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Chair

Mr. Larry Miller

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•(0850)

[English]

The Chair (Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC)): I call our meeting to order.

For the benefit of the committee members, we need 15 minutes at the end of the meeting to go in camera to deal with a motion that was passed at the end of the last meeting.

With no further ado we'll move to our witnesses.

Thank you very much, Mr. Gauthier and Mr. Verheul, for being here. We're hoping to hear some details on how the discussions are going between Canada and the EU, and what have you.

Mr. Gauthier, do you want to start?

Mr. Gilles Gauthier (Director General and Chief Agriculture Negotiator, Negotiations and Multilateral Trade Policy Directorate, Department of Agriculture and Agri-Food): I'll leave it to Mr. Verheul, and then I'll speak for a few minutes.

The Chair: Go ahead, please.

Mr. Steve Verheul (Chief Trade Negotiator, Canada-European Union, Department of Foreign Affairs and International Trade): Thank you, and good morning, everyone.

Thank you for inviting us to speak to you today about the Canada-European Union comprehensive economic and trade agreement, known as the CETA. As requested, I will provide an overview of the negotiations. Then Gilles Gauthier, Canada's chief agriculture negotiator, will focus on agriculture and agrifood issues implicated by the CETA.

A Canada-EU CETA would provide us with preferential access to the largest market in the world. The EU, made up of some 27 member states with a total population of nearly 500 million, and a GDP of over \$19 trillion Canadian, is already our second-largest trading partner. We have many historical, economic, and cultural ties with the EU, so the EU is an obvious trading partner for Canada.

Canada has sought a free trade agreement with the EU for a very long time. After extensive advocacy by Canadian political leaders and government officials, and a significant effort by the private sector, negotiations toward a CETA were officially launched in Prague at the May 2009 Canada-EU summit. There, leaders agreed that we would aim for a high level of ambition in the negotiations and work toward completion of the negotiations within two years.

For Canada, this is by far the biggest free trade negotiation we have undertaken since the Canada-United States Free Trade

Agreement, which has been in place for more than 20 years, along with the NAFTA that came after it.

In the CETA negotiations we are aiming to go further than we went in the NAFTA negotiations, both with respect to the range of issues to be covered and with respect to the depth of ambition. On the part of the EU, they too are aiming to go further than they have gone in any previous free trade agreement.

So far, Canada and the EU have held five negotiating rounds, with the sixth to take place in mid-January in Brussels. We have been making progress at a good pace. Even though we have moved past the easy issues and the focus is now on key points of differences, we continue to make good progress.

Key milestones in the negotiations thus far include: we have had a consolidated text covering all 22 areas of the negotiations since last fall. Of these, we have completed or parked four chapters, and expect four more to be parked or closed at the next round in January. In the remaining chapters, issues have been narrowed down to key differences, which are now the focus of our efforts.

We have exchanged initial offers on goods, which would have 90% of all tariffs to go duty-free immediately upon implementation of the agreement. We have also exchanged detailed requests in the areas of government procurement, services, and investment.

We expect to exchange second offers on goods covering the remaining 10% of tariffs and our first offers in government procurement, services, and investment shortly after the next round of negotiations, scheduled for January.

In the area of goods, the remaining 10% of tariffs on which we have not yet made offers contain various sensitive issues, including autos, fish, and various agricultural issues. In particular, a large proportion of the EU's remaining 10% of tariffs is made up of agricultural products.

Our approach to market access in these negotiations is different from that taken in other negotiations. We are negotiating market access as a whole, rather than focusing specifically on tariffs alone. We want to achieve real market access, and are working on what it actually takes to get into the market. Many of the barriers that our exporters face into the EU relate to barriers other than tariffs.

To achieve the objective of effective market access, we are pursuing the following.

We have attached conditions to our tariff offers, such as negotiating satisfactory rules of origin that take into account the highly integrated North American market. We are also paying particular attention to non-tariff barriers, especially in the area of regulatory standards. Bridging gaps between the EU standards and our standards—whether on a North American basis, a Canadian basis, or a provincial and territorial basis—will be essential to the free flow of goods between our markets. We are also negotiating a chapter on regulatory cooperation to try to prevent problems before they occur. This will be the first time in any free trade agreement that a chapter on regulatory cooperation is included.

Notably, provinces and territories are closely engaged, with some 50 to 60 representatives joining us at the negotiating rounds and attending negotiating sessions in areas wholly or partially under their jurisdiction, the only time they have been so closely involved in an international trade negotiation. As the EU's top interest in this negotiation is sub-federal government procurement, provinces and territories are aiming for a very high level of ambition in their government procurement offers and are asking to get paid in other areas. Agricultural market access is a very high if not a top priority for many of them, particularly for Alberta, Saskatchewan, and Manitoba.

It's not just the provinces and territories that have made their priorities very clear. Our consultation process in this negotiation has been the most extensive and open process we've ever had in a trade negotiation. We consult regularly with industry and with civil society in a variety of formats, from large groups to individual meetings. Some of the most active and vocal participants include agricultural stakeholders, who have been very clear in setting out objectives for this negotiation and the areas in which they would like to see real gains.

Of course, there are gains beyond goods' market access. We have been pushing the Europeans hard in other areas, including services, investment, and labour mobility. The Europeans are pressuring us on government procurement and intellectual property, including geographical indications, and while we already have a wine and spirits agreement with the EU that recognizes certain geographical indications, the EU is pressing hard for the recognition of GIs for other agricultural products and foodstuffs.

The CETA is a unique and important opportunity for Canada, and we are committed to an ambitious agreement. Our Minister of International Trade, Minister Van Loan, will meet with his EU counterpart, Trade Commissioner Karel De Gucht, to take stock of progress in the negotiations in mid-December here in Ottawa. We will then have a sixth round of negotiations in Brussels in January followed by a further round in Ottawa in April.

I will now turn the floor over to Gilles, who will provide an overview of sector-specific issues within the CETA negotiations.

Gilles.

• (0855)

[Translation]

Mr. Gilles Gauthier: Thank you Mr. Chair.

It is a pleasure to be here today for the first time in my capacity as Chief Agriculture Negotiator.

From the perspective of the agriculture sector, the Canada-European Union Comprehensive Economic and Trade Agreement, commonly called CETA, negotiations offer unique opportunities in terms of enhanced market access for our producers.

As you are aware, Canada is a major player in agriculture world trade. Canada is the fourth largest agri-food exporter and sixth largest importer. Our sustained growth and prosperity depends on our ability to compete effectively in global trade and to penetrate new markets.

More specifically, a large segment of the Canadian agricultural sector relies on access to foreign markets. This is especially true for the livestock, grains, pulses, and oilseeds sectors. So trade negotiations, such as the CETA negotiations, are important for creating new market opportunities for our farmers and exporters.

The EU represents a large and valuable market for Canada's agriculture and agri-food products. It is the largest agri-food product import market in the world, absorbing 13% of the world agriculture imports.

In 2009, agri-food trade between Canada and the EU was worth over \$5.6 billion. Over the last three years, EU purchases of Canadian agri-food products have represented 19% of our pulse exports, more than 18% of our durum wheat exports, roughly 7% of our common wheat exports, and 7% of our oilseeds exports.

There is no doubt that an agreement with the EU holds great potential to deepen this already significant trade relationship. Canada's objective in these negotiations is to achieve an ambitious outcome that will advance the interests of Canadian farmers and that will provide clear benefits for our agriculture sector.

This means achieving important market access improvements for our agricultural products, in particular for beef, pork, grains and processed foods. And, of course, Canada will continue to defend the interests of the supply-managed sectors in these negotiations, as it has done in all other trade negotiations.

[English]

Here are some examples of trade barriers we aim to address in the Canada-EU negotiations.

While the recent agreement will enable Canada to obtain access to a new EU duty-free quota for hormone-free beef, our beef exports will still be subject to a quantitative limitation, above which tariffs equivalent up to 142% are applicable.

Despite being a world leader for pork and pork products, we have currently minuscule exports of pork entering the European market, because we face significant in-quota and out-of-quota tariffs that range from 32% up to 70%, and currently, only two Canadian pork processors are certified to ship into the EU market.

Our durum wheat enjoys a solid reputation among European consumers, especially given its high quality for bread and pasta production. While our exports generally enjoy duty-free treatment, they are still subject to quantitative restrictions.

Many other Canadian agrifood products could benefit also from a more liberal access to the EU market. I refer to such products as berries, potatoes, and maple syrup, to name only a few.

In addition, these negotiations also present an opportunity to tackle non-tariff barriers, notably in the area of sanitary and phytosanitary issues, as well as other technical barriers to trade that limit our access for agricultural products.

Canada is also seeking to address key concerns in relation to biotechnology, including greater timelines in the EU regulatory approval process for genetically modified organisms—GMOs—as well as greater predictability for our trade in cases of low-level presence of GMO organisms in agricultural exports from Canada. This is particularly important for all our grain sectors.

Finally, Canada is seeking strong commitments in relation to export subsidies, and this issue has been a long-standing problem for Canadian agricultural exporters. The European Union has the capacity, by far, to be the world's largest provider of export subsidies.

We are moving forward, working closely with provincial governments and in consultation with the full range of Canada's agricultural and agrifood industry stakeholders in order to advance Canada's interests in these negotiations.

Mr. Chairman, I would be pleased to address any questions you or members of the committee may have on the agriculture file in these negotiations.

• (0900)

The Chair: Thank you very much, gentlemen.

I want to remind members that the obligation of witnesses to answer all questions put by the committee must be balanced against the role that public servants play in providing confidential advice to the ministers. The role of the public service has traditionally been viewed in relation to the implementation and administration of government policy, rather than the determination of what that policy should be. Consequently, public servants have been excused from commenting on policy decisions made by government.

We now go to Mr. Easter for seven minutes.

Hon. Wayne Easter (Malpeque, Lib.): Thank you, Mr. Chair.

As Steve would know, that statement of the chair provides good cover for the minister. We understand it.

The Chair: I only wanted to make sure that you do, Mr. Easter.

Hon. Wayne Easter: Thank you, anyway, Mr. Chair.

Welcome, folks, to the Standing Committee on Agriculture and Agri-Food.

There's no question that the Canada-EU FTA is something worth pursuing. There seems to be relatively general agreement on that. As you mentioned, Steve, in your opening remarks, followed up by Mr. Gauthier, one of the key areas that is still in dispute, certainly, seems to be the agriculture side. One of the key areas of concern is with supply management.

On June 15 you were before the international trade committee, Steve. You said at the time, and I quote:

At the time the negotiations were launched, there was an agreement that there was to be a no-exclusion a priori... That essentially left it open to each side to make proposals on anything of interest to them.

It's up to the European Union to make proposals that may relate to products under supply management.

I think the literal interpretation of this is that supply management is on the table, in the beginning. Is that correct?

Mr. Steve Verheul: I think it's quite true, and it was said publicly on many occasions, that everything was on the table when we began these negotiations. We have a lot of sensitive issues on both sides, so I think neither side is under the illusion that entirely everything will be on the table at the end of the negotiations. But we've got a ways to go between here and there.

Hon. Wayne Easter: So then what concerns me on the supply management side...and you know, it's interesting; I tabled some information the other day from Peter Clark relative to the U.S. subsidies. They are massively supporting their industry, while we continue to play the boy scout. In fact, on the supply management side, his figures would lead us to believe that in the United States, they are actually subsidized to the tune of 32¢ per litre in Canadian dollars.

Yet we have to compete against that. We're under pressure from processors in Canada that claim they can bring in, cheaper, cheese products, etc., for their pizzas. But they are being subsidized at 32¢ a litre in the United States when you take all into consideration.

I make that point because we have a free trade agreement with the United States, and we find our supply management industry under attack by them, but yet they are highly subsidized.

So in terms of going forward, what concerns me about the current government is that they did make this statement in 2004 in their policy position, and I wonder if you could outline to me if this is where we're going or not.

It stated as follows:

A Conservative government will ensure that any agreement which impacts supply management gives our producers guaranteed access to foreign markets, and that there will be a significant transition period in any move towards a market-driven environment.

My question to you is this: in terms of the negotiations, are we looking at keeping the current supply management system, or are we to negotiate a transition period that would eventually move us toward a market-driven environment?

• (0905)

Mr. Gilles Gauthier: Mr. Chairman, I think the government has made it clear that we will defend the interests of the supply management sector in all our trade negotiations. That's the position that we have taken in all the negotiations, including the Canada-U.S. free trade negotiations, and subsequently in the NAFTA.

I think at this point it is a hypothetical question to refer to whether there would be any transition period here. In fact, the instruction that we have been receiving from the government is to continue to maintain our position on supply management, which is to defend the integrity of the supply management system in all our trade negotiations.

Hon. Wayne Easter: Okay. That's good, I appreciate that.

Turning to page two of your remarks, Steve, you go into the "barriers other than tariffs".

I believe, Mr. Gauthier, you mentioned in your remarks the latest agreement, which I think was a good agreement—I believe it's 20,000 tonnes of non-GMO or hormone-free beef into to Europe—but we still face the equivalent of a 142% tariff on other beef exports to the EU.

I wonder if either of you could expand on those barriers other than tariffs, because I think that's what is not often understood. Most people think it's just tariffs, but there are a lot of issues, such as hormones in beef.

Could you just expand on those?

Mr. Gilles Gauthier: You're quite right that in order to successfully access markets, tariff is only one part of the equation. There are many other conditions to meet the sanitary or phytosanitary standards of the importing country.

In the case of the EU, hormone-treated beef was a matter of long-standing dispute. This matter is now behind us given the recent agreement to provide for new access. That access is limited in quantity, as you mentioned. It's 20,000 tonnes, which will increase to about 45,000 tonnes in a few years' time.

But even if you have access to that volume, you still need to have a certificate to guarantee your export, which means you need to have the approval of the plants that are eligible to export into Europe; you need to have attestation that they are meeting the quality standards that are imposed by the importing country, in this case the EU; you have issues related to how the carcasses are washed, whether it is done using chlorine or whether it's done using recycled water; you have all these production processes that need to be vetted by the importing country; you have issues related to the use of ractopamine in pork; you have issues related to trichina protocols. You have all these things that need to be certified.

• (0910)

Hon. Wayne Easter: Do we need traceability back to the—

The Chair: Wayne, you're out of time. You can come back to this.

Mr. Laforest, go ahead for seven minutes, please.

[*Translation*]

Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ): Thank you, Mr. Chairman.

Good morning Mr. Gauthier and Mr. Verheul. I would like to ask Mr. Verheul some technical questions.

Earlier, you said that 22 areas were under negotiation here. You said that more or less four chapters had been resolved and that four others were to come. You also mentioned the presence of the provinces and the territories at the negotiations.

If there are 22 areas under discussion, are there 22 negotiating tables? Do the provinces participate in all of the negotiating tables?

[*English*]

Mr. Steve Verheul: Yes, that's correct. There are 22 negotiating tables that we've been running since the beginning of the negotiations.

The provinces are involved in those tables that affect areas under their jurisdiction, so they're not in all 22. They are in about, I think, seven or eight. Certainly government procurement services, investment, technical barriers to trade, environment, and labour are the key ones they're involved in, and there are others like cooperation, monopolies, and state enterprises. So they're very active in some of the most central issues we're discussing in the negotiations and some of the EU's strongest priorities.

[*Translation*]

Mr. Jean-Yves Laforest: The provinces are participating in 22 negotiating tables. I assume that the provinces are at the negotiating table when it comes to agriculture issues, for example.

[*English*]

Mr. Steve Verheul: The agriculture issues are discussed at the goods table, and since that primarily deals with issues at the border that's an exclusively federal responsibility, so the provinces are not involved in those tables. But because that's part of the overall picture of the negotiations, we have been consulting them very closely on what happens at those tables so they have an intimate knowledge of our strategies going in, on what happens, and we debrief them afterwards. So they're fully apprised of what happens in those tables.

[*Translation*]

Mr. Jean-Yves Laforest: And what about financial services?

[*English*]

Mr. Steve Verheul: On financial services, the table has been exclusively federal so far, because they've been talking about issues that relate to financial services measures at the federal level—banking and those kinds of issues—and have not got into any kind of detailed discussions of financial services measures at the provincial level, such as insurance and those kinds of things.

[*Translation*]

Mr. Jean-Yves Laforest: Will the provinces be invited to participate in discussions, namely at the negotiating table on financial services? When areas are under their jurisdiction, are they invited to participate?

[English]

Mr. Steve Verheul: If we get into those issues—and whether we will is yet to be determined—we'll have to make that assessment. At this point, in previous agreements we have traditionally carved out the provinces from having any involvement in those areas; we've never negotiated that.

The Europeans have expressed an interest in some of those financial services issues at the provincial level, and some provinces have expressed an offensive interest with respect to the EU on those issues. So we've begun to consult the provinces intensively on what kinds of positions would be taken on those issues, but we have yet to take a decision on whether they would be inside those negotiating rooms.

[Translation]

Mr. Jean-Yves Laforest: Have you begun discussing the issue of resolving disputes—perhaps that will happen only at the end—and the kind of mechanism will be put in place? If there is an agreement, at the end of the day, I assume that you have already begun thinking about dispute settlement mechanisms? Will there be a permanent tribunal, or something else?

• (0915)

[English]

Mr. Steve Verheul: Yes, we have been spending quite a bit of time on the area of dispute settlement, both with respect to dispute settlement state-to-state as well as the possibility of an investor-state dispute settlement mechanism.

We've been having intensive discussions about this. We're trying to bring things up to date. We want to introduce some approaches that haven't been tried in previous agreements.

Provinces have expressed a keen interest in those issues as well, and there have been some discussions going on more broadly, outside these negotiations, about the role that provinces should play in these disputes.

[Translation]

Mr. Jean-Yves Laforest: How much are the 27 states in the European Union providing in subsidies for agricultural production? EU member countries provide significant support. How much is it worth? Basically, I want to draw a comparison. On the issue of supply management, one might suppose that if the EU is pushing hard for us to abandon it, they will have to eliminate many of their subsidies. How much is the EU providing in subsidies?

Mr. Gilles Gauthier: Mr. Chairman, I do not have the exact figure, but I will be pleased to send it to the committee. Obviously, it varies by sector. In dairy, it may be as much as 40% to 50% of earnings.

Mr. Jean-Yves Laforest: One might say the EU subsidizes agricultural producers quite heavily.

Mr. Gilles Gauthier: Absolutely. As part of its common agricultural policy, the EU has a host of agricultural support measures. However, under reforms that were made in recent years and expected reforms under the new common agricultural policy in 2013, their subsidies will be less and less linked to production. It is a direct support mechanism for producers.

Mr. Jean-Yves Laforest: May I ask one last question?

[English]

The Chair: Thank you, Mr. Laforest.

Mr. Atamanenko.

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): Thank you very much, gentlemen, for being here.

I have a number of questions on agriculture, but I also have some general questions on some information I've found in my research from a document entitled *Negotiating from Weakness*, by the Canadian Centre for Policy Alternatives. I'm not sure if you're familiar with that.

It seems to me, looking at this agreement, it's more about European access to our government procurement, public services, municipalities, than it is about trade. I find this a bit disturbing.

I'll quote from the document in a few places, as follows:

In December 2009, the EU presented its initial market access requests covering procurement to Canada.

At the federal level, they have demanded that Canada cover: "All central government entities and all other central public entities including subordinated entities of central government...."

For greater certainty, the EU specifically lists a large number of federal entities currently not covered under international procurement agreements. Consider just two examples from this European list—the Canadian Wheat Board and the Canadian Space Agency. Hampering the procurement policies of the Wheat Board, which has a statutory monopoly to market wheat and barley grown in western Canada, complements the EU's publicly-stated goal of dismantling the Board, which it reiterated at the outset of negotiations. The Canadian Space Agency provides hundreds of millions of dollars annually....

In other words, both of these, according to this document, could be under threat.

The document also says:

They have, as at the federal level, demanded universal coverage of "All sub-central government entities including those operating at the local, regional or municipal level....All entities operating in the so-called M.A.S.H sector (municipalities, municipal organizations, school boards and publicly funded academic, health and social service entities)...."

The impression I'm getting is that these subnational governments won't have any control over local procurement. In other words, instead of trying to provide jobs to local companies, companies will have to compete with major European multinationals. So that's my question in general.

In agriculture, I would like your comment with regard to the UPOV 1991 version of the plant breeders act. According to the information I've received, that would virtually eliminate farmers' rights to save, reuse, and sell seed, so I'd like some comments on that.

Also, with regard to the geographical indications, I know that's a real concern for dairy farmers. The other concern they have is that although things are going along well, there is a chance at the last moment they may throw cheese on the table and say that everything's fine, give us access to your cheese market. Is there that chance?

And the last question I have is with regard to pulses. Right now there are no import duties on non-processed products but there are on processed. So would that change if this agreement were signed?

I'll stop there.

• (0920)

Mr. Steve Verheul: Okay, thank you.

I'll start with a response to the procurement question, and I'll leave the agriculture questions to my colleague.

With respect to procurement, particularly at the provincial and territorial and municipal level, the EU has made it clear across the board that they have very strong offensive interests in that area. The EU claims to be the most open government procurement market in the world, so they're looking for that same kind of access in other markets.

We have been assessing the EU's request, and certainly when you make requests in a negotiation like this, you aim very high. And they did aim very high, just as we aim very high in our requests of them. So we shouldn't assume they will be getting everything they're asking for because that certainly won't be the case.

We will certainly be making some moves into the provincial and territorial agencies, as well as federal agencies and municipalities, but we're also looking very closely at the EU approach to government procurement so we can reflect all the flexibilities they have built into their system that allow for the kinds of practices you mentioned. So we're engaged in that process now.

We also need to keep in mind that we're negotiating fairly high thresholds, which would mean that anything under these thresholds would not be subject to the obligations of the agreement. Procurement for construction, for example, the threshold is \$8.5 million. Anything under that would not be subject to the discipline.

There are also flexibilities for security-related issues, defence-related issues. All of that is exempted. There are a series of exemptions that limit the amount of access and provide certain flexibilities to those offering procurement.

So we're still at the stage now where we're about to exchange offers on procurement. Then we'll see how serious the European side is about some of these specific issues and take it from there.

Mr. Gilles Gauthier: On your agriculture question regarding UPOV 1991, it's important to note that this international treaty was signed by Canada, and it's up to Canada now to decide to ratify it and to decide how and when to implement it. It's not necessarily related to the CETA negotiations. In UPOV 1991, there is a provision dealing with the right of farmers to save their seed. I think this is more a domestic policy decision. We have to decide how and when to implement UPOV 1991, since we're already a signatory to that treaty.

As to geographical indications, as Steve mentioned, this is an issue of significant interest to the European Union. We have embarked on a fairly detailed discussion on this issue in the negotiation. In our view, if we were to adapt some of the GI concept currently in existence in Europe, this would need to be done in a way that is consistent with our existing framework on trademarks and the use of generic or common names in the marketplace. That's the approach we're taking. Taking into account the two principles of federal protection of existing trademarks and the protection for common or generic names, are there other ways we can accommodate the EU request for protection for some of the European GIs? That's our approach.

With respect to pulse, you're quite right that all the pulse are currently imported duty-free in Europe. For the processed product, though, they are subject to several fairly complicated tariff structures. Our objective is to liberalize all the processed products so that we can have access to that huge market.

Lastly, for cheese, it's up to the Europeans to submit a proposal on cheese. Canada already imports large quantities of European cheese, more than \$150 million per year. European cheese accounts for 3% to 4% of the Canadian domestic market. In no product does Canada have such a market share in Europe. So we are starting from a position of strength here in dealing with market access.

• (0925)

The Chair: Thank you.

Your time has expired, Mr. Atamanenko.

Mr. Lemieux.

Mr. Pierre Lemieux (Glengarry—Prescott—Russell, CPC): Thank you, Chair.

My thanks to you gentlemen for being here today. I'm glad we're having this discussion. I think it's critical to the agricultural sector. We've been doing a number of studies here on the agriculture committee. We did one on competitiveness within agriculture. We did one on young farmers. We're going to be looking at biotech. And we're also reviewing government programming.

When farmers come in front of the committee, and when I meet with farmers, I keep hearing that farmers don't want to farm their mailbox. They want to compete. They want to compete and sell their products in Canada and internationally. It's easy to criticize a free trade deal and to play up the possible downside, but I'd like to switch the focus. I actually think there's tremendous possibility being offered to Canadian farmers through a trade agreement like this one.

You mentioned some numbers in your speech, but I'd like you to highlight some of the ways this trade agreement would benefit our farmers and our agricultural sector.

Mr. Gilles Gauthier: Let me take an example that I referred to in my opening remarks. Europe is now a net importer of beef. The domestic consumption in Europe is approaching 8 million tonnes a year. We have had a minuscule export to Europe up to now. Under the recently negotiated settlement for hormone-free treated beef, we will have access to 20,000 tonnes. And 20,000 tonnes in relation to a domestic market of 8 million is still a small market share.

I think we have a tremendous opportunity to grow that market, and that would be quite significant to the Canadian beef industry.

Mr. Pierre Lemieux: An interesting highlight is that one of the things we've heard, of course, is that the beef sector in Canada is in crisis. They need to expand their market opportunities. They need to be able to sell beef into new markets in order to recover, and I think that's very encouraging.

Please go on. I only wanted to highlight that.

Mr. Gilles Gauthier: Just as a last word on beef, I was negotiating in CETA a preferential access to the European market that would certainly put our producers in a much more competitive context vis-à-vis other exporters of Latin America or elsewhere, and I think they'll be able to seize a greater share of that huge European market.

On pork, we have exported less than a thousand tonnes of pork to Europe. The European market is 20 million tonnes, so you can see the great scope here. Even if a decimal proportion of the EU market were to be liberalized or made accessible to pork producers, this could represent a huge opportunity for them.

On the question of grains, eliminating all the quantitative restrictions that we're facing will enable us to make commercial decisions as to whether or not we want to ship more to Europe. In relation to grain, I think an important issue that we need to start a dialogue on with the Europeans is on the question of biotechnology products. We faced some challenges last year for flax. There are potential areas where we could face new hurdles if we are to penetrate the EU market.

I think that in CETA here, not only do we want to secure tangible market access for some of the commodities, but we will also want to create a framework that would enable a bit more predictability to our trade through a rules-based approach in how we govern our trade relationship.

I think you have both avenues of making tangible benefits on the market access side, but also a rules-based system to govern our trade.

● (0930)

Mr. Pierre Lemieux: Thank you.

Certainly we want to represent farmers. We want to do what's best for farmers and for the agriculture sector. Can you tell me if you've had any interactions with farm groups, with farmers, and what kind of feedback you might be getting from them on this particular agreement?

Mr. Gilles Gauthier: We've had very extensive consultation with all the various agriculture groups. I meet with them on a regular basis. Many of them have also embarked on their own market studies, which is quite helpful to our negotiations, because they can examine in detail the shape of the European market and how they

feel as a sector they can position themselves to have access to that market. I have a fairly extensive set of meetings on a regular basis with all the stakeholder groups. I even have a network through which I provide a debrief of all the meetings that we're having so that everybody has access to the same degree of information.

So far, the agricultural community has been extremely engaged, and I'm very thankful for their active participation and the quality of the submissions they've made to the department in order to inform our negotiating process.

Mr. Pierre Lemieux: Are there particular commodities that are more exciting than others and that you might highlight?

Mr. Gilles Gauthier: As I said, our major interests lie in the areas of meat and grain, but we've also had some valuable input from many of the other sectors, fruits and vegetables, processed products. I also have had the privilege of participating in provincial events all across the country, so we also obtain views from the provinces and from the stakeholder groups in the various provinces to ensure that we can reflect their interests in the negotiations.

Mr. Pierre Lemieux: Very good.

Do I still have a bit of time?

The Chair: Only a few seconds.

Mr. Pierre Lemieux: Okay. I have one last question, then, and it has to do with the nature of subsidies.

I think there's fact and then there's fiction. Sometimes the fiction is much larger than the fact. What I mean by that is we probably have a perception of the European subsidies—some of it based on fact, some of it blown out of proportion. I wouldn't be surprised if Europeans have exactly the same view of Canada, that we oversubsidize our farmers, etc.

I'm wondering if you can comment on that, perhaps what your experience is, and how you defuse some of this, especially when you're working with farm groups, in terms of reality versus fiction when it comes to subsidies.

Mr. Gilles Gauthier: I think it has been a long-standing concern of Canada that the European Union has the capacity and has the tools to subsidize far more than we do. So that's why in the WTO context we've been aggressive in trying to introduce more discipline in the use of subsidies by the major players, notably the European Union and the United States.

Then you need to look at issues product by product. For many of the products where we feel we can be competitive in world markets, the issue of subsidy is still relevant. But I think we can still be competitive and active in that market despite the subsidies. If we can resolve some of the subsidy issues through a multilateral context, all the better for our producers.

For other sectors, in the context of the supply-managed sector, when you compare things between Canada and Europe, you have to devise a model by which you attribute to the supply-managed sector the value of the subsidy that comes from the border protection that they need to have in order to sustain the supply-managed sector.

So you have difficulty trying to reconcile different ways of subsidies. Some are more trade-distorting than others, some are more income support, others are more production support. So you have to be able to devise a methodology that is somewhat neutral. Of course that's why the difference of perspective between each country, because each country would devise a methodology that suits their interests more.

• (0935)

The Chair: Thank you.

Just before we move into the next round, Mr. Verheul, I wonder if we could just follow up on something that was brought up earlier about dispute mechanisms.

One of the criticisms.... I think overall the U.S. free trade agreement has worked out very well, but with the dispute mechanism—to use softwood lumber as an example—it basically could go on for years.

Is there any kind of discussion there to ensure there's a more expedient timeframe where basically a decision can be made, and go from there? Could you comment on that a little bit?

Mr. Steve Verheul: Sure.

We've had some 20 years of experience with the NAFTA dispute settlement model, which is very much similar to the WTO dispute settlement model. So we think we're in a good position to try to learn from some mistakes, or some inefficiencies in those models.

We are trying to design an approach to dispute settlement that is going to be much more effective and efficient, reducing the timelines, streamlining the process in ways we can. We're also exploring the notion of a mediation mechanism so you could have an alternative track to dispute settlement that wouldn't necessarily take you down the whole process of a dispute settlement formal panel and all of the rest that can take up to a couple of years.

So between the notion of having a mediation mechanism to try to resolve a lot of these disputes as an alternative to the longer process, we're also trying to design an approach within dispute settlement that will be more efficient and move through the issues more quickly.

We're also trying to find approaches that will make sure the kinds of cases that come before dispute settlement aren't frivolous cases but are actually significant, economically important issues.

The Chair: Thank you. I think that's a very important issue. I'm glad you're trying to address it.

Mr. Valeriote, five minutes.

Mr. Francis Valeriote (Guelph, Lib.): Thank you, Steve and Gilles, for coming up. Your task is no doubt daunting.

Mr. Lemieux spoke about all of the benefits that are available to Canadians through a free trade agreement. No doubt there are, but I guess the question is, at what cost? We know that sometimes we will go and buy something at any cost because we want it so badly and we forget what we're really giving up.

I have two questions. One surrounds procurement—you've mentioned it several times, Steve, in your document—and rights of access particularly to our natural resources like water, oil, and

other minerals, and also actually the right to bid on local projects, such as water systems and things like that.

You know, we very quickly label people “protectionist” because they want to support local industry. I think that's very unfair. Sometimes you do, sometimes you don't; I think you need to have options.

I'm concerned at the \$8.5 million threshold that you're talking about. For some municipalities, \$8.5 million might be high, never reached, and for some—Toronto, Vancouver, Montreal—very low.

So I want your opinion on this. You need to appease the concerns of Canadians about those particular issues, and I'd like you to address that.

Secondly, Gilles, you talked about GMOs. In our discussions on Bill C-474, one of the solutions that was suggested was that we negotiate low-level presence with other countries so it would appease their concerns and give us access to markets we don't otherwise have. Can you talk more about that?

I'll start with Steve.

Mr. Steve Verheul: Thank you.

When we started looking into the issue of procurement at the provincial and municipal levels, the first thing we found out was that there is already a very open system, by and large. Municipalities and provinces often tend to go to where they can get the best deals and the lowest prices. European companies have been significantly involved in a lot of those procurement contracts already.

So we're talking here about making the determination on what we want to subject to obligations in this agreement. We've been engaged in extensive consultations with the provinces, territories, and municipalities about what they're prepared to include under the government procurement obligations. It will certainly be their decision in the end as to what they feel comfortable including. But they are also very interested to know exactly what that will mean if they are captured by the disciplines. How much is that going to limit their flexibility? How much is it going to constrain some of the objectives they might have?

As I mentioned earlier, there are a considerable number of flexibilities built into the system. Certainly nothing in any of the procurement provisions is going to prevent municipalities or provinces from regulating and ensuring that the kinds of policy objectives they want to achieve are maintained.

So we're going through a long process of consultation, and we'll be going in the direction of those procurements only in areas where the authorities are comfortable with the decision.

• (0940)

Mr. Francis Valeriote: And what about our natural resources?

Mr. Steve Verheul: The natural resources issue is obviously an issue of some sensitivity in some cases. The Europeans have access to fewer natural resources than we do. We have a lot of natural resources. We want to sell some of them commercially, and Europe is an attractive market. We want to preserve and manage others in different manners. Those choices will remain up to us in the negotiations. In particular, we have many safeguards against any kind of loss of decision-making ability in the area of water.

Mr. Gilles Gauthier: Thank you.

On low-level presence, this is an issue we want to raise in the context of these negotiations to provide a better framework with a bit more predictability to the trade.

We're also pursuing a parallel approach. As you know, the European Union has already announced that they're looking at ways of dealing with this issue. They will be submitting a proposal in January for their council's approval. It is designed, in part at least, to provide a bit more predictability to the trade. That means allowing a low-level presence as part of a shipment.

It is important for us to ensure that the measures being implemented serve our overall export interests in the EU market, but we also need to be cognizant that the issue of GMO is very sensitive in Europe. We need to approach this issue from a practical standpoint and ensure that over time there is more predictability to the trade.

The EU needs to import a lot of feed from Canada and elsewhere. It is in their interest as well to have a predictable import regime for products in the grain sector. We can work with them to try to devise a solution that will be practical, recognizing the political challenge they're facing in Europe on the issue of GMO generally.

The Chair: Thank you, Mr. Valeriotte.

We'll now move to Mr. Hoback for five minutes.

Mr. Randy Hoback (Prince Albert, CPC): Thank you, Chair.

Thank you, gentlemen, for coming in this morning. It's great to see you here.

It's good to see you again, Steve. I haven't seen you for a couple of years, but I know you work hard on behalf of Canada and you're very capable of balancing tricky subjects and walking that fine line. I'm very confident that we'll have good negotiations because you're there. Because of your background in the agriculture sector, a lot of people out west are very comfortable with your being there.

One of the concerns I have, as we look at a trade agreement with the EU, is how it trickles into the EU countries. We have our own provinces and interprovincial trade barriers here in Saskatchewan that create our own set of issues. If we do a trade agreement with the EU, will individual EU countries be able to opt out of that trade agreement or pick and choose parts of it?

Mr. Steve Verheul: No. Under the agreement within the European Union, member states don't have the option to opt in or out. The European Union will either accept the agreement as a whole—applying to all 27 members—or it will reject it, but there is no middle ground between those.

● (0945)

Mr. Randy Hoback: So there's no mechanism, then. If we're doing an agreement on GMO canola—we'll use that as an example—if a couple of countries say, yes, we're willing to accept it, the EU says they're willing to accept it, then it's acceptable all through the EU. Correct?

Mr. Steve Verheul: If the decision is taken at the level of the commission of the European Union, then it would apply across the entire 27 countries.

Mr. Randy Hoback: Okay.

I get very excited about the biotech sector, and I'm not sure if you're aware that this committee is going to be travelling and looking at the biotech sector. As we do this study, are there things we should be talking about with the people in the biotech industry as we move forward on concerns? Do you see there could be possible roadblocks in seeing the industry grow here in Canada?

Mr. Gilles Gauthier: Obviously, it is a very good sector for Canada, a growing sector. We need to continue to encourage innovation in our agriculture sector. The future lies with innovation.

I would answer that more in the trade context, I think what's important for us is to demonstrate, also, the value of these innovative products for the importing country. It is an instrument that enables a better, more reliable supply of feed and food, and deals with the issue of the global food security challenge that we're all facing. We need to substantiate the economic benefit for the farmers, for the environment, for the consumer.

I think that the sort of underpinning analysis that makes a compelling case for having, globally, a trade regime that is supportive of innovation and of predictable trade for GM products.

Mr. Randy Hoback: I'm going to move over to geographic indicators. When we look at geographical indicators, I know the example will probably be champagne out of France, out of the Champagne valley. How do we prevent geographical indicators from becoming something like country-of-origin labelling where, all of a sudden, the indicator is creating a situation where they're not bringing a product into that country?

Do you have any mechanisms to prevent that from happening?

Mr. Gilles Gauthier: Well, de facto, when you recognize a geographical indication, it means that is the only product that can be labelled with that appellation. It has to come from the region that the geographical indication relates to. There is a direct linkage to the origin of the product from that standpoint.

For us, the challenge is not necessarily the country of origin of that product, because automatically it will have to be a European product that has that GI name attached to it. For us, the challenge is to ensure that none of these recognized names would have an adverse effect in the Canadian marketplace in terms of our ability to produce these products under a common or generic name, or under a trademark.

Mr. Randy Hoback: Okay. I see what you're saying.

As we move forward, on the beef side of things, I know the beef sector is very excited on this side because they see lots of opportunity. Again, there's always the issue of hormone beef, the issue of being certified for Europeans.

Do you see a way to remove some of those barriers now in this trade deal so we can at least see a consistent or a reasonable manner in which we can gain access?

Mr. Gilles Gauthier: All of the issues of phytosanitary and sanitary standards are very important. It's important in these negotiations that we work very closely to establish the proper mechanism to address these issues, to ensure that our veterinarian team at CFIA works closely with their counterparts in Europe to establish common approaches to plant approval and the design of import certificates so there is convergence among the regulatory standards of the two countries or at least some mutual recognition so that we don't face some of the problems we faced in the past.

• (0950)

Mr. Randy Hoback: Finally, we were talking about the European export enhancement program. What kind of mechanism or tools would you use in that type of bilateral to create some sort of ability to claw that back or clamp it down? Would there be an offset, if they decided to do it? Would they pay a penalty to Canada? Do you have any insight on what you're looking at there, to try to rein that in?

Mr. Gilles Gauthier: That's part of any trade agreement. You always have a mechanism in order to address a potential dispute. And if the other party does not comply, you would have a right to compensation and retaliation.

The Chair: You're out of time, Randy.

Mr. Randy Hoback: Could I ask one last question?

The Chair: Well, if it's very brief, you can: a yes-or-no answer.

Mr. Randy Hoback: I guess the problem with the export enhancement program is that we get side-swiped. It's not a direct program going right into Canada. It's them selling into our markets. It brings the price down and we get side-swiped.

Mr. Gilles Gauthier: Well, yes, if you're talking directly about export subsidies; obviously, in a bilateral agreement between Canada and the EU, we do not want to allow for the use of export subsidies in bilateral trade. That would not be fair competition, a level playing field. So we're looking for a complete prohibition of the use of export subsidies in bilateral trade.

The Chair: Thank you. Good point.

Ms. Bonsant, five minutes.

[Translation]

Ms. France Bonsant (Compton—Stanstead, BQ): Thank you, gentlemen. I am going to turn to Mr. Gauthier. I represent the riding of Compton—Stanstead where agricultural production is very prevalent, as is organic farming.

I want to go back to the issue of supply management. The issue always comes up because it's not the first time that attempts have been made to abolish supply management. I don't understand something. You said earlier that the EU wanted to abolish supply management because it was negotiable.

In your view, why would the European Union want to negotiate supply management when it is, itself, moving towards creating a milk board?

I read recently that an association was set up to defend the interests of dairy producers vis-à-vis processors and distributors which are highly concentrated in Europe. It is called the European Milk Board, and includes 100,000 dairy producers and 19 unions in 14 countries.

Where do they draw their inspiration from? From here. On the one hand, you talk about protecting supply management, and on the other hand, the European Union wants it to be negotiable. How can you explain what appears to be a double standard?

Mr. Gilles Gauthier: Thank you. Perhaps this requires some clarification. Our position is very clear: we will remain firm and defend supply management. As far as I know, the Europeans are not looking for supply management to be abolished, just as we are not asking them to abolish their common agricultural policy. Some things are not negotiable on either side.

I do not think that Europe is looking for anything that resembles a fundamental change to our supply management system.

Ms. France Bonsant: I only have five minutes. That seems odd, because in 2007, Mr. Christian Lacasse, who was president of the UPA, walked the corridors at the WTO. He was the one defending supply management, whereas the Government of Canada was prepared to abandon it.

If I'm not mistaken, in February of this year you said that it was to Canada's advantage to quickly conclude the WTO, including for agriculture, because there were substantial gains to make in other areas. I am having trouble understanding that you want to defend supply management, but that you are perhaps prepared to set it aside in favour of the oil sector, for example, or western beef, or things like that.

I want to understand why you have chosen to defend supply management and to not defend it at the same time.

Mr. Gilles Gauthier: I think that the government has made it very clear that we must sign trade agreements, because the vitality of our economy, especially our agricultural sector, depends on greater access to markets and clearer and more predictable international trade rules. That is why we continue to support the conclusion of an agreement at the WTO and why we will continue to try to sign free trade agreements.

In doing that, we support the interests of all our agricultural sectors. Some sectors are more focused on exports, and others on the domestic market, but there is no contradiction in trying to advance the interests of all sectors in trade negotiations.

• (0955)

Ms. France Bonsant: I know that New Zealand is at the negotiating table. In 2000, it abandoned supply management, and subsequently, many family farms went bankrupt. Large corporations took over, because the price of a litre of milk at the farm gate was less than it was under supply management. Consumers are paying a little more and producers are receiving a little less. The processors, as the intermediaries, are the ones benefiting from the situation.

That takes me back to the issue of supply management. Does New Zealand have any influence as regards supply management? In that country, the poorest farmers aren't the ones making money, the large corporations are. With this vision of conservative liberalism, at some point, there won't be anything left to protect smaller farmers. Only large corporations will be protected, and the others will be left out in the cold!

Mr. Gilles Gauthier: New Zealand is a member of the WTO and promotes its interests at WTO discussions, like Canada does. As I mentioned at the start, Canada's position on defending supply management is very firm. At this point, there is nothing to indicate that New Zealand's position will have any influence over Canada's position.

Ms. France Bonsant: I certainly hope that is the case.

My next question is for you, Mr. Verheul. You negotiate in all areas. I know that Quebec has called for an exemption for culture at the WTO. Are you prepared to defend francophone culture at the WTO?

Mr. Jean-Yves Laforest: Are you talking about the free trade agreement?

Ms. France Bonsant: Yes, the free trade agreement. I apologize.

Mr. Steve Verheul: Yes, absolutely.

[English]

It's been an issue in the negotiations partly because the EU has raised some questions about the breadth of our cultural exemption in previous trade agreements, but by and large, we don't have huge differences with the EU over culture.

Certainly the Government of France has advocated a strong position with respect to not engaging in discussions that would have culture submitted to commercial or trade disciplines. While we're having some discussions about the form of our cultural exemption and the way that we've applied it in the past, and whether that fits exactly into the Canada-EU context, the EU has expressed some commercial interest in the issues related to books and publishing, and that kind of thing.

[Translation]

Ms. France Bonsant: We only have five minutes?

[English]

The Chair: No, your time has expired.

[Translation]

Ms. France Bonsant: Just another short question, like Mr. Hoback—

[English]

The Chair: I've already given you quite a bit over, but if you're very brief and following up on the same thing, I'll allow it.

[Translation]

Ms. France Bonsant: Yes, yes. Thank you, Mr. Chairman.

[English]

Mr. Pierre Lemieux: Mr. Chair, you're the best.

Voices: Oh, oh!

[Translation]

Ms. France Bonsant: Mr. Verheul, if culture is an exception, why wouldn't agriculture be one? It's not a boat, a clock or a watch—

[English]

The Chair: You're trying to stretch it into two or three questions, Madame Bonsant.

[Translation]

Ms. France Bonsant: Why wouldn't there be an exception for agriculture, like there is for culture?

[English]

Mr. Steve Verheul: I think there is a very great difference between the cultural industry in Canada and the agricultural industry in Canada. Certainly from the perspective of agriculture in the west, and, for that matter, in parts of Ontario, Quebec, and the east as well, they have a great interest in export markets. They have a great interest in the commercial side of greater access to foreign markets. We're pursuing those interests vigorously on their behalf.

At the same time, as you've mentioned, we also have issues with supply management, where we're defending those interests in a much different kind of way.

With culture it's much different, because we have taken the position consistently that we would have a cultural exemption in our trade agreements. We have not had that kind of split within the cultural community or, more broadly, with some of them interested in very offensive issues and some of them interested in defensive issues.

So it's a very different kind of situation that requires a different kind of approach.

The Chair: Thank you.

Okay, now it's Mr. BlackBerry...or Mr. Shipley.

Mr. "BlackBerry"? I don't how I got that confused, but...

Voices: Oh, oh!

• (1000)

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): That doesn't come off my time, by the way.

The Chair: No, no.

Go ahead. You have five minutes, Mr. Shipley.

Mr. Bev Shipley: Thank you to the witnesses for coming out.

Mr. Verheul, I have to tell you, it's great to see you again. I did business with your father, and your mother was part of that business for many years, and I have to tell you that I think your integrity comes in the genes, in the DNA. Thank you for the work you have done, not only on this one—this is to both of you—but certainly also on previous agreements.

That's why I think Canada is moving ahead: we've had good agreements. We are a trading nation and an exporting nation, and these are so significant to it. Part of it is that since I was in supply management, the confidence has always been there, not only with the direction of this government but certainly with our negotiators in taking a positive position on that and recognizing the amount in subsidies that are in the other countries we're negotiating with.

I wanted to talk a little bit about the biotechnology challenges that were mentioned. It is an incredible opportunity for Canadians and Canadian farmers. You also talked about the regulatory cooperation. I'm surprised that this has just come in at this time. I'm always wondering what we can think about ahead of time to prevent something from being a big problem and ending up as a challenge.

I had a motion that went through Parliament talking about how we can work with other countries, maybe the United States, maybe Australia, but certainly Europe. We're getting the regulatory process and the licensing, but whether it's for pesticides or animal health or medications, is this something that would fall within that regulatory cooperation, so that you could work ahead to help smooth the trail so that we aren't actually on separate pages? Now the globe is such a small place that we can actually work through it so our farmers aren't disadvantaged because somebody else has the upper hand in getting something licensed ahead of our country. Maybe we don't have the population to get it done, but is that something that would fall under the regulatory cooperation?

Mr. Steve Verheul: Absolutely. I think we've been putting a lot of effort behind the whole area of regulatory cooperation, because we see this as providing a lot of benefit over the longer term.

It's always easier if you can prevent a significant difference from occurring rather than having to deal with it once it has already happened. It is far harder to change a regulation once it's in place than to have agreed beforehand on the direction you're going to go in.

The more we go in that direction of getting our regulators together, and getting them on the same page, and going towards either similar regulations or complementary regulations, those barriers will never even come up and you'll have a much more smoothly functioning trade system. We're putting a lot of emphasis in that area.

Mr. Bev Shipley: One of the other things you talked about, which came up in terms of biotechnology again, was about being able to market, about being out there ahead of the game, so that we know that there will be environmental benefits, that the farmer will get a benefit, that the consumer will get a benefit. How do those get determined?

We often get caught up, sometimes, because somebody jumps in and says, well, we've got this emotional issue, or we've got some myth that says these aren't good.

Is it science that actually will be the thing that moves us ahead? How do we make those arguments to other countries so that when we say it to one country, they actually know that it will be true for the next one in terms of our basis?

Mr. Gilles Gauthier: I think your question is very well put.

Clearly for Agriculture Canada, Minister Ritz has devoted tremendous effort over the past couple of years to foster the notion of a science-based approach to trade rule so we can ensure that when we devise trade rules in an agreement, they are rooted very solidly in a science approach.

There is already that to some extent in the WTO context under the agreement on sanitary and phytosanitary measures. In order for a country to impose an import barrier, it has to be substantiated by scientific evidence. If not, then you are in violation of your commitment, and you have to provide for compensation. That's precisely the outcome that we have achieved in the beef hormones case, where in our view there is no scientific evidence to prevent the export of hormone-treated beef. For various reasons the European Union maintains their ban, but as a consequence we negotiated a settlement that will now allow us to have some new access for our beef.

So I think the principle of a science-based approach is very important to our trade agreements.

• (1005)

Mr. Bev Shipley: I will just to follow up on that, because in my riding and Ontario generally, beef and pork are key industries. You talk about the improvement in beef. Obviously, in those negotiations, being able to go back and always being able defend it with science is important.

You talked about only 1,000 tonnes of pork. What is the opportunity there for our Canadian pork producers?

Mr. Gilles Gauthier: Well, as I said before, the European Union is a very large market for pork products. They consume around 20 million tonnes per year. It is a closed market, though. Their import penetration level is very small. There are some countries, mainly in Latin America, that have some access to the European market. But we feel, given our international competitiveness in the pork sector, that if we were to get preferential access to that huge EU market, it could represent huge opportunities across the whole sector.

Currently, not only does the sector face tariffs ranging from 30% to 70%, which eat up all of the profit margins you can anticipate, but we also have to work on some of the regulatory approval processes. We currently have only two processing plants that have been approved. I think we need to continue with that and work with their sanitary and phytosanitary experts in Europe to get these matters resolved.

The Chair: Okay, Bev, you're well over your time, thank you.

Mr. Eyking, for five minutes.

Hon. Mark Eyking (Sydney—Victoria, Lib.): Thank you, Chair.

I thank the trade negotiators for coming here today.

My question is for you, Steve.

You've been doing this job quite a while in representing Canada. I don't know if it's been 10 or 15 years, but as long as I've been around, you've been doing negotiations for us. You have participated in many trade deals or negotiations around the world, in different areas and places. When we look at Canada, it seems that all political parties are for supply management; farm groups are, and even consumers are quite favourable toward supply management.

We realize that you and your group get marching orders from our trade and agriculture ministers to protect our supply management. What we see are the negotiations taking place.

I'm asking you, what's your sense when you're not at the table, when you're having a coffee with your colleagues or lunch, whether it's in Geneva or wherever it is? What are they saying? Are they jealous of us? Are they angry with us? Are they interested in our model? Or are some of the emerging economies and African countries who are worried about food security thinking, "You know what? These Canadians might have it all right: is there a way we can have their system?"

I say this because I think the more allies we have or the more people who are thinking about using our system, the better the chance we're going to have to protect it. But if we're always standing there alone with this system that people don't understand....

So what is your sense, beyond the table, when you talk with and repeatedly see your colleagues? Maybe you're the most senior guy up there now, so they're asking you the questions. But tell us what it's like away from the table, when you're talking to all these other countries or representatives.

Mr. Steve Verheul: Well, I think when you talk to any trade negotiator from another country, what he or she is mainly interested in is access to your markets, particularly if you have higher-priced markets. They are much less focused on the kinds of systems you might have in place, such as supply management; they just want access to the market. So that's why countries like New Zealand and Australia, the U.S., and also in Europe have interests primarily in our dairy market. They just want to see more access to our market.

But we're hardly unique in that. Virtually all developed countries and many developing countries have sensitive commodities they're protecting as well. We all come to the table with areas in mind where we're looking for more from other countries, and areas we're looking to protect, so it all works out in the end. Just as we're being pressured in areas like dairy, we're pressuring others in areas that are of sensitivity to them—and, in the case of the European Union, beef, pork, and a number of other products.

So it comes down to a negotiation. But we've been making it clear for years that, in our case, supply management is something particularly special, and we're going to defend it.

•(1010)

Hon. Mark Eyking: What about these other countries, the emerging economies—let's say the Thailand of the world—who want to protect their food? Are they more supportive of us? How do they see us? Or do they see the system maybe working in some of these countries? The African countries, they're also at the table, aren't they?

Mr. Steve Verheul: Gilles may want to add a bit to this, but I would say from my experience, from the perspective of most developing countries they're looking at us as a wealthier developed country and, again, they want access to our markets. They're not really in a position to be able to replicate our system in many cases, because they don't have those kinds of structures, but they're mainly looking outward and have different approaches with respect to protecting their own domestic sensitivities.

Gilles, you may want to add to that.

Mr. Gilles Gauthier: Just briefly, in the WTO context it's quite clear that the vast majority of developing countries are seeking increased access to the Canadian, the U.S, the EU, and Japan markets. That's where they can sustain their growth, sell good products at high price, and therefore expand their economies.

Hon. Mark Eyking: At these meetings, it's more that somebody else is trying to eat your lunch, and you have to protect it and you're trying to eat it. So it's not that everybody is all excited about your system. That's what their marching orders are there for.

On the topic of marching orders, when European negotiators come to the table, is a common agriculture policy not even brought forward? Are they told that it's not part of any negotiation?

Mr. Gilles Gauthier: The question of subsidies is very difficult to tackle in a bilateral context. It is more suited to a multilateral framework, because the European Union is not going to embark on reforms of their regime vis-à-vis Canada. They have to do it vis-à-vis the entire world. That's why the question of subsidy discipline is more suited to a negotiation at the multilateral level than in the bilateral context. What we're trying to do in the bilateral context at a bare minimum is to establish some level playing field in terms of export subsidy. You cannot provide export subsidy to ship to your other partner, because that would be unfair competition. But the broader question of subsidies ought be addressed in a multilateral forum.

The Chair: Okay, Mark—

Hon. Mark Eyking: So it's not on the table.

Mr. Gilles Gauthier: Apart from seeking some commitment on export subsidies, the rest of the subsidy issue is not really relevant in a bilateral context.

The Chair: Okay, thank you.

Mr. Storseth, five minutes.

Mr. Brian Storseth (Westlock—St. Paul, CPC): Thank you, Mr. Chair.

To follow up on that for a second, Mr. Verheul, you represented Canada at the WTO before this current posting, is that correct? How did we get to this current regime of subsidies? I always get the question from my producers that the U.S. and the European Union are allowed to subsidize so much more than the Canadian government is allowed to.

How did we get into that position? When did that happen?

Mr. Steve Verheul: I think that's happened over a long period of time. Certainly the European Union and the United States have a lot of resources at their disposal to provide support to agriculture, and have done so with enthusiasm over the years. What the U.S. and the EU have done in particular, particularly in the EU case, is move away from systems of price support, by and large, and moved more in the direction of direct payments, that are considered to be less trade-distorting than price support. This has given the EU the flexibility to offer reductions in subsidies of 80% to 85%, trade-distorting subsidies at the WTO; in the U.S., it's 70% or so.

It was actually a Canadian idea that would have countries like the EU and the U.S. cut their subsidies by a much greater percentage and margin than Canada would have to do. That idea has been accepted. That was a significant gain on our part.

Mr. Brian Storseth: When was that idea presented?

•(1015)

Mr. Steve Verheul: We originally presented that idea I think back in 2006 or so, but it has been adopted and has appeared in all of the texts that have been drafted since then.

Mr. Brian Storseth: I think it has been a great success for our agriculture sector.

I have a quick question for you on the importance of science. I know we've talked about it, but I want to emphasize it. You guys agree, do you, that it's important that we stick to a science-based approach and science-based outcomes rather than move into market-based or anything else?

Mr. Gilles Gauthier: Absolutely. It's fundamental for the agriculture sector that we have to rely on a science-based approach too.

Mr. Brian Storseth: I agree. I agree 100%.

What is your perception of the opportunity here? When I go around, I talk to local producers in my riding. We talk about a European free trade agreement. They're very excited about it.

One, are you getting the same feedback from the national farm organizations? And two, what is your perception of the opportunity here for our agricultural sector?

Mr. Gilles Gauthier: As I mentioned earlier, the feedback we've been getting from the sector is generally very positive. The sector is very well engaged. They are doing their own analysis of trying to estimate the potential gains for their sector. So I think generally speaking it's certainly a very positive engagement across the board.

In terms of the benefits, hopefully we'll be in a much better position to assess that when we get to the final agreement.

Mr. Brian Storseth: That's fair.

Are there any national farm organizations that haven't been positive about this deal?

Mr. Gilles Gauthier: Well, everybody is fully engaged. Of course, representatives of the supply-managed sector want to make sure that the government will stick to our position of defence of the supply-managed sector. But all the sectors are actively engaged and have provided some input to the department.

Mr. Brian Storseth: Absolutely.

When you're at the table, does the Canadian Wheat Board ever come up?

Mr. Gilles Gauthier: The issue of generic discipline on monopolies and state enterprises is one topic that is being addressed in the negotiations, but it's more in terms of how we ensure that the use of monopolies or state enterprises does not lead to detrimental trade effects. How can we ensure that their behaviour is based on commercial behaviour? It's not cross-subsidization. It is done in a way that enables a fair marketplace. So that's the sort of broad framework of rules pertaining to monopolies and state enterprises we'd be looking at.

Mr. Brian Storseth: I would think, when they're talking about access and access to markets, the Europeans would see this as an inhibitor to their access to a market, no?

Mr. Gilles Gauthier: Well, in terms of access to the Canadian market, not really. It has never been raised in that context. There are some importers in Europe that have expressed an interest in being able to deal directly with other suppliers in Canada, but apart from that I think it's more, as I said, a sort of generic discipline pertaining to the behaviour of state enterprises than the nature of the Canadian Wheat Board in and of itself.

Mr. Brian Storseth: Thank you very much.

The Chair: Thank you.

Now we'll move to Mr. Richards for five minutes, sir.

Mr. Blake Richards (Wild Rose, CPC): Thank you.

I just want to maybe look a little more broadly here at things. I've only been to Europe a couple of times, but I was there this summer, travelling. My son was there for a hockey tournament. We travelled around to various countries. So I spent a lot of time on a bus with his hockey team and saw a lot of the countryside in various countries in Europe.

There was one thing that I noticed, and I think it was something that I was probably fairly aware of already, and you can maybe confirm this for me—you probably would have a better idea. There's often a lot more of the smaller farms, I guess we'll call them, in Europe, more mixed operations. There's the standard few milk cows, and a couple of chickens, a small acreage, and a variety, whereas in Canada, generally our farmers are often more "specialized", I suppose, for lack of a better way of putting it. In other words, you might be a beef farmer, you might be a grain farmer: often our farmers are more specialized.

I guess I'm just curious, when we're talking about agricultural trade with our European Union partners, given the fact that our agriculture is done somewhat differently from the way they do it there, what types of opportunities are created for our farmers and what kinds of challenges.

•(1020)

Mr. Gilles Gauthier: The European farm sector has some differences from Canada, but there is also some resemblance, in the sense that you have different models: you have smaller farms that are more directed to supplying local markets, but you have also very large operations that are designed to operate in world markets. We have the same sort of configuration in Canada, with some large farm operations that are more geared toward the international market and some smaller ones.

The issue here is that the Canadian market is relatively small compared with the European market, and we have the luxury in Canada of being able to produce more food than we need domestically. Having access to a huge market of 500 million in population, which is becoming more and more an importer of food products across the range of sectors, in and of itself provides a solid basis for us to capitalize on a new and privileged access to that market that nobody else—at least among our competitors—currently has. We compete a lot with U.S. producers, with Australia, and with others, and even with Latin Americans.

If Canada is successful in concluding an agreement with Europe, we would be the only major agricultural exporter to have preferential access to that huge market. That, in and of itself, could represent huge new opportunities for our sector.

Mr. Blake Richards: Absolutely. Clearly a lot of the work that is being done.... I know you're both a big part of a lot of this work, but certainly Minister Ritz has placed a major focus on opening up new markets and on bilateral agreements. There has been a lot of progress under our government in that regard. I appreciate your roles in it as well.

There are great opportunities for our farmers, and most people recognize that. Farmers are certainly appreciative of it; I know I am.

Specifically in terms of dealing with the EU, their heavy subsidization of their agriculture sector is fairly widely known. That has been touched on a little bit here today. Can you give us some specific examples of some of the concerns you have or that we have about the subsidies and what some of the specific ones are that we may have the biggest concerns with?

Mr. Gilles Gauthier: The subsidy level in Europe varies product by product. In the beef and hog sectors, their level of subsidy is far beyond ours here in Canada. But despite these heavy subsidies in Europe, our producers believe that if we have preferential access to the European market, we will be able to be competitive in that market—despite these subsidies. That's positive news.

Of course, the subsidies of the European Union will remain of concern to Canada. We will continue to be very aggressive in the WTO context to try to inject new discipline into the use of subsidies by the European Union. Hopefully an agreement will emerge eventually from the WTO that would even add to our ability to penetrate the European market on a preferential basis.

The Chair: You're out of time, but we have a few minutes for a couple of further questions.

You can put one question, Wayne, and then we'll return to the other side of the table.

Hon. Wayne Easter: Really, it's two tied together, Mr. Chair.

Just on the last exchange concerning the subsidies in Europe, I take it that the common agricultural policy itself—I spent a month studying it many years ago, and it's very huge—is not specifically on the table in this negotiation.

Secondly, as the last question that I tried to get in earlier, in terms of our entering the beef market in Europe, which has tremendous potential for us, is traceability back to the farm going to be required? That's an important factor for our producers going forward. If we're going to need traceability, then we're going to have to inform the industry that we have to have it to get into that market.

•(1025)

Mr. Gilles Gauthier: Well, in order to have access on a preferential basis, you will have to have what we call a “rule of origin” for the product: where does the product come from? Does it truly come from Canada? In that context the traceability issue becomes relevant.

Our traditional position in trade agreements has been that if the beef has been slaughtered in Canada, that's sufficient to confirm it as a Canadian product and eligible for the preferential access. In these negotiations, the European Union have had traditionally a different approach, requiring that the beef be born, raised, and slaughtered in the exporting country in order to gain access on a preferential basis.

So we're currently discussing how these two approaches are going to operate.

The Chair: Thank you.

Mr. Hoback, you may have one question.

Mr. Randy Hoback: I guess my comment and question would be on two things, the low-level presence and the recognition of science.

If there's one thing I think we need out of this with the EU, it's the understanding of what low-level presence is and what the rules are, and the recognition of science—the recognition that what's safe is safe.

My question to you is on those two areas. What are we doing to ensure those are priorities in the agreement?

Mr. Gilles Gauthier: Well, all questions on sanitary and phytosanitary issues are very important to these negotiations. We have a separate negotiating table pertaining to these topics. Our objective is to reiterate our commitment to the WTO SPS agreement, which is anchored in science, and to devise appropriate institutional mechanisms that will be able to deal with issues related to standards and measures of that nature in order to provide for predictability in trade.

Low-level presence is an area we're making some effort to see addressed in the CETA context, along with a parallel process, because the EU is currently embarking on a proposal to deal with that issue. The minister and the deputy minister have had some meetings with their European counterparts to try to ensure that whatever regulatory framework is put in place in Europe will allow for predictability to our trade, including in instances where a low-level presence is found in our shipments.

The Chair: Okay, thank you.

Mr. Atamanenko, you may put one question.

Mr. Alex Atamanenko: Thank you, Larry; it will be very quick.

Although I understand that supply management is being protected, is there a chance that in order to make the agreement work the government or the negotiators may agree to increase the quota to 10% and to lower the over-quota tariff, which is now something like 240%? It's my understanding that, according to the Dairy Farmers of Canada, even if this will protect the supply management, if we made those moves it could be at a cost of around \$70,000 to each dairy farmer.

It's one thing to say we'll protect supply management, but is there some thought that it might be modified a bit to make the agreement?

Mr. Gilles Gauthier: At this point the only thing I can say is that the defence of supply management has always meant that we need to ensure that the border protection measures currently in place are maintained, so that we can decide domestically the volume of production necessary to meet domestic demand.

Obviously, it's a position that at this point we will continue to advance in the negotiations to ensure that this border protection is maintained, so that we can continue to operate the supply-managed sector the way we have over the past 40 years.

• (1030)

The Chair: Thank you very much.

Okay, Mr. Laforest, I'll give you the same opportunity, very quickly.

[*Translation*]

Mr. Jean-Yves Laforest: Thank you, Mr. Chairman.

Earlier, Mr. Verheul, you answered my question. You said that there were 22 areas under discussion and 22 negotiating tables. We had heard that there were 14 negotiating tables and that the provinces were participating in 13 of them. Apparently the only table from which provinces were excluded was the financial services one. Is that accurate?

[*English*]

Mr. Steve Verheul: No, that's not correct. There is a whole series of tables that deal with federal-only issues. Customs and trade facilitation, rules of origin, goods generally in dealing with the tariffs, and intellectual property issues, for the most part—all are tables dealing with federal legislation or federal jurisdiction only, and provinces haven't been invited into those tables.

The Chair: Thank you.

We have to end questioning at this time.

Mr. Gauthier and Mr. Verheul, thank you very much for being here today. I'm quite sure that as the negotiations carry on, we'll probably see you back here sometime in the new year.

Thanks again, and Merry Christmas to both of you.

Mr. Steve Verheul: Thank you.

The Chair: We'll break. We have to move in camera shortly. I'd ask any non-staff to clear the room as quickly as possible.

[*Proceedings continue in camera*]

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