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Chair

The Honourable Rob Merrifield

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• (1140)

[English]

The Chair (Hon. Rob Merrifield (Yellowhead, CPC)): I'd like to bring this meeting to order.

We'd like to thank the witnesses for coming forward today. We have enough members at their seats and a witness at the end of the table. We have one witness who will be joining us, Mr. Tiberghien from British Columbia. He will be presenting likely right after the presenters who are here at the table.

We'll start with the presenters at the table. We have the Honourable Allen Roach from Prince Edward Island. Thank you very much for being here. He is the Minister of Innovation and Advanced Learning. You have with you Mr. Kal Whitnell. Thank you for being here.

We also have Brad Wildeman from the Canadian Beef Industry.

We'll start with you, Mr. Roach. The floor is yours, and we look forward to your testimony.

Just before you do that, I forgot to introduce what we are studying, actually. It is the comprehensive and high-level economic partnership agreement between Canada and Japan.

Hon. Allen F. Roach (Minister of Innovation and Advanced Learning, Government of Prince Edward Island): Chairman and committee members, thank you for inviting me to today's committee meeting. This is my first time attending a parliamentary committee meeting, and I am honoured to be representing Prince Edward Island as the Minister of Innovation and Advanced Learning.

In Prince Edward Island's most recent Speech from the Throne, and again in our 2012-13 budget speech, our government voiced some concrete goals for growth in our private sector, our trade and exports, and our population. We will grow our GDP to \$6 billion by 2016, we will increase employment levels to 75,000 jobs by 2016, and we will reach a population of 150,000 by 2022.

For our province, strengthening and increasing trade with international economic powerhouses such as Japan is essential to achieving these goals. We are on a good track. Just last week the Atlantic Provinces Economic Council forecasted that Prince Edward Island will lead the Atlantic region in GDP growth in 2012. Our government is very serious in working with our provincial, territorial, and federal counterparts on any discussions to encourage trade opportunities.

Prince Edward Island has enjoyed a long relationship with Japan. Japan continues to be one of Prince Edward Island's most important

trading partners, ranking as our third largest trading partner. Total merchandising trade in 2011 was almost \$15 million, accounting for 2% of total exports worldwide.

We also have a strong relationship culturally, driving nearly 29,000 Japanese tourists to Prince Edward Island over the last seven years. We are finding that our visitors from Japan tend to spend more than the average tourist, an average of \$95 per visitor, per night. Japan is the only market where Prince Edward Island owns what is considered a Canadian icon, Anne of Green Gables, and this is still the number one motivator for visitation to P.E.I. from Japan. The fictional red-haired character has tremendous brand recognition in Japan.

Prince Edward Island is keen on expanding and growing their partnership with Japan through the Canada-Japan economic partnership agreement. We see opportunities in our traditional sectors, seafood and aquaculture, agriculture and agrifood, tourism, and manufacturing. Additionally, we have a keen interest in growing trade in services, bioscience, aerospace, and information technologies.

Currently, the bulk of trade between Japan and Prince Edward Island is in food products. Prince Edward Island exports various products to Japan, often very diverse and niche products. In 2011, top exports in our seafood and aquaculture products included lobster, at \$3.5 million; mussels, at \$1.2 million; and tuna, at \$600,000. Other products emerging in this sector are herring roe and snow crab.

Unfortunately, because of the fact that many of our products are routed to nearby provinces or states before export, federal export statistics are not truly representative of the amount of Prince Edward Island product going to Japan. The Agriculture and Agri-food Canada statistics show Canadian seafood exports at \$250 million in 2011 and \$300 million in 2010. P.E.I. seafood exports to Japan were \$6 million in 2011 and \$10 million in 2010. In reality, the value of Prince Edward Island seafood exports to Japan in 2010 and 2011 exceeded \$18 million to \$20 million. Prince Edward Island seafood exports to Japan are: lobster, actually \$12 million; tuna, \$3 million; and mussels, \$2 million.

These P.E.I. figures are compiled as a result of discussions we've had with P.E.I. seafood companies that are supplying product to the Japanese market. For example, we know that 99% of bluefin tuna caught in Prince Edward Island are sold to Japan, hence the discrepancy in the statistics: it's much closer to \$3 million than the recorded \$600,000.

• (1145)

We see huge opportunity for increasing our sales of lobsters and mussels as well as emerging products like herring roe and snow crab. As a province, we are looking at co-packing to alleviate transportation costs, and we are developing the export channels between P.E.I. and global markets. The government has dedicated resources looking into export channel development for a number of our industries.

In the agriculture and agrifood exports, the top food products are cheese, potato products, canola, and soybeans. Japan is our third-largest trading partner—it's actually our second-largest trading partner if you account for the discrepancies I've noted in the trade data.

We are excited by the business relationships we have been building by supplying canola to Japanese buyers. We are only just developing this, but we know there's a strong appetite in Japan for our high-quality, GMO-free canola. Prince Edward Island farmer Raymond Loo and regional company Atlantic Oil Seed Processing have been at the forefront of this relationship-building.

We are hoping to export more value-added canola oil rather than the unprocessed seed. Prince Edward Island currently has the facility to crush canola, and our government is looking into how we can help this sector develop the most efficient way to deliver this product while ensuring the high quality demanded by the Japanese market.

We also know that there's a desire for food products in Japan, especially high-quality, health food products. This has helped sell our food-grade soybean. Currently 8,000 acres of soybean production is going to Japan, and our buckwheat, which is used to make noodles, is a staple in the Japanese diet.

To continue our successes with exporting food products to Japan, Prince Edward Island would like to see the federal government consider the following in their negotiations: a tariff reduction on fish and seafood as well as agricultural and industrial goods; favourable outcomes on technical barriers to trade; and more liberalized rules for sanitary/phytosanitary measures.

Rules of origin would help improve the flow of goods into the Japanese market in our key sectors. As an example, to further facilitate trade in organic products, Prince Edward Island would be interested in an agreement with Japan concerning the equivalency of organic product standards. At present, Canadian organic products are at a serious disadvantage compared with American organic products, as the United States already has organic standards equivalency with Japan.

Beyond the trade relationships we have in the traditional sectors of food products and tourism, we would also like to widen our trade in service education and investment relationships. Prince Edward Island continues to develop a strong knowledge-based economy as well as a sophisticated and competitive services industry. The

services sector employs nearly 54,000 Islanders, a key driver of the Prince Edward Island economy, accounting for 76% of the province's GDP in 2010. There are potential trade barriers that may exist on Canadian services, namely, citizenship or residency requirements, lack of temporary rules, and ownership and investment restrictions. Negotiating favourable rules in these areas would directly benefit businesses and workers in this vital Prince Edward Island sector.

The Government of Prince Edward Island is looking to expand the number of foreign students who study at our university and colleges. We think their presence strengthens our schools, and we expect that students who have a positive experience at our schools may consider future immigration to Prince Edward Island. Japan could contribute a great number of foreign students to the Island, and this is an area that we would watch with interest.

As well, we see an opportunity in inward investment. Negotiating predictable investment rules and guaranteeing access to Japanese markets will help create a level playing field for Prince Edward Island investors and businesses and reduce the risks associated with investing abroad. This would lead to a greater two-way investment that would help create jobs and long-term prosperity for hard-working Islanders.

• (1150)

On behalf of the Government of Prince Edward Island, I want to extend thanks to the committee members for inviting us into this discussion. We are encouraged to hear that these discussions are going forward with the Canada-Japan economic partnership agreement. Prince Edward Island looks forward to broadening trade between our two countries.

Thank you.

The Chair: Thank you very much for that.

We'll now move to Mr. Brad Wildeman, chairman of Canada Beef Inc.

The floor is yours, sir.

Mr. Brad Wildeman (Chairman, Canada Beef Inc.): Thank you, Mr. Chairman and honourable members.

I will quickly introduce myself. I'm Brad Wildeman, the chair of Canada Beef Inc., which is the amalgamation of three prior organizations that you are probably aware of: Canada Beef Export Federation; the Beef Information Centre, which did domestic and U.S. marketing on behalf of beef; as well as the national check-off agency that's responsible for collecting the check-offs from cattle producers based on their sales. We've really taken three organizations and put them into one.

Personally, I'm a feedlot operator and cattle producer from central Saskatchewan.

I'll give you a quick overview of Canada Beef. It is a new organization, really, that has effectively been in full operation since January 1. We're still in our first year of operation, but there have been some changes. Canada Beef Inc. is focused solely on creating value for our stakeholders through marketing. We're not in the policy advocacy business. It is relatively rare for us to actually be making a presentation like this, but we feel it's very important. Japan is a key market for us.

We're funded solely by Canadian beef producers through the national check-off system. We're responsible for marketing both domestically and abroad. Our key focus is simply getting the greatest value for every cut, in whatever marketplace that will be, to bring back value to our key stakeholders, primarily beef producers but not exclusively beef producers.

Finally, our board is made up primarily of cattle producers from across Canada, from every province in Canada. We also have representation on our board from the key industries—the packers, exporters, further processors, food service industry, etc.—so we think we have a pretty well-rounded board.

In terms of Japan, obviously since BSE we were blocked from that market until 2005. They're now restricted to the under-21-month requirement, even though that is not a world standard. This is a standard that's been imposed upon us by the Japanese government. That has severely restricted our ability to trade there.

Canada is its third-largest agricultural trade partner, with over \$2.9 billion in 2010. It's also the world's third-largest beef importing nation. Almost 60% of its beef consumption—58%—comes from imports from somewhere around the world, primarily from the U.S. and Australia.

In 2001 we actually reached the peak of our beef exports to that market, at almost 29,000 tonnes. In 2002 we were down to about 24,000 tonnes. In 2010, since we reopened in 2005, we shipped 15,500 metric tonnes, for a value of about \$78 million.

We see that the consumer preference in that country is certainly moving towards a more western diet, more beef, and a developing taste for grain-fed, white-fat beef. We've been busy training food service people about the benefits of this marbling. We see this as the highest of the high-value markets around the world for our premium product.

There's also a developing preference for barley-fed beef as well, which is interesting because of its whiter and leaner fat content. We think that could be a key competitive factor versus the United States.

The importance of these FTAs cannot be understated. Just for comparison, as you are aware, Mexico and Japan have concluded a free trade agreement, although there are still tariffs in place. It concluded in 2005 with lower tariffs within specific volumes. In 2011 Mexico exported 27,500 tonnes of beef to Japan. In fact, they're the fourth-largest market share in Japan after Australia, the U.S., and New Zealand.

In 2012, 10,500 tonnes of beef from Mexico were subject to a lower tariff of 30.8% versus our 38.5%. You can see that even a small reduction in tariff has a huge impact on the ability of countries that we normally wouldn't think would be competitive to really gain

a foothold. In fact, they're exporting nearly twice as much beef to Japan as Canada is today.

• (1155)

The Australia-Japan negotiations have been going on now for seven years, although they haven't been concluded. I've been reading some articles lately about the frustration that Australia is expressing on their inability to finish that deal. Australia has about a 60% share in that market. Because of its high-valued nature, we value Japan as one of our most important and priority markets for Canadian beef, next to our own domestic and U.S. markets.

It's projected that beef consumption in Japan will grow by about 63,000 tonnes over this next decade. Imports will increase to 103,000 tonnes, so their domestic production, particularly given some of the natural disasters they've experienced there, will not be able to keep pace with this growth in consumption. I think that's great news and a great opportunity for us.

If the Canada-Japan EPA were concluded favourably, we would stand to gain both greater imports and a greater market share.

If Japan accepted under-30-month boneless beef, with the removal of tariffs scaling back from 38.5%, the potential increase in beef exports to Japan would be about \$47 million, for a total value of \$125 million, or 20,000 tonnes in total over what we're doing today. They also have the ability to put a snap-back tariff in, up to 50% I think, if exports exceed 17% year over year, and we would have to deal with that.

Obviously, we have significant regulatory barriers that limit our ability. Under-21-month cattle does not allow us to market to this market with consistent supply for a full year. We normally have a deficit in cattle of that age from January until March. We can't supply enough cattle to those markets, and it doesn't allow us to be able to find strategic marketing partners over there who will put marketing dollars and effort into marketing our product year-round because they simply can't supply.

What we hear often is that it's a great product, and we can position it at the highest and most premium price, even at or above U.S. Choice, which is the gold standard worldwide, but the problem is what to do for those other three months when we have to go back to the U.S. to buy theirs, or go to Brazil, or other places. We simply haven't been able to really exploit that market. We think that once we can get to under 30 months, we can fully exploit that market and really gain value, but on a per tonne basis it is certainly one of the highest-valued markets that we deal with.

A move into bone-in access could increase exports to 25,000 tonnes and a value of \$168 million. Obviously, we see this as a very positive outlook for this Canada-Japan EPA. It is certainly huge for us and certainly huge for agriculture, and, particularly coming from Saskatchewan, we see this as a huge potential.

We appreciate the fact that Minister Ritz and other ministers have travelled over to Japan and met with Japanese meat traders, etc. I'd just like to make it clear that we'll never be the mainstream supplier of beef over there, but certainly we believe we can have a very significant market share and certainly get the premium in. For Canada, given our relatively small herd size, compared to the U.S. particularly, it's not about volume; it's about creating value.

Projections in this marketplace are challenging for us, though, because we've been out of it for so long, and prior to BSE. Supplies are dwindling now, and it's going to limit our further growth.

Finally, I think we've all talked a lot about the potential, but I think we have to look at the other side and think about what happens if we fail to reach some sort of economic partnership and others reach it ahead of us. I've expressed what's happening in Korea. I was over there a little while ago. We can see again the U.S. course. It reduces their tariff by 2.7% a year over the next 15 years. Speaking to our key customers over there, we could take a year, maybe two years. Once we get over a 5%, 6%, or 7% difference in tariff, that's likely the end of that market for us.

• (1200)

When we tier our markets, and we think of Japan as our number one offshore market and Korea as likely number two for value, we look at our number one and two markets as being in significant jeopardy. So we urge the Government of Canada to be very aggressive in making sure they cannot only open that market, but maintain those markets for us.

Certainly, we could reallocate to other markets, and we continue to do that. We ship to over 60 countries in the world, but none of them have the kinds of values that Japan could offer us in this market.

Finally, it's a huge opportunity for Canada. As you know, we have a large land base. We certainly have the ability to grow our industry. Cattle populations are down. Why? Because we've lost a lot of money. There are profits back in our industry. We can open these markets and maintain these markets where we grow this industry, and we believe we can be back at the 3.5 million cows we used to have prior to BSE.

With that, thank you very much.

The Chair: Thank you very much.

We have one more presenter before we start our question and answer session. I recognize Mr. Tiberghien, associate professor, Department of Political Science, University of British Columbia.

Professor Yves Tiberghien (Associate Professor, Department of Political Science, University of British Columbia, As an Individual): Good morning, Mr. Chairman, honourable members of Parliament.

It's a great pleasure to be here. I am presenting here as an academic, as someone who has a lot of time and experience studying Japan—the Japanese political economy—but not representing any larger interest. What I'm going to attempt to do is to give a big picture of what this EPA could bring. It's more about the foreign policy advantage for Canada than the specifics, although I'll get to specifics toward the end.

I have roughly 20 years of experience going back and forth, doing research in Japan, living in Japan. I was a visiting fellow with the ministry of finance there for a year. I often go to METI, which is the main ministry in charge of trade negotiations, and I have taught Japanese politics here in Vancouver for many years.

First, the big picture is that we are in the middle of very fluid times. As we know, the global economy is in the midst of big uncertainties—the Doha Round, the WTO round, is stuck—and power is shifting toward emerging economies like China.

In these times when things are very uncertain, it triggers a lot of entrepreneurial behaviours for a lot of states. The tool of favour right now for those manoeuvres tends to be FTAs, free trade agreements. Free trade agreements are seen by a lot of countries, particularly those very entrepreneurial ones, like Korea, or increasingly Japan, as the main tools to rebalance foreign policy and geopolitics.

The successful countries of tomorrow are those that are quite aggressive, using the tools of FTAs and being very nimble in leveraging their comparative advantage. Actually, two very good examples in Asia are Korea and Singapore. They have been very, very aggressive using this and taking advantage of the global economy in these uncertain times. In this context I would say that Canada's comparative advantage is to be a bridge between the west—that is the U.S. and Europe—and the emerging economies of the Pacific, and of course China and India, but also being very active with Japan.

So now let me turn to Japan. Japan is in a very interesting position right now. It's a pivotal player in a bigger geopolitical fight or competition between the U.S. and China. On the one hand, Japan, like Korea, Taiwan, and other economies of East Asia, is getting more and more integrated into the Chinese economy. Japanese exports 10 years ago used to be just 10% to China and 20% or 30% to the U.S. Today we are at 22% to China, 18% to the U.S., and by 2020 we'll be 30% to China and 10% to the U.S.

Japan is increasingly hooked to the Chinese mainframe, but this is not matched by a strong institutional capacity. There was no investment treaty—they've just signed one now—and in general, although Japanese industry is pushing for more East Asian integration, the Japanese politicians and Japanese public are a bit ill at ease with this growing integration with China. There's an interest in keeping a second strong leg across the Pacific with the U.S., and now Canada.

At the same time, on the U.S. side, the U.S. is in the midst of this big effort. After 10 years of not paying too much attention to Asia, there's an effort to pivot back into Asia, and the U.S. is using the TPP as part of APEC as a wedge, in a way, to pull those economies a little further from China. Japan is the key actor in this battle.

Canada finds itself in the middle of this big game. There's a big geopolitical game going on, and of course Canada is in the midst of an effort now to take advantage of the rise of Asia. We know the Prime Minister went to China and is really putting a lot of emphasis on China, building a stronger economic linkage with China. But balancing the China strategy with a very strong Japan strategy for the sake of Canadian prosperity also makes a lot of sense.

Japan is Canada's oldest diplomatic partner. The diplomatic relations go back more than 78 years. What's interesting is that Japan is actually much more similar to Canada than we often think. It's the same Westminster parliamentary system, the same kind of constitutional monarchy, and when we look at opinions, we find very, very similar positions among the public—similar values, in fact, among the Canadian public and the Japanese public.

• (1205)

It's really a natural partner for trade, but also for a lot of other foreign policy initiatives. Canada has an advantage now with Japan in terms of being a first mover within the G-8. Japan doesn't yet have any FTA with G-8 countries. The FTA game is often a competitive one. It is not so much about the FTA in itself. It's also about beating the other competitors. For example, having an FTA before Australia or before Europe, both of which are being negotiated, would give a lot of advantage to Canadian exporters. The timing is also quite important.

Japan right now has different priorities. On one hand, it is moving forward with the trilateral FTA with China and Korea. This is a slow process. It's very difficult politically. On the other side, there's the TPP, which is also politically treacherous. It's very difficult to move now under the current conditions. The Canadian EPA falls in the middle of this and is seen in a way as the path of least resistance by the Japanese reformers or the Japanese government. There is a good window of opportunity independent of domestic politics.

I should add a few words on the Japanese current political context. It's a difficult context. There is no way to hide this. As you are probably aware, Prime Minister Noda is staking his political life now on an increase in consumption tax from 5% to 10%. He is facing double opposition, first from his own party, the other leader, Ozawa, and second from the opposition, the LDP, which controls the upper house. As we speak, Noda and Ozawa are supposed to meet today, actually. It will be a very, very difficult time for the Prime Minister to get an agreement within his own camp, let alone get support in the upper house.

Noda is in a difficult political moment. He is facing the fight of his life. That gives us several scenarios. Either he will fall before the September deadline for his leadership, there is a new election within his party, and then they will have a new Prime Minister and possibly a new election, or he will negotiate with the opposition to pass his consumption tax and then have a new election as part of that deal in the summer or the fall. There is that context, which makes things difficult; however, within that context, once the air is cleared by the

fall, a Japan-Canada EPA is still the easiest free trade initiative for Japan to move forward with.

We should compare that to the TPP. The TPP is extremely divisive in Japan. On one hand, the Prime Minister and reformist politicians have pushed the TPP for three reasons. Number one is they want to keep a balance between the integration with China and North America. They want to keep the two in balance. Number two, they want to strengthen the U.S.-Japan alliance and their relationship. Number three, they want to use the TPP as a catalyst for structural reforms, because Japan is still kind of stuck. Yet this TPP is facing very high opposition from a large group of members of Parliament, from both the DPJ and the opposition LDP. So it doesn't look as if there is any way for the TPP to move forward politically right now.

By contrast, the EPA with Canada is seen by reformers and the DPJ leadership as a much more feasible option. I had a conversation last November with the former vice-president for international affairs of the DPJ, Iwakuni Tetsundo. He told me actually that he was hoping Canada would come to Japan and try to move fast with the EPA—at the time, it was not concluded—because he said there was no organized opposition to an EPA with Canada within the DPJ or within the major interest groups, in part because there is no rice issue, there are no orange issues, no mikan issues, and no tea issues. They are very sensitive products in general with Asian countries or with the U.S. By contrast, things like beef and fisheries can be negotiated. There is room for pushing the frontier.

In turn, the Japanese leadership hopes that an EPA with Canada will unblock its larger free trade agenda. In fact, moving forward with Canada would do a favour to the ministry of trade. In that sense, it may be willing to put some political impetus behind it, and maybe not be too tough a negotiator, because this is part of a first move that will unblock its larger trade agenda.

• (1210)

I would like to add a larger point. An EPA with Japan would probably improve trade at the margin on certain products, as we just heard from the two last speakers. There will probably be an improvement with beef and seafood. Maybe GM-free products, particularly canola, will have an improvement as EPAs. Usually it's a chance for negotiating all the conditions, the indirect rules, etc., for Canada to get an advantage over competitors.

The larger benefit for Canada would be that the EPA would become a catalyst for much bigger upgrades in the relationship between Canada and Japan. That, in turn, will probably mean that Canada and Japan will have closer relationships, more people-to-people exchange, and more government cooperation across each area—it will spill over to other areas.

In conclusion, at a time when Canada is in a key rebalancing with China, and Japan as well, having an EPA with Canada would further establish Canada as a Pacific power and a power of the 21st century, and it would play a critical role in this geopolitical rebalancing.

• (1215)

The Chair: Thank you very much.

We certainly appreciate all of the testimony. We'll now move to questions and answers.

We'll start with Mr. Davies. The floor is yours, sir.

Mr. Don Davies (Vancouver Kingsway, NDP): Professor Tiberghien, one thing that is a more common feature of trade and economic integration agreements nowadays is the sensitivity to non-tariff barriers, and that's one thing I would give the government credit on. The current government has focused a lot more on addressing non-tariff barriers than previous governments before them.

I know with Japan this is something that seems to come up quite a bit. It's not necessarily the tariffs that prevent companies in other countries from having access to the Japanese markets; it's the myriad types and depths of non-tariff barriers.

One of them I'd like to get your opinion on. I've been led to believe that there are different business models in Japan and in Canada. In Japan they use a conglomerate structure a lot more, a lot of vertical integration. A heavy manufacturer will also have relations with the bank and have relations with their suppliers, and in fact sometimes with common shareholders. That can be an impediment to foreign competitors coming in and trying to bid on various aspects of that work.

I'd like to know how true that is, whether you see those as trade barriers, and if you have any suggestions as to how we might address those in a trade agreement.

Prof. Yves Tiberghien: This question of conglomerates, the so-called *keiretsu*, is an old one. This has been a critical component of U.S.-Japan negotiations since the early 1980s. In fact, back in the mid 1980s the U.S. and Japan had a big struggle over exactly the same problem, which blocks access for some key foreign manufacturers in Japan. It makes it very expensive when you have to build your own retail network.

This is a big structural issue for Japan. It's hard to solve such a huge structural issue with an EPA with one country, with Canada. It has evolved a lot over the last 15 years. Since the mid-1990s, particularly around 1999, there was a stream of corporate governance reform, structural reforms, that actually encouraged the unwinding of those cross-share holdings. Those conglomerates are loose, right? Before the war they were very tight, like in Korea. In Korea they are tighter. They became just cross-share holdings. The cross-share holdings have really decreased since about 1999. The number of shares represented by the cross-share holdings used to be about 60% of the stock market evaluation. Now it's dropped by half at least. Instead, the foreign shareholders now own 30% of the stock market in Japan. So there has been a very big transformation.

In practice, it varies by company and by sector. Some companies have really broken their cross-share holdings, say Nissan, for example. Others, like Toyota, haven't, or they have decreased the level, but they have kept some linkages. It's an ongoing, slow process that's moving toward a more open economy. It's something that's really long and structural and general, and it may be that Canada has to work with other partners, like the U.S.

I should add, however, that METI, the trade ministry, is also the ministry for industry, and they are reformers at heart. They believe

that Japan should have a more flexible, industrial structure, but not for the same reasons. They believe that Japan is not competitive enough because it's not nimble enough, it's unable to reallocate capital fast enough. So they have a similar agenda. Often, they're willing to use EPA or trade negotiations as a Trojan Horse to push their own reform agenda.

So identifying those points of commonality with the reformist ministries and some reformist entities....

• (1220)

Mr. Don Davies: I'm sorry, I want to move on to further areas. Thanks for that substantial answer.

I've said something nice about the government. I'm going to criticize them now. The Conservative government has presided over a ballooning manufacturing trade deficit. It's grown from about \$16 billion in 2005 to almost \$81 billion in 2010. The trend lines are also going in the wrong direction in terms of the composition of Canada's exports, I think.

In the late 1950s, unprocessed exports accounted for 90% of Canada's exports. By 1999, that proportion dropped to 45%, but since 1999, the figures show that unprocessed exports are now up to about 60%. It leaves the question of value-added imports. I know that Japan has adopted a policy whereby they deliberately try to add value to their exports. I'm wondering if you have any suggestions in terms of Canada's approach to trade policy vis-à-vis Japan with respect to our trying to add value to our exports.

I'll conclude by saying this committee found that the top five exports from Canada to Japan are coal, copper, canola, pork, and lumber. We have relatively unprocessed or barely to moderately processed goods. Japan is sending back heavy equipment, cars, aerospace material, and highly processed materials.

Do you have any comment on that subject?

Prof. Yves Tiberghien: Yes, that's a difficult issue. That is structural. That will take time. One idea that would come to mind is improving investment from Japan into Canada. Typically, a fast way or a way that's quite direct in increasing more value-added exports is to invite the Japanese manufacturers to expand their production chain, their division of labour, to other countries and having.... I think inviting investments from Japan into Canada would be a way to increase some re-exports to Japan. That's one approach.

The other approach would be encouraging joint partnerships in innovation. It will take some exploration. This is a difficult one. It's something that could be explored with the Japanese.

Probably the solution won't be cars. It won't be the products of yesterday, but it will be more the products or the industries of tomorrow, identifying things in the life sciences, joint investment in innovation. That could be the way to look.

The Chair: Thank you very much.

Now we'll move to Mr. Cannan. I believe you're splitting with Mr. Hiebert. Go ahead.

Mr. Ron Cannan (Kelowna—Lake Country, CPC): Thank you, Mr. Chair.

Thank you very much, gentlemen, for being here today and for the opportunity to talk about the advantages and the opportunities for Canadian businesses from across the country in this trade agreement with Japan.

I wanted to thank Mr. Davies for his compliments to the government, which is moving ahead in dealing with some of the trade tariff issues, but I also wanted to rectify and correct the fact of the reduction in manufacturing jobs that he referred to. You have to take into consideration 2009-10 as the worst downturn in the economy in the lifetime of everybody in this room.

Considering the fact that we've regained about 750,000 jobs since 2009, the vast majority, 80% to 90%, of those are in the private sector and are full time. I think it speaks volumes to the importance of diversifying our economy. We're still focusing on our number one trading partner, the United States, but we're looking at—we talked about the importance of bilateral and why we're here today working with Japan and ultimately with the Trans-Pacific Partnership.

I was in Taiwan last week with the past co-chair of Canada-Taiwan. One of the issues we met about with President Ma was the importance of getting beef back into Taiwan. Mr. Wildeman, I know that you and your association have been pushing strongly for that as well as for the importance of South Korea. We realize the importance of these issues and continue to work across the Asia.... Taiwan was talking about the Trans-Pacific Partnership as well. They want to be partners in that.

We're moving in the right direction, all together.

Coming from British Columbia, as do Mr. Davies and Mr. Sandhu, a few of us around the table, I want to stress the importance of this agreement, what this trade agreement will mean specifically for the west coast, the economy of British Columbia. Maybe we'll start with our professor from UBC. I've got UBC Okanagan in my riding. As a professor, could you elaborate on some of the economic advantages for British Columbia from this opportunity with Japan? A couple of colleagues just came back from Japan.

•(1225)

Prof. Yves Tiberghien: Well, in a nutshell, an EPA will have direct advantages for certain trade products. But the biggest advantages will be indirect and will be things downstream. In general, it will be seen as a catalyst for an improvement in relations. It will be all over the newspapers and in the headlines. So it will mean more tourists. It will mean more students going to UBC. It would mean Canada being on the map for busy policy-makers and bureaucrats considering maybe other partnerships and other agreements on a range of issues. In general, I think it will thicken the human connections and the intellectual connections between B.C. and Japan. It can only be a catalyst. It's hard to measure in advance, but in general, an EPA is a catalyst for a lot more behind it.

Mr. Ron Cannan: Premier Clark just returned from Asia. It will strengthen our Asia-Pacific gateway.

I'll pass it to Mr. Hiebert, who's very central to the gateway as well.

Thank you very much.

Mr. Russ Hiebert (South Surrey—White Rock—Cloverdale, CPC): Thank you, Mr. Cannan.

With the limited time I have, I want to focus on Mr. Tiberghien.

I'm also from British Columbia. I'm from South Surrey—White Rock, and I'm a UBC graduate twice over.

I wanted to ask you a couple of technical questions. You seem to be very knowledgeable about the field. Australia started negotiations for an EPA back in 2007. They've had 15 rounds, and we've been told in this committee that they can't get past agriculture as a roadblock to completing that deal. If Australia can't get past agriculture, how could Canada?

Prof. Yves Tiberghien: There must be one roadblock, and I'm trying to think which one it is.

Agriculture in Japan is very unequal. Some issues are very critical and will not move forward, and one is rice. Rice will be a big issue. I think Australia has some rice, so that would already be a killer.

Next would be anything about oranges, mandarins, and tea. There are certain products that are very politically sensitive. They are staples in a lot of parts of Japan. But canola is not, so canola is not an issue. Corn is almost not an issue.

Beef is more sensitive, that's correct, but it can be negotiated. In the case of beef, it's not so much that there are very powerful lobbies, because they don't produce that much beef. They produce a kind of beef, the Kobe beef, where they feed beer to the cows. It's tiny. They don't produce to the market. It's more about addressing the concerns of the public about health and that kind of thing. I think it's possible to work with partners there.

So in general, it's doable, I think.

Mr. Russ Hiebert: With respect to the opposition to the TPP within the Japanese Parliament you mentioned, do you think there's enough support among all parties in Japan for an EPA with Canada?

Prof. Yves Tiberghien: What I was told by members of Parliament with whom I spoke last fall was that at this point, there is no major, targeted opposition to this EPA. First, there is no identified product that will be a major red flag. Second, Canada has a relatively positive image in Japan and doesn't carry all the baggage the U.S. carries.

There are a lot of people who think the U.S. is trying to use them against China or that they're trying to pull this.... Canada is seen as an honest broker.

I haven't been told of major targets of opposition. It's still the most feasible for Japan.

Mr. Russ Hiebert: The other issue we've heard about from previous witnesses is the issue related to Japan Post Insurance being 30% owned by the Japanese government. Having legislative advantages that just passed in April, do you think the government would be willing to level the playing field so that Canadian insurance providers would be able to compete? Are they that willing to come to a deal?

•(1230)

Prof. Yves Tiberghien: The Post is a more sensitive issue. It's politically salient. It's probably more difficult.

Under Koizumi, in 2005, they went through a liberalization of the Post that would liberalize it for the private sector in Japan and also for international insurance companies. It just went backwards on that, in part because the current government is in coalition with a small party, led by Kamei Shizuka, that cares only about going backwards on the Post and holding the fort as it was in the past. A lot will depend, after the election, on whether the political lobby around the Post has weakened enough. That is probably more sensitive. It's up for negotiation, but I think it will be a more treacherous negotiation.

The Chair: Thank you very much.

Now we'll move to Mr. Easter.

The floor is yours, sir.

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

Welcome to all the witnesses. It's always especially great to have some Islanders at the table, Minister Roach.

I can certainly attest to the importance of the Japanese market to Prince Edward Island, Mr. Chair, but I couldn't help thinking when

The Chair: The red hair.

Hon. Wayne Easter: No. Well, the red hair is important, but I couldn't help but think, when the minister was going through the numbers, that some of you guys from the west would think these numbers are awfully small in terms of our exports of canola. However, on the ground in Prince Edward Island it creates a lot of stability for quite a number of producers.

Al, you talked about the difference in the numbers, the stats that are coming out that kind of show that we're.... We know we're exporting more product than we are, especially in the fisheries area. I expect it's because we have to transship either out of New York or out of Halifax, because there's no cargo space in the aircraft coming out of P.E.I. to carry it.

Could you expand on that? Is there anything in a trade agreement that we need to be...? I guess it can't be in the trade agreement, but is there anything on the ground that we need to be doing to perhaps ship more directly from Prince Edward Island, especially in terms of tuna? Tuna is huge.

Hon. Allen F. Roach: I think one area we need to look at, certainly for the Atlantic region, is our need to have a hub for shipping that's specific to Atlantic Canada—I've had conversations with the minister of ACOA in this respect—so that we could take whatever the goods are, whether tuna or blueberries, mussels, or whatever the case may be, and co-pack them and have all that in one hub. These are things we have to certainly look at.

Hon. Wayne Easter: Basically, you're saying on the ground. It's one thing in terms of a comprehensive economic agreement with Japan, but there are other things that need to be done jointly or cooperatively between the Atlantic provinces and the federal

government to make it possible for us to take advantage of that market.

Hon. Allen F. Roach: Absolutely, yes.

Hon. Wayne Easter: That may be something we need to consider.

You also said there are huge opportunities. Is that what you mean by co-packing—

Hon. Allen F. Roach: Yes.

Hon. Wayne Easter: —whether we work jointly with Nova Scotia, or whoever?

Hon. Allen F. Roach: Exactly, and certainly between the different sectors, whether it's agriculture or seafood.

Hon. Wayne Easter: Brad, to turn to your points on Korea, I have to mention, as I often do—the government would be expecting me to—that one of the problems we're seeing with the government's trade strategy is that they seem to be into a numbers game: how many countries can they go to and how many agreements can they get to be able to use the numbers that we're negotiating or at least talking about. Often, they're very minor players in terms of a market for us.

What we're worried about is that while all this activity is going on with potential new markets, we're falling behind in the existing markets, for example, the United States, but Korea is an important one too. We think the government is basically asleep at the switch on that one. I simply make that point.

In terms of Japan, on the 21 months, is there anything we need to be recommending there in terms of the trade agreement? Would the OIE standard do the trick? What do we need to be saying that has to be in this negotiation so that we don't get into this...? I mean, it should be 30 months, not 21 months.

•(1235)

Mr. Brad Wildeman: Maybe I should say that, generally speaking, in all these trade agreements, and we've experienced this in the past, of course, with some of the FTAs we've signed already—with Colombia and Peru, for example—we don't have the same type of access as maybe the U.S. might have, or others.

Again, the world standard is OIE when it comes down to health regulations. Yet very few countries are following those recommendations. So we see under 21 months in Japan, when really there's no scientific basis for that. We see ractopamine issues in China and Taiwan. Again, it's really not very science-based. Going to under 30 months would allow us to supply year-round, so that would be important.

For many of these countries, having bone-in product, not just boneless, is important, particularly for Korea, where they like bone-in product, for example. This really hampers our ability to trade. Even though you may have trade on the record, meaningful trade or commercial trade simply can't occur.

We like to advise our negotiators to try to get the standards of OIE put into these agreements so that we can actually conduct some meaningful trade.

Hon. Wayne Easter: So it would be useful for the committee to make that recommendation?

Mr. Brad Wildeman: Yes.

Hon. Wayne Easter: And going to OIE would put it at 30 months?

Mr. Brad Wildeman: In fact, Mr. Easter, if they adopted OIE, that says meat from cattle of all ages with the SRMs removed is allowed, so it wouldn't even need to be under 30 months. But the reality is we would likely trade no product from cattle over 30 months, because then we're into sort of cull cow beef and processing beef, when really that market is a key market for prime cuts. But OIE really states that it is meat from cattle of all ages with SRMs removed.

Hon. Wayne Easter: I just want to be clear on what you said on Korea, because this is the first time I've heard it put this specifically.

The tariffs for the U.S. product getting into Japan are dropping about 2.7% a year. We run into a problem with losing market after two years, probably about 5% or 6%.

Mr. Brad Wildeman: In my consultations with key importers over there—and this happened within the last month. We had a reception with over a hundred meat importers, so we had a chance to visit with them quite a bit. Our ambassador was there as well, which we appreciated. Canada is very highly viewed abroad. I don't know how often this has been spoken about here. They see us a pristine place, a producer of grain and safe food. The problem is that not many people know us very well. So a lot of these importers are now saying if they can get enough product, they want to position it at the absolutely highest end of the premium market. That's good for us because we'll never be a volume supplier. But they said even at some point a Porsche gets too expensive for everybody to drive.

So I think that's what they're saying, that as we get to 2.7%, and the next year 5%, and the next year 7%, at some point, we simply fall out of that game. That's a huge concern for importers, who are going to spend millions of dollars, of course, promoting this product only to find out that they simply can't afford to bring it in.

The Chair: Okay, thank you very much.

Now we'll move to Mr. Keddy, who just got back from Japan.

The floor is yours, sir.

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

Welcome to our witnesses.

I think we're having a very useful and informative discussion here. I want to focus on a couple of points.

First, I want to talk about beef.

It's obvious from the discussion here that we need to get access for Canadian beef to have that year-round supply under 30 months. We generated a lot of goodwill with Japan when we became the first country in the world to accept Japanese products and produce again after the Fukushima reactor meltdown. We did that based on science. What we're asking the Japanese to do, quite frankly, is to open their market to beef based on science. There's no health restriction, no scientific reason to have an embargo on beef after 21 months.

I would like to hear from Canada Beef, and maybe I could get a quick answer from Mr. Tiberghien on what that goodwill is worth.

• (1240)

Mr. Brad Wildeman: Obviously that would be our position as well. Again, we were also one of the first to open up and re-export Kobe beef. So we've set a couple of firsts there, and we haven't seen that same response.

What's interesting for us is that there's a difference between positioning your domestic product as a high-value product—which they do, and we don't have a problem with that—and putting in tariff barriers that restrict beef from coming in. We're sort of saying they should take the scientific standard, and we'll compete and let the consumers decide what that value differential should be. That's key to any of our ability to move forward in that market.

Mr. Gerald Keddy: Mr. Tiberghien.

Prof. Yves Tiberghien: Beef is an interesting issue, because it's quite sensitive in Japan. It's not just the government negotiating and giving something in a strategic way. It's more the bureaucrat thinking how the politicians are able to handle the public. So it's a bigger game.

Ultimately, the way to move forward, first of all, is to check and see what the U.S. has. I forget whether they have been able to move to 21 months or if they're still at 30 months. If the U.S. has been able to get 21 months, that shows that public understanding has been pushed and that will give room for Canada. If it's not the case, then the solution is to find a way to make it easier for the politicians to face the public, to show that there is no health issue. It's not about just science, right? The public in Japan, or in Korea or Taiwan, actually, has become sensitive about beef—and similarly about GMOs—so it's something that's almost cultural and socio-economic.

So maybe engaging an NGO in Japan or getting a kind of label or finding a way to reassure the public in a credible way would then open the way for politicians to accept it.

Mr. Gerald Keddy: This is just a comment more than anything else, but part of that discussion needs to be that agriculture trade from Japan to Canada and Canada to Japan is really complementary. You mentioned that earlier.

Prof. Yves Tiberghien: That is right.

Mr. Gerald Keddy: We're not competing on rice, we're not competing on oranges. We complement one another in a number of areas.

The next issue I want to focus on a little bit is seafood coming out of P.E.I., Atlantic Canada, and British Columbia.

One issue we face in Nova Scotia is that we had a number of exporters—I think we used to have about 25 exporters—who focused primarily on the Japanese market, particularly in lobster, and there are only two left. Quite frankly, we're being snookered by most of the American states, Rhode Island in particular, on that two-pound to two-and-a-half-pound lobster being shipped out of Atlantic Canada into the U.S. It's repackaged as a U.S. brand and shipped into Japan because of PSP, paralytic shellfish poisoning. The reality is that the Americans have a higher level of PSP than we do in Canada. We have colder water and less PSP, but the Americans have a trade agreement that allows them to accept one another's regulatory regimes.

That's a non-tariff trade barrier, affecting us in a major way, that we've simply not been able to resolve. We're working on it, but part of that also becomes marketing, and everyone has talked about the marketing idea.

I was in Japan on Friday and Saturday for trade meetings and then spent a week with our inter-parliamentary group. One thing the Japanese talked about, the seafood importers in particular, was branding. They love the idea. The Japanese flag is red and white, the Canadian flag is red and white, and the maple leaf is recognized wherever you go. They said it should be on every product that comes into Japan. Often it is, but not necessarily. Whether it's beef or seafood, wherever it's coming from in Canada, what can we do to advertise that red maple leaf on that white background?

• (1245)

Hon. Allen F. Roach: That certainly was a major part of my discussions this past spring when I was at the Boston Seafood Show. I met with many producers and processors down there, and we had some very strong conversations around that branding. Of course, some of it came back to whether it was a P.E.I. branding, in terms of product coming from P.E.I. or Nova Scotia or New Brunswick, but certainly the Canadian branding. I agree with you that red and white flag carries everywhere quite well. I think that's a very important issue for us.

When we take lobsters out of Nova Scotia, Prince Edward Island, and New Brunswick that are from much colder waters, a much better product, and they're being sold—

Mr. Gerald Keddy: They're hard shell.

Hon. Allen F. Roach: A good point is the hard shell versus the soft shell. A lot of our product that we sell—and you know Nova Scotia and the difficulties they have around the sale of lobster—is that purchasers, buyers, automatically say it's a soft-shell lobster. Well, most of the lobster, pretty well all the lobster, that comes out of eastern Canada is hard shell and was being sold as soft shell. That hurts us greatly. We need strong branding of our product. That certainly will put the value in our product that should be there.

The Chair: Thank you.

Your time is gone.

We're headed into the second round.

I want to let the committee members know that on our agenda we had a little bit of time for business. We'll do that on Thursday.

We'll go right to one o'clock with our witnesses.

Mr. Sandhu, you have five minutes. Go ahead.

Mr. Jasbir Sandhu (Surrey North, NDP): Thank you.

Professor Tiberghien, I want to follow up on my colleague's question regarding a trade deficit that has ballooned over the last six years, especially in manufactured goods. We've seen hundreds and thousands of jobs being lost in Canada over the last number of years.

What is wrong with our trade policy? How can we reduce that structural trade deficit in manufactured goods? What can we learn from our experience that we can negotiate in the new agreements with other countries?

Prof. Yves Tiberghien: This is always a difficult question. There's no magic recipe. What we seem to see from some countries that are quite successful with this, that manage to keep a strong manufacturing base even with high labour costs, say Japan, or Korea, actually, is they keep moving upwards in the value chain.

The key for a country like Canada is to complement the resource and the commodity base, which is still a great asset, with more developments in industries of tomorrow, knowledge-based industries. That can be done by joint investment with companies from Asia in particular, where growth is. It can be done with a bit more industrial policy.

If you look at what's working in Asia, in Korea or Japan or Singapore, there is a bit of industrial policy there that's sometimes successful—often successful. It would be seed money for R and D, making sure we invest a lot in innovation in R and D, etc., to develop a base beyond the traditional manufacturing base. It's sort of natural in a global division of labour that the number of jobs in auto manufacturing will not go up. They may go down gradually a little bit. What matters is to create other manufacturing and high-value jobs in other industries, the next wave of industry.

I guess this means having strong universities, strong research, a strong innovation base that can then span out, and then good laws and policies that encourage venture capital and innovative companies. I think that's the highway. Then there's being a key player, a very network player, with a lot of partners, not just attached to the U.S. economy, but developing a lot of alternatives, both east and west, particularly where the economies are rising, that is in East Asia and India.

• (1250)

Mr. Jasbir Sandhu: You talked about having more students in our universities, especially foreign students, and I see the P.E.I. group here is also wanting to attract foreign students to our universities.

My understanding is there have been cuts to consular services in Tokyo that provide information and visa applications for students. I'll ask Minister Roach what sort of impact would that have on us attracting students if the consular services are being cut.

Hon. Allen F. Roach: Certainly, and I think we pointed it out in our testimony, in order for us to bring those students here, that has to be open, it has to be transparent, and it has to be...I won't say quick, but there has to be a good flow in order for that to happen. We certainly would want to see that. If there are cuts, I think that would have an impact.

Mr. Jasbir Sandhu: Would you say we have a transparent process and a relatively quick process the way it's set up right now?

Hon. Allen F. Roach: In terms of students, the process there now seems to work well. We just have to work with it more and certainly have a better understanding of what the Japanese government has in terms of allowing that to happen and in working with them.

Mr. Jasbir Sandhu: Do I have a little bit of time?

The Chair: One very quick one.

Mr. Jasbir Sandhu: Professor Tiberghien, could you let us know what sectors would be the winners in this trade agreement and what sectors you think would be the losers, especially on the Canadian side?

Prof. Yves Tiberghien: First we have to separate short term and long term, because it will evolve over time as you will spin out all kinds of outcomes.

On the winners side, we should expect agriculture, beef, seafood, etc., education services, and then it's a matter of specifics. Everything will depend on the specific negotiation and outcome. Certain service sectors probably will be able to move forward and will open up. Maybe it's insurance. Maybe it's legal services. That will all be a matter of specifics, which ones we're able to push with Japan and others we are not.

On the losers side, it's hard to identify. I read that on the Japanese side what they hope for the most is the removal of that 6% tariff on imported cars. That's what they target. They also target more access to commodities. The access to commodities will not create losers in Canada but rather divert a little bit from the U.S. and from China to Japan. Maybe here the losers are not in Canada, they're elsewhere.

On the auto side, I'm not sure if the 6% removal, especially graduated over time, will make such a difference. Often the exchange rate fluctuations are bigger than that. I don't know if it will have a real impact in terms of jobs. I'm sure it will be framed like this in Canada, agriculture versus manufacturing.

In general I think the losers will be outside. FTAs tend to create advantages for their two partners on the backs of third parties, so it will be in Australia, it will be in China.

The Chair: Thank you very much.

We'll now ask Mr. Holder to finish this off. The floor is yours.

Mr. Ed Holder (London West, CPC): Thank you, Chair.

I'd like to thank our guests for attending. It's only appropriate, coming from the 10th largest city in Canada, that I be the one to

finish off our questions today. I appreciate the quality of the comments from all of our guests.

I'd like to clarify something about these applications. Members around the table may not be aware of this, because it's relatively recent, but we are now turning around electronic visa applications for Japan within 10 days. I just want to make that clear so there's no misunderstanding.

Mr. Roach, having a Cape Breton mother means that you and I are almost related. Actually, though, I have a serious question. One of the things that you talked about was the impediment to exporting processed canola oil versus seed. Can you help me understand that a bit better? What would happen if you were able to export this as a processed product?

• (1255)

Hon. Allen F. Roach: I think we touched on that earlier. If we had that same agreement the United States has on the quality, acceptance, and certification of the product, the value-added would reduce the cost of transportation. It would allow us to produce a finished product that would create employment on Prince Edward Island and add to our GDP. If we could create a canola market and make that market greater, we could triple our output of canola oil in a period of one year. We have the capacity to do it. We now have a plant that will crush canola to the standards that they require. These are things we can do. We just need to be able to get—

Mr. Ed Holder: So you're good to go, then.

Hon. Allen F. Roach: We are good to go with that product, and it is a niche product in Japan.

Mr. Ed Holder: Mr. Tiberghien, one of our colleagues asked about the will of Japan to do this, the issue of agri-products being one of the challenges. Frankly, in every deal I've been involved with, that seems to be the primary point at issue.

I have a couple of questions. Based on what Mr. Roach just said with respect to a specific agri-product, what's your sense, based on your experience, as it relates to this particular product—and that might be too specific.

Secondly, and maybe more critically, what's in it for Japan to do this deal? Why do they need this, in your view?

Prof. Yves Tiberghien: What I've often heard on the Japanese side is that this is an interesting trade deal. There is not strong opposition in Japan—unusually—because there is this complementarity in agriculture. There is no major risk for Japanese agriculture, but there's a lack of strong backers. So this was the issue for a long time. But in the wake of the visit of the Emperor last year, there has been a will to upgrade the relationship between Japan and Canada, and this is seen as part of that upgrade, that partnership. So there is a window there. That's the big picture.

As to canola, I don't think there will be major opposition, though the refiners of oil in Japan might object. There's an interesting anecdote I can relate. It's not for P.E.I., with its GMO-free canola, but for the bigger amount of canola being exported from Canada to Japan. It is genetically modified canola, and it has been a sensitive question in Japan. Some of the canola seeds would fly off the trucks between the harbour and the refining factory, and then they would grow in the fields and they couldn't be killed by Roundup, because they were Roundup Ready. There were worries in Japan, and NGOs have been active in pointing out that there could be gene flow from the canola to the vegetables growing nearby. So suddenly, sending refined canola, as oil, would remove the problem and you could have NGOs on your side.

Mr. Ed Holder: That's interesting.

Prof. Yves Tiberghien: It would be seen as an advantage, right? Having the NGOs backing it and sending support would move politicians. So it can work in different ways.

Mr. Ed Holder: Does the agricultural industry in Japan understand the science of GMOs in Canada? I thought I heard the

comment earlier—I certainly did—to follow the science. I wonder sometimes. We get so consumed with pressure groups that will challenge, frankly, what is good Canadian science.

The Chair: I'll ask for just a very quick answer to that.

Mr. Ed Holder: Thank you.

Prof. Yves Tiberghien: It's a big story, but very quickly, the Japanese public mistrusts GMO. They are not sure that we know all the long-term health hazards, and they're worried about environmental contamination. So there is a general unease among the public, like in Europe, and they don't call it a science.

The Chair: Thank you very much, Mr. Tiberghien.

Thank you very much to Mr. Brad Wildeman, as well as to the Honourable Allen Roach and Mr. Whitnell.

Thank you for your testimony. We certainly appreciate it in this committee.

With that, we will adjourn.

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