned. They agreed that the negotiations on agriculture would be revisited five years later, but nothing happened because for quite a few members, other interests were needed in order to somewhat balance those of the rest of the world.

Within the framework of the current negotiations, the members are frustrated because of the time required to obtain results. There are now more discussions, separate negotiations. These are mainly plurilateral negotiations, and not multilaterals. They connect those who are interested in making progress in a specific area and not the full membership. Is that what we are heading towards? It is hard to say, but one thing is clear, we are discussing it.

[*English*]

**The Chair:** Thank you.

I didn't get that, but that's 12 minutes, so we'll call that a day.

Well, it's 11:30 a.m. We have gone through two rounds, and we'll have a quick final round of five-minute questions, beginning with Mr. Cannan, then we'll go to Mr. Brison and conclude with Mr. Julian. If we can, keep it tight—five minutes for questions and answers.

Mr. Cannan.

• (1230)

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

You alluded to how we are a trading nation, with NAFTA and our WTO discussions and our bilaterals. Already over 80% of Canadians are better off—we know that. What we need to do is continue to find new markets. It's pretty phenomenal, the fact of the \$38.7 billion in agriculture and agrifood products we have in 2008.

From the department perspective, if you quantified some of the advantages, if we are successful in accomplishing our discussions at Doha, not only for agriculture, what would it mean for Canada in general?

**Mr. Gilles Gauthier:** It's always a bit difficult to have a precise assessment of the benefits. There's one thing that could be done. If we look back at the Uruguay Round, which was the last of the WTO rounds in the 1990s, the department has done a study trying to assess what has been the impact of the liberalization of agricultural markets, particularly in Asia for our red meat sector exports.

That study is probably one of the most comprehensive studies ever undertaken in the department to try to assess the impact of these trade agreements. The results are pretty striking. Our estimate is that without the liberalization from the previous round we would have witnessed a reduction of at least \$1 billion in our exports for the red meat sectors in the Pacific area. That's pretty significant for exports for just one sector, the red meat sector.

That, I think, shows that over time these trade agreements do create new trade opportunities, and it's up to our exporters to take advantage of it. Clearly, in the case of the Uruguay Round, that sector took full advantage of these new opportunities.

**Mr. Ron Cannan:** Thanks.

I know this has been going on since 2001, and the multilateral framework is a pretty cumbersome process, with about 153 countries, I believe, around the table. It's often said there are two speeds, glacier-slow and reverse, and we're hoping that you are successful by 2010. But if you're not, are you working on some bilateral agreements in the parallel process?

**Mr. Don Stephenson:** Is your question specific to agriculture or to trade more generally?

**Mr. Ron Cannan:** It's in general.

**Mr. Don Stephenson:** The current trade policy strategy of the government, which is described in the "Global Commerce Strategy" available on the website, essentially instructs officials to get more active on a bilateral side, largely because of the impasse or at least the long delays in moving forward in multilateral trade negotiations, for the reasons I described earlier. If we are able to make progress on the multilateral front, that's what's best for Canada.

But in the meantime, the government invested two years ago in a much more active program of bilateral negotiations, the biggest piece of which we finally secured just this past year with the launch of negotiations with the European Union. Those negotiations are moving forward.

In fact, they're moving forward on a very ambitious timetable. The first negotiating session is just a few days away. Five negotiating sessions are planned before this time next year, which is, as trade negotiations go, a very ambitious timetable.

We have as well concluded negotiations with smaller countries. Some are before you in the House, and we are at some point in the process trying to engage many other negotiating partners, including important emerging markets like India.

**Mr. Ron Cannan:** Thanks.

My colleague Mr. Allison alluded to representing the Okanagan in British Columbia, where some great wines are trying to expand their markets as well. But it is a very cumbersome and expensive process, so I hope you are successful in clarifying what a subsidy is.

I have one final comment, just to follow up on Mr. Julian's questioning about our government's position. As a negotiator, are you prepared to walk away from the WTO negotiations if the deal does not protect supply management?

•(1235)

**Mr. Don Stephenson:** I'm prepared to follow the instructions of my government.

**Mr. Ron Cannan:** Which are...?

**Mr. Don Stephenson:** As we indicated earlier in our discussion, our instructions are very clear. We are to protect the right of Canada to make its own decisions in respect of its marketing system. Gilles described our specific negotiating position with regard to sensitive products, that is to say, supply management. Those are our instructions, period.

**Mr. Ron Cannan:** Thank you for the clarification.

**Mr. Peter Julian:** That was a good question.

**The Chair:** I wondered if Mr. Cannan was taking your question for you, Mr. Julian.

**Voices:** Oh, oh!

**The Chair:** Mr. Brison.

**Hon. Scott Brison:** I'm referring to an article of January 30, 2009, in a U.S. trade magazine that refers specifically to note 5 of annex 2 of the GPA. It states it "shall not apply to restrictions attached to Federal funds for mass transit and highway projects".

How would you interpret that, Mr. Stephenson?

**Mr. Don Stephenson:** It means that those projects are excluded. They are carved out of the obligations of those who sign the agreement.

**Hon. Scott Brison:** How would federal "buy American" provisions be considered under that wording?

**Mr. Don Stephenson:** They would be excluded.

**Hon. Scott Brison:** Okay.

That's a significant part of the stimulus package. So under "buy American", the GPA agreement would not even apply to those projects.

**Mr. Don Stephenson:** I think that's correct, but it's also important to note that many jurisdictions, including many Canadian jurisdictions, also have restrictions in the same area.

**Hon. Scott Brison:** If we unilaterally disarm and we're willing to eliminate those restrictions, you said earlier that the process in the U. S. would require American sub-national governments to negotiate on an individual basis. So it would involve all of those sub-national

governments that currently have very specific carve-outs. Would it require an act of Congress to effectively ensure that mass transit and highway projects do not come under "buy American"?

**Mr. Don Stephenson:** I would have to examine the two texts together. They relate to each other, but they're two different things—the text of the recovery act, and the text of the government procurement agreement and the WTO. So I am uncertain about the form of the restriction you're referring to. If it's in the GPA, presumably it doesn't directly affect the guidance they give under the ARRA. So I'd have to examine the text of ARRA before being confident about answering the question.

**Hon. Scott Brison:** Thank you.

**The Chair:** Thank you, Mr. Brison.

We'll conclude with a short question from Mr. Julian, unless Mr. Cannan has asked all your questions.

**Mr. Peter Julian:** I have three short questions, Mr. Chair.

I must admit I'm more concerned now than I was at the beginning of this session, because it appears to me that we're more offensively and defensively inclined. So if we use the metaphor of sumo wrestling, I'm concerned that at the end of the day supply management is going to be squashed. I think it's fair to say that you have instructions from the government, but those instructions could change. If there are potentially new markets for big agriculture business, we may neglect the community-based farms that form the backbone of supply management.

So do you think it's fair to characterize our posture as more offensive than defensive? If there are some things we can gain, we may end up hurting our supply managed sector.

Secondly, the Dairy Farmers of Canada have characterized Mr. Falconer as having.... Every paper that's come out has been increasingly negative on supply management. Do you think it's a fair characterization that we're seeing an increasingly negative stance on supply management?

I have one more question when you've answered those.

•(1240)

**Mr. Gilles Gauthier:** Mr. Chairman, let me take the second question first.

In terms of a negative stance, the chair is producing these papers on his own authority, as chair of the negotiating group. It's not an agreed text nor a consensus text. It is what the chair believes is a possible landing zone, from his own perspective.

Has it taken a more negative stance? Well, at the very least, in the December 2008 text, there is a recognition that Canada needs a greater number of tariff lines with regard to the designation of sensitive products. This is the first time that this has been explicitly recognized. On that score, it is a positive development.

Our position remains the same. Obviously we are facing significant challenges in the negotiations, but that doesn't mean we should back away from that position at all. I think we have made it clear in every instance what our position is.

In terms of trading off among sectors, in a complex, multi-faceted negotiation such as a WTO negotiation, where you have many players involved and many interests involved, these things about trading off one sector over another really never come into play. Each country tries to advance their interests in the best way they can, both their offensive and defensive interests. That's exactly what we have been instructed to do, to try to advance our offensive interest while maintaining our hardline position on supply management. That's the instruction we've been given and that's how we have operated so far.

**Mr. Don Stephenson:** If I could take back my analogy....

**Voices:** Oh, oh!

**Mr. Don Stephenson:** I mean, perhaps it is sumo wrestling, but in sumo wrestling you win or lose depending on whether you stand your ground. Our instructions are to stand our ground. I can't really respond to any discussion of what might happen in the future, other than that.

With regard to the chairman's text, I did live the experience of a chairmanship in the WTO. I want you to know that when I put out my first text, the director general of the WTO gave me a t-shirt. The t-shirt said, "After texts, if you'd like to have a friend in Geneva, buy a dog." The role of the chairman is to put out a text that is nobody's position but that perhaps could find consensus. His job is to move the members towards a consensus outcome, principally by putting pressure on the extreme positions. And at least in one small area, Canada might be described as having an extreme position.

**Mr. Peter Julian:** Thank you for that.

As a final question, has there been any discussion of how to avoid the Mexican reality? The developing country, with the NAFTA provisions agriculturally, has seen in the past year massive dumping of corn exports from the U.S., which has contributed to a profound economic downturn and instability in rural Mexico. There's been the loss of a million jobs, with increased criminality and violence.

Is there, within the government's position, any consideration of how to avoid that kind of situation with developing countries if they are trying to protect farm-based, community-based agriculture?

• (1245)

**Mr. Gilles Gauthier:** In terms of developing countries, we have accepted the principle in the negotiations that developing countries should be entitled to certain protections for their agricultural sector. That recognition is certainly very much in line with what you're suggesting. It will be available for Mexico and all other developing countries.

We need to ensure, though, that any of these selections of special products for developing countries is made in a way that does not necessarily harm also our commercial interests in these markets. Again, that's part of the negotiations.

It is recognized in the current negotiating proposal that developing countries should be entitled to designate what sectors they want to protect, and for these sectors not to take any commitment on market access. That would help them develop the sectors that they feel are most important to them.

Canada has accepted that principle. Obviously we need to continue to discuss with them so that our commercial interests are

not jeopardized by the designation, but the principle of designation by developing countries has been accepted by Canada.

**Mr. Don Stephenson:** Sorry, just in the jargon of the negotiations, all countries, including developed, would be able to carve out a certain number of tariff lines as sensitive. Developing countries would also be able to carve out tariff lines as special—special products in the sense of most important to them in terms of food security or rural livelihoods. Then, finally, there's something called the special safeguard mechanism that's being negotiated, and that is to protect against surges in imports for developing countries only.

**The Chair:** Okay.

We're going to have one final quick round, and for that we'll go to Mr. Guimond for two minutes and Mr. Brison for two minutes, and I would like to get to Mr. Keddy too.

Monsieur Guimond.

[*Translation*]

**Mr. Claude Guimond:** Thank you, Mr. Chairman.

First of all, I would like to make a comment. Agriculture is dying. Agricultural producers are currently dying. I'm in a very good position to be aware of that. Many people believe that the solutions will be found in the area of the right to food, and food sovereignty.

Does Canada intend to play a leadership role in the current round in order to direct policies towards food sovereignty? In this way, people could manage their agriculture themselves and perhaps improve things in this sector, to the benefit of farmers.

**Mr. Gilles Gauthier:** Mr. Chairman, as I said earlier, the issues of interest connected to food sovereignty are certainly present in the negotiations around the position put forward by countries in order to protect their agricultural sectors.

Our very firm position on supply management reflects how it is in our particular interest to demonstrate the validity of the supply management mechanism, how it has served Canada well and how this does not affect the interest of other countries, because it does not create trade distortions. We are therefore putting forwards these kinds of arguments in order to defend our position on supply management.

Other countries with particular interests—India, for example, which has always defended the interests of its subsistence farmers—is also bringing this argument to the negotiating table. We are therefore trying to find ways to take their interests into account. That is the very principle of a negotiation.

[*English*]

**The Chair:** Thank you.

Mr. Brison, ask your final question, please.

**Hon. Scott Brison:** "Buy American" provisions are a restriction attached to federal funds for mass transit and highway projects. I go back to note 5 of annex 2 of the GPA, which states that "The Agreement shall not apply to restrictions attached to Federal funds for mass transit and highway projects".

Would you agree, based on note 5 of annex 2 of the GPA, that the “buy American” provisions would be considered one of those restrictions?

• (1250)

**Mr. Don Stephenson:** Well, I don't have the text before me, but I think your point might be that the protections of the Government Procurement Agreement would not be sufficient to get full access to those markets at sub-national level in the U.S., and with that I would agree.

**Hon. Scott Brison:** Yes.

Just specifically, “buy American” would be a restriction attached to federal funds for mass transit and highway projects.

**Mr. Don Stephenson:** Yes.

**Hon. Scott Brison:** Thanks very much.

**Mr. Don Stephenson:** In fact, the new provisions of the “buy American” measures in the Resource Conservation and Recovery Act expand the old “buy American” provisions by applying to more projects, to more products, to a higher threshold for the cost differential beyond which you're allowed to purchase foreign products. And most importantly, they are mandated to the states and municipalities. That's the important restriction that we're trying to address in our current discussions.

**Hon. Scott Brison:** You have a tough job.

**The Chair:** Thank you, Mr. Stephenson.

To wrap it up, Mr. Keddy, you're going to demonstrate how an articulate, effective communicator can get it done in two minutes.

**Mr. Gerald Keddy:** Good luck, Mr. Chairman.

Thank you, Mr. Chairman. On Mr. Brison's final question, I'm thinking that for every loop there's a loophole. I think that's how that works.

I just want to say that what we have had here has been a good, candid discussion on supply management. I don't think anyone at this table can walk out of here, with our two chief negotiators in the room having both said that Canada has taken a hardline position on sensitive products and on supply management and has defended it at the WTO and at other bilateral negotiations around the world....

Mr. Chair, it's pretty straightforward and pretty simple. What everyone has been careful to say is that no one can say what will happen in the future. Quebec could have a referendum to decide to get rid of supply management in Quebec. I can't speak to that; I have no idea. We can only speak about today and what the government is doing today. What I've heard consistently is that we're protecting supply management straight across the board.

Thank you.

**The Chair:** Great. Well, thank you. Life is like a box of chocolates.

Gentlemen, thank you very much. It's been very helpful in grounding the committee. We appreciate it.

Mr. Stephenson, I think you make a great diplomat.

Thank you, Mr. Gauthier, for appearing as well.

The meeting is adjourned.

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