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Chair

Mr. Randy Hoback

Standing Committee on International Trade

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• (0850)

[English]

The Chair (Mr. Randy Hoback (Prince Albert, CPC)): Good morning, everybody. We'll get started.

Pursuant to our order of reference from Wednesday, October 1, 2014, this is Bill C-41, an act to implement the free trade agreement between Canada and the Republic of Korea.

We have a witness here, and we have Mr. Linton joining us from Toronto.

Witnesses, thank you so much for coming on short notice. I know some of you had to change your schedules to be here. We appreciate your making the effort to give us the information that you're going to provide today.

We'll start off with ten minutes each, and we'll start with Claire Citeau, please.

[Translation]

Ms. Claire Citeau (Executive Director, Canadian Agri-Food Trade Alliance): Hello.

My name is Claire Citeau, and I am the executive director of the Canadian Agri-Food Trade Alliance. I am here today with two directors of the Canadian Agri-Food Trade Alliance: Martin Rice, who is also the executive director of the Canadian Pork Council, and Phil de Kemp, who is the president of the Malting Industry Association of Canada.

Thank you for inviting me today to speak on behalf of the Canadian Agri-Food Trade Alliance on the Canada-Korea free trade agreement.

[English]

The Canadian Agri-Food Trade Alliance, CAFTA, is a coalition of national and regional organizations that support a more open and fair international trading environment for agriculture and agrifood. CAFTA's members include farmers, producers, processors, and exporters from the major trade-dependent sectors, including the beef, pork, grains, oilseed, sugar, and malt sectors. Together, CAFTA members account for 80% of Canada's agriculture and agrifood exports, realize \$50 billion in exports, and directly employ half a million Canadians.

The Canada-Korea free trade agreement will be extremely beneficial for Canada's agriculture and agrifood exporters and will help the sector regain competitive access to South Korea.

It is essential that the Canada-Korea free trade agreement be ratified and implemented by January 1, 2015. South Korea is a lucrative market of 50 million consumers, and a key hub of Asian supply chains. South Korea imports over 70% of its food, and until a few years ago, Canada was a preferred supplier for many agrifood products. In 2011, South Korea was Canada's fifth largest export market, with Canada exporting over \$1 billion in agricultural and food products to that country. Since then, our agrifood products to Korea have plunged by more than 50%. This massive loss in exports is directly attributed to free trade agreements that South Korea has concluded with Canada's key competitors, namely the European Union in 2011, and the United States in 2012.

Without a free trade agreement, Canada's agrifood exports face tariffs as high as 50%, and in some cases 400%, while our main competitors have had their tariffs eliminated or phased out. Losing the South Korean market is a major blow to Canada's agrifood industries, including beef, pork, canola, and grains. In fact, before KORUS, Canadian pork exports to South Korea were \$233 million a year. They have now fallen to under \$80 million. Grain exports were \$479 million a year. Today, they are less than \$100 million.

Through the elimination of tariffs on 86.8% of agricultural tariff lines, the Canada-Korea free trade agreement will provide the level playing field that simply does not exist today.

I would like now to share with you a sample of CAFTA members' projections of the opportunities that are foreseen in an agreement with Korea, keeping us on par with Australia, Europe, and the U.S.

The Canola Council of Canada estimates that exports for canola seed and canola oil, respectively \$60 and \$90 million currently, could double.

The Canadian Cattlemen's Association expects to maintain meaningful trade with Korea during a transition period and expects to return to the annual \$50-million range once tariffs are fully eliminated.

The Grain Growers of Canada has identified duty-free wheat sales, on top of the grain utilized in feed for livestock, to meet the increased demand for Canadian meat.

The Malting Industry Association of Canada points out that South Korea is the number four market for malting barley, yet current tariffs for malting barley are 30% within quota, and 513% over quota. A new trade deal with Korea for this sector will mean significant new marketing opportunities for the malt industry and for farmers.

The Canadian Meat Council, representing meat processors, points out that Korea is one of the most important meat importers in the world, with import demand exceeding \$2 billion for beef and pork products annually. Once Canada's meat exporters and processors regain competitive access, it is projected that annual beef and pork exports will rebound and surpass their previous peaks.

The sugar industry, through the Canadian Sugar Institute, expects the Canada-Korea free trade agreement to provide significant opportunities for most sugar-containing products through tariff phase-outs over three to five years.

The Canadian Pork Council, representing Canada's hog producers, hopes that this deal could help fully restore, in a few short years, annual pork exports to South Korea of \$400 million.

Taken together, we believe the Canada-Korea free trade agreement, if fully implemented by January 1, 2015, could result in over \$800 million of incremental Canadian agrifood exports. It is really critical to have a level playing field as quickly as possible. On January 1, 2015 the next round of tariff cuts in South Korea's agreement with the U.S. will be phased in, putting further competitive pressure on Canada's agrifood interests. Canadian exporters are already suffering from the impact of Korea's deals with the U.S. and Europe. There is also a very real probability that the Korea-Australia deal will come into force on January 1, 2015.

While we have already lost ground in South Korea, we are running out of time. Every month that the implementation of the Canada-Korea free trade agreement is delayed, the greater the negative impact will be for Canadian farmers, producers, and exporters.

In closing, the Canadian agrifood industry depends on exports. Canadian agrifood exporters need a level playing field in order to access the Korean market. CAFTA members hope for and expect quick ratification of implementing legislation of the Canada-Korea free trade agreement in both countries.

Thank you.

• (0855)

The Chair: Thank you.

We'll move on to our next witness, Ms. Campbell.

Dr. Ailish Campbell (Vice-President, Policy, International and Fiscal Issues, Canadian Council of Chief Executives): Mr. Chairman, committee members, thank you for this invitation to appear before the committee on trade to discuss the Canada-Korea FTA.

Before I begin my remarks, please let me recognize the new chair, MP Hoback.

I would also like to enter into the record best wishes to the former chair of this committee, MP Rob Merrifield, who retired from Parliament in September to become Alberta's representative in Washington. The Canadian Council of Chief Executives wishes Mr. Merrifield all the best in his new role and thanks him for his continued service to Canadians.

The Canadian Council of Chief Executives is a not-for-profit, non-partisan organization composed of CEOs of Canada's 150 leading enterprises. Members collectively administer \$6 trillion in assets, have annual revenues in excess of \$850 billion, and are responsible for the majority of Canada's exports, investment, R and D, and training.

[Translation]

We engage in an active program of public policy research, consultation and advocacy. The CCCE produces well-thought-out and well-founded comments from a business perspective on matters of national importance to Canada's social and economic fabric.

[English]

I'd like to table for the committee's consideration three key points concerning Canada's FTA with Korea.

Point one, the CCCE supports the rapid ratification of the free trade agreement with South Korea. The Canada-Korea FTA must be implemented on January 1, 2015. This is vital so that Canadian firms do not fall further behind U.S. competitors as the Koreans phase in tariff cuts under their various bilateral trade agreements. Canadian exports to South Korea have dropped by nearly one third since the implementation of the U.S. deal. The Canada-South Korea FTA gives our exporters a fighting chance to regain lost market share and, in doing so, to protect Canadian jobs.

I take note of the support for this agreement from the Conservative government, the New Democratic Party, and the Liberal Party of Canada. All three parties agree that increasing Canada's trade ties with Asia is necessary in order to ensure Canada's prosperity in the 21st century. As a result of this agreement, Canadian companies will enjoy enhanced opportunities to sell products and services to South Korean consumers and participate in South Korean-based supply chains.

If the EU is counted as one entity, Korea is Canada's sixth largest export market for goods and Canada's sixth largest supplier. The two nations also rank in the top 10 partners for two-way trade in services and intermediate goods trade, which is an indicator of strong activity in global value chains.

Korea has 14 companies on the 2013 global Fortune 500 list. Canada has nine. Only the United States, China, the EU, Japan, and Mexico have more trade with Canada than South Korea does.

President Park, in her state visit to Canada two weeks ago, highlighted the creative economy as a sector where she'd like to see deepened bilateral trade, including in television and video game content. Other priority sectors for growing the trade and investment relationship illustrate the diversity of trade between our two nations. Financial services, professional services such as engineering and legal services, agrifood, seafood, clean tech, energy products including LNG, forestry products, metals, aerospace, advanced manufacturing, and more are ripe for increased commercial activity and partnerships.

In the auto sector Canadian firms have tabled their concerns with this agreement. They've highlighted that the U.S.-Korea Free Trade Agreement has not resulted in the increased trade that was hoped for or expected.

The CCCE therefore recommends the development of a specific auto sector strategy for the Korean market to ensure that Canadian auto and auto parts manufacturers are positioned for success. Such a strategy could examine exports, two-way foreign direct investment, and non-tariff barriers as well as cooperation with other major auto and auto parts exporting nations that have free trade agreements with Korea, to ensure an open market for foreign products.

The second point is this.

● (0900)

[Translation]

The government and businesses must work together to implement this agreement. Cooperation among businesses, Canada's embassy in South Korea, the Canadian Trade Commissioner Service, EDC and others is critical to implementing the agreement and improving trade.

[English]

As you have already heard from Claire this morning, the United States, the European Union, and Australia have already concluded FTAs with South Korea. The lead time these nations have in their tariff reduction schedules and implementation of commitments put Canadian companies at a competitive disadvantage. The CCCE recommends the creation of an advisory committee to Minister Ed Fast on the implementation and promotion of the South Korea FTA. The largest traders and investors, including those with significant foreign affiliate presence in Korea, should be the core members of this advisory committee as they have the greatest experience in the South Korean market and manage the supply chains that could be access points for small firms.

To measure the success of the Canada-Korea FTA it's important that the starting point is well understood and we benchmark against this. Canada's imports from Korea were \$7.3 billion in 2013, and it exported \$3.5 billion. Korea invests more in Canada at almost \$5 billion in 2013, compared to Canadian direct investment in Korea that sits at about \$535 million. Foreign affiliate sales are also on the rise. Outcomes of the FTA should be measured annually with increased benchmarks such as trade, FDI in sales in South Korea by Canadian foreign affiliates, the establishment of joint ventures, and revenue from licensing agreements.

The advisory committee recommended by the CCCE, along with institutions such as the Asia Pacific Foundation led by Stewart Beck, could also contribute to promoting broader Canadian awareness and

understanding of the South Korean market as well as its general conditions, including its stable democracy, its interest in a peaceful Asia region, and its highly innovative economy. As John Weekes, Canada's former ambassador to the WTO has pointed out, marketing is essential and understanding the thinking of Korean consumers is critical if the potential benefits of this FTA are to be realized.

This partnership approach in which government and business are aligned and execute on opportunities is at the core of the government's global markets action plan.

I will conclude with point number three. I reiterate the vital importance of deeper Canadian engagement with the Asia region. The South Korea FTA is a concrete step forward in government-led initiatives in this region, and the CCCE congratulates Minister Ed Fast, chief negotiator Ian Burney, and the entire trade team at DFATD for having stuck to the difficult negotiations that led to the final conclusion of this agreement. They have our huge thanks.

The agreement represents a turning point, frankly, in Canada's long-standing efforts to build closer economic ties with the Asia-Pacific region. It demonstrates to other important economies in that region that Canada is a reliable and serious partner, and it offers a base from which Canadian companies can reach out to other fast-growing markets. CCCE members are already active across Asia and want to do more business in high-growth nations from India to Indonesia. Concrete next steps could include a bilateral economic partnership agreement with Japan. Concluding the EPA with Japan should be a priority given the strong FDI relationship, Canada's need for energy resources and food, and opportunity for further trade in agricultural products and manufactured goods.

It's also our view that Canada needs a leader-to-leader strategic partnership with China, similar to what Australia has accomplished. That could lead to enhanced commerce in sectors of mutual interest. The government should also consider, as New Zealand has executed, the negotiation of a free trade agreement with China.

I'd be happy to take questions on Korea and the CCCE's broader priorities for Asia, including the Trans-Pacific Partnership, in the Q and A section, should this be of interest to committee members.

Thank you again for the opportunity to comment on this historic FTA.

The Chair: Thank you very much.

We'll now move on to Mr. Linton. You have ten minutes, sir.

Mr. Bob Linton (Director, Legislative Affairs, United Food and Commercial Workers Union Canada): Thank you, Mr. Chair.

On behalf of the membership of UFCW Canada, I thank you and welcome the opportunity to appear before the Standing Committee on International Trade to comment on Bill C-41, an act to implement the free trade agreement between Canada and the Republic of Korea.

Before I begin, however, I would like to bring greetings and regrets from our national president, Paul Meinema, who, is unfortunately unable to appear, due to a scheduling conflict. I would also like to apologize that I'm unable to appear before you in person today, but I do appreciate the arrangements you have made for me to share our concerns with respect to Bill C-41.

UFCW Canada is Canada's leading private sector union. Together, we are more than a quarter of a million Canadian workers strong. Together, we are building a stronger future for UFCW Canada members, families, and communities, while protecting and promoting employees' rights and social justice for all. UFCW Canada is a leading force for workers in the retail food processing and hospitality sectors. As part of Canada's most progressive unions, our members live and work in communities from coast to coast and in every province. Our members are your neighbours. They are your grocery clerk or the cashier you have gotten to know. They work in meat packing plants and hotels. Some work in nursing homes, car rental agencies, drugstores, food processing plants, and many other sectors of the economy.

UFCW Canada believes that the Canada-Korea free trade agreement overall will be a good deal for Canadian workers. Korea is and will continue to be a strategic economy for many Canadian exports. Korea is heavily dependent on food imports with a demand exceeding \$28 billion annually. Korea is Canada's fifth largest agricultural food export market. It has a population of 50 million relatively high-income citizens, and GDP per capita based on purchasing power parity is about \$31,000 or 75% of Canada's. In other words, the Korean population has the resources to consume the full range of products from technology to agrifood and consumer goods to culture. A wide variety of sectors in Canada export heavily to Korea. Some of those are plastics, beef, pork, canola, other grains, wines, spirits, processed foods, value-added wood products, seafood, and fish. The agrifood sector represents 8% of the Canadian economy and is said to sustain one in eight jobs, a number that should increase with the Canada-Korea free trade agreement.

Another main reason for believing this will be a good deal for UFCW Canada members and other Canadian workers is that Canadian workers need a level playing field to compete in Korea. Canadian workers have become severely disadvantaged in exporting their products to the Korean market over the past three years due to Korea signing trade agreements with other countries, such as the Korea-U.S. Free Trade Agreement, as was already mentioned. U.S., EU, and Australian products compete significantly with Canadian products in the Korean market. Every year that passes Canadian products lose competitiveness and market share.

In the first year after KORUS took effect, Canada's exports to Korea dropped by \$1.5 billion. The value of Canadian exports to South Korea decreased by 27.2% between 2011 and 2013, including a loss of more than 70% in the agricultural sector. With the recent

signing of the Australian trade agreement in 2014, which is not fully implemented yet, and with imminent agreements with Mexico and New Zealand, which are also major competitors with Canada for agrifood, we believe this situation will likely only worsen.

Furthermore, increasing trade with Korea and other similar countries is a crucial step to diversifying our export industries, reducing risks and dependence on the health of the U.S. economy. At UFCW Canada, we also realize that the Canada-Korea free trade agreement is different from other free trade agreements such as the Canada-China foreign investment promotion and protection agreement and CETA. Therefore, the benefits of the Canada-Korea agreement will outweigh the negatives. Unlike controversial components of CETA and the Canada-China FIPA, the Korea FTA does not apply to or negatively affect supply-managed agricultural sectors. It does not contain any negative intellectual property provisions that would precipitate massive cost increases for pharmaceuticals in Canada and cost seniors and the Canadian health care system dearly, so it will benefit not only our members but all Canadians. While it has an investor-state dispute settlement provision, it contains transparency, guarantees for tribunal proceedings, and it is fully cancellable with six months' notice.

● (0905)

For UFCW Canada members, CKFTA will be beneficial. As previously mentioned, Korea is heavily dependent on food imports with demand exceeding \$28 billion annually. It is Canada's fifth largest agriculture and food export market.

In the absence of a formal trade deal between Canada and Korea, the Canadian agriculture and agrifood sectors are missing out on potential business opportunities. This in turn impacts the 2.1 million workers who labour in Canada's agriculture and agrifood sectors. Signing the agreement will help Canadian exports, expand their market share, and support jobs in this sector. As it stands now, Korean tariffs on Canadian pork and beef are as high as 25% to 40%, and beef exports to South Korea shrank between 2011 and 2013. The agreement will level the playing field for Canadian agricultural and agrifood workers. This will bring significant benefits to UFCW Canada members, particularly in Quebec and Ontario. Quebec, with 26% of the UFCW membership, and Ontario, with 48% of the UFCW membership, are respectively first and second as Canadian producers of pork products. In dollar values in the pork sector, Canada currently ships approximately more than \$76 million in product with \$33.5 million from Quebec, \$3.6 million from Ontario, \$11.5 million from Manitoba, and more than \$26 million from Alberta. Without this deal, the impact on exports will be negative as the Canadian economy will suffer, with no doubt a loss of jobs in that sector alone.

This agreement means that not only members at our locals in Quebec, such as Local 1991, and Ontario, Local 175, will benefit from this free trade agreement but locals in Alberta, such as Local 1118 and 401, and Saskatchewan, Local 1400, will also have the potential to benefit. This deal will not only help to protect the jobs of our members in these provinces but has the potential to increase employment with good union paying jobs that benefit the communities.

The agreement also protects the terms "Canadian whisky" and "Canadian rye whisky" as geographical indicators, ensuring that they remain exclusive to Canadian producers such as Gimli's Crown Royal distillery in Manitoba where members of Local 832 are employed.

This agreement may not be perfect and we would have liked to have seen it negotiated differently, particularly around the investor-state dispute mechanism. It may not be a boon to all sectors of the economy. Whether it succeeds in the short term will largely depend on how quickly South Korea is able to recover from the economic downturn that it is currently experiencing.

Granted, it is difficult to protect all of the possible repercussions of the deal, but on the whole we believe the Canada-Korea free trade agreement will benefit most sectors of the Canadian economy. It will be in the best interests of Canadians and in our opinion contains more positives than negatives. UFCW Canada members stand to benefit from the deal going forward.

Thank you.

• (0910)

The Chair: We will now proceed to our first round of questions.

Mr. Davies, you have seven minutes.

Mr. Don Davies (Vancouver Kingsway, NDP): Thank you, Mr. Chair, and thanks to all the witnesses for being with us today on short notice, as the chair has indicated.

Madam Citeau, I wonder if you have any job growth estimates about the impact of Korea on your membership. Do you have any

numbers regarding how many jobs might be created by this deal over a period of time?

Ms. Claire Citeau: I think we have the information on the exports that will be reached as a result of this. I mentioned \$800 million that could result as a benefit of the Canada free trade agreement.

Mr. Martin Rice (Director, Canadian Agri-Food Trade Alliance): I would just add that in some respects it's a case of avoiding conditions where we could lose jobs because of the shrinkage of our exports, but I don't have a precise measure on that.

Mr. Don Davies: Fair enough. Thank you.

My second question to you is, could you give us an estimate of the percentage of unionization in the Canadian agrifood industry? Do you have any general number to give us?

Nothing? I'm just trying to get a general idea. If you don't know, could you check and get back to the committee if you do find the number?

Ms. Campbell, thank you for being with us here again today. It's often said that signing a trade agreement provides the opportunities for businesses to take advantage of increased trade. It may be necessary, but not necessarily sufficient. From your organization's point of view, are there any other tools or policies that the federal government can adopt that would assist Canadian exporters to realize the potential that this agreement may give them?

Dr. Ailish Campbell: I'd just say three quick points. First, the tools that the government already has at its disposal, including Export Development Canada, Business Development Canada, and the Trade Commissioner Service, are absolutely essential. On those particular tools I'd suggest the development of Korea-specific plans.

Second, large firms are already present in Korea. Members of ours as diverse as Linamar, Magna, Bombardier, and Manulife Financial, will need to articulate any market access challenges they're having, such as particular non-tariff barriers in the auto sector, or the necessary regulatory changes that are needed in the financial services sector. I think a partnership approach between business and the Trade Commissioner Service and Export Development Canada, as I outlined in my opening remarks, is absolutely critical. To articulate also opportunities for small and medium-sized enterprises...

Finally, I would really like to underscore the recommendation to Minister Fast that an advisory committee be struck, so that we keep attention on this issue, and also that we raise awareness of the opportunities, particularly in the business sector for new exports and investment.

Thanks.

• (0915)

Mr. Don Davies: On that implementation committee, Ms. Campbell, and speaking about partnerships, would your organization be in favour of ensuring that there are labour representatives on the committee as well?

Dr. Ailish Campbell: Absolutely.

Mr. Don Davies: Would that be helpful?

Dr. Ailish Campbell: The answer is yes.

Mr. Don Davies: Thank you.

Mr. Linton, thank you for being with us today here from Toronto.

Mr. Linton, can you give us an idea how many members approximately the UFCW has in the food processing or agrifood industry?

Mr. Bob Linton: As I said, there are 2.1 million workers in the food industry. I don't have at hand how many members broken down into the different sectors, but I will get that for you and share that with the committee.

Mr. Don Davies: Could you speak to the importance of export markets for UFCW members in the sectors that you know that they're employed in?

Mr. Bob Linton: Particularly in the beef and pork sector, which is heavily unionized, it will make a significant impact in their jobs throughout the country, not just Ontario or Quebec but also in Saskatchewan and Alberta. Today we've been fortunate....

In speaking to our different local union presidents in Alberta, in some of the plants they have lost product. They have admitted they've lost product from agreements that the companies they worked for had with the Korean sector; however, they were fortunate enough to find market placement for their product in other countries. The reality is, though, they know this is coming and they've seen how the number of exports have gone down through the years. They are fully expecting that if this agreement is not ratified there will be job loss in those sectors.

Mr. Don Davies: Thank you.

I think that's a similar point to the one Mr. Rice made.

Ms. Campbell, some congress people in the States have indicated in the context of certain trade agreements the desirability of adding currency provisions in trade agreements. I know obviously no country is going to agree to relinquish their sovereign ability to set monetary policy, but a lot of these trade agreements are predicated on the concept of a currency floating within a certain range. This is something that trade agreements don't typically cover.

Has your organization given any thought to the importance of maybe addressing currency in the context of trade agreements because it has such a major impact on import and export flows?

Dr. Ailish Campbell: It's a very important question. We absolutely have given consideration to it.

It's an incredibly complex area. For example, what would be considered excessive government intervention to set prices or essentially manipulate currencies? Specifically, would the U.S. quantitative easing actions over the last several years qualify? Would the ECB's recent actions to essentially go into negative interest rate territory be considered excessive manipulation?

This is a question on which we will need the guidance of experts at Finance Canada and the Bank of Canada to look back at our own monetary policy, set some possible tests or conditions that you might

see in an FTA, and actually run the numbers to see whether Canada itself over the last say 20 years in the history of our modern-day monetary policy would have been caught by any screen. Then we have to ask ourselves if we're ready to police this, who would police it, and what any enforcement mechanism would be.

I agree with you that it's an important and very complex question. I would recommend this committee seek advice from Finance Canada on that issue.

• (0920)

The Chair: Mr. O'Toole.

Mr. Erin O'Toole (Durham, CPC): Thank you, Mr. Chair, and thank you to all of our witnesses for appearing on relatively short notice. As was discussed by a few of the witnesses already this morning, the deadline to have this ratified by January 1 has us in an urgent state on the committee, so thank you for your flexibility.

My first couple of questions are for Ms. Citeau. Thank you for joining us this morning. You spoke about the 500,000 jobs represented by the industries you represent, then you took us through a very nice overview by industry group—for example canola, beef, grain, and malting—talking about the opportunities that this trade agreement poses for those industry groups.

Do most of your members forecast hiring more Canadians as a result of this new market access?

Ms. Claire Citeau: I believe most of the members forecast increasing exports to this particular market. As a result of this, in principle, more opportunities would mean more job creation.

Mr. Erin O'Toole: So if I could phrase that in one way, it not only secures the jobs from exports now, but there's the potential for far more Canadians finding employment as a result of this trade agreement?

Ms. Claire Citeau: Possibly, and certainly, it's to ensure that we don't lose more jobs.

Mr. Erin O'Toole: Perfect.

Are industries in the same market categories you spoke about, from meats to grains and oilseeds, making plans now to access, or to increase their exports to, South Korea and possibly the wider Asian markets through an entry point at South Korea?

Ms. Claire Citeau: That is correct. Despite the fact that Canada doesn't have a free trade agreement with South Korea yet, some of the sectors have been working on and have been able to maintain the business relationships so that they are ready to go once the agreement is implemented. The industry at large is preparing to some extent for this.

Martin, do you have anything to add?

Mr. Martin Rice: I was just going to add that about a year ago, maybe weeks before the meeting of President Park and Prime Minister Harper, where there was this discussion to revive and bring the talks to a conclusion, our industry was really thinking that we were going to have to forget about Korea, and therefore let a lot of those business relationships go. I've seen a revival. A lot of industry group participants who quite probably, in the absence of the deal coming together, would have said they have to shift their attention elsewhere are maintaining their business, or at least maintaining relationships, with those Korean buyers.

Mr. Erin O'Toole: Thank you very much.

My next set of questions is for Ms. Campbell. Thank you again for appearing before our committee.

I wanted to focus on one of the points you made under your first heading "supporting rapid ratification". Specifically, you talked about the already strong relationship with Canada and South Korea on intermediate goods trade. It's interesting to note that when Mr. Burney and his team briefed our committee at the outset of these hearings, he talked about how critical this deal was so that Canadian suppliers could be part of the global supply chains for a lot of the big South Korean conglomerates.

It seems that there is already some trade in that supply network. Could you expand a little bit more on that point for the committee?

Dr. Ailish Campbell: Certainly. As you know, Canada has huge strengths in natural resources, but also great strengths in manufacturing and higher value-added processes that in the goods space are known as intermediate goods, as you've described them. Great examples would be any complex piece of machinery, an airplane, a car, which can in fact traverse borders several times before the final product is created.

Canada is very fortunate to have very strong original equipment manufacturers in the auto space but it also has great strength in the auto parts sector. The auto parts sector is a huge driver of our exports, and one that speaks directly to that intermediate goods situation where you might find complex parts being shipped to Korea for final assembly.

I'd note though, given the distance, the economics also suggest that Canadian foreign affiliates that are already established in South Korea could potentially expand, depending on demand in that market.

I would just encourage this committee to take a look at the OECD value-added trade statistics, which will give you a more specific decomposition of the relationship, and the WTO intermediate goods data that I had cited, and, as well, measure our footprint based on foreign affiliate sales and not simply exports. As I've underscored to this committee before, there's a great importance that we measure our trade properly and that includes goods that are in fact created by Canadians in the other market.

Increasingly, the other exciting thing is we're going to see Korea become a hub for the establishment of a greater Canadian presence in the Asia region. That is the real opportunity of this agreement.

● (0925)

Mr. Erin O'Toole: Thank you. It sounds like you are prepared to perhaps co-chair or chair this panel that you are recommending Minister Fast—

Dr. Ailish Campbell: I would be happy to serve if so called by the minister.

Mr. Erin O'Toole: We'll keep that.

A final note is one of the vocal voices against this deal, Unifor—Mr. Stanford—was here last week not agreeing with some of the estimates that show only a 0.02% impact on the OEM, the production of Canadian-made vehicles, but spoke at length about how the globalization of auto is occurring, including with South Korean makers.

Expanding on your last point, our suppliers have an opportunity, whether or not there's a plant directly in Ontario, to be part of this globalization of auto. Could you expand on that for 30 seconds?

The Chair: We're going to have to move on to the next witness, so hopefully that question will get answered in the next round of questions here.

Mr. Pacetti, you're next.

Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.): Thank you, Mr. Chair.

Thank you to the witnesses.

My first question will be for you, Mr. Linton. You spoke a lot about benefits to your membership. The feeling I got from the last group of witnesses we had last week is that we're just basically signing the agreement to stop the job losses or stop the bleeding to Korea. What's your feeling? You have members from a variety of business sectors. What is your feeling? We had the seafood guys. They didn't lose any business because the U.S. signed a free trade agreement with Korea, but they don't necessarily have a plan to penetrate the Korean market.

What do you see overall in terms of your membership and being able to actually produce extra jobs?

Mr. Bob Linton: First of all, I'd like to say that the employers we have under the collective agreement may not, in some cases, have shared what their plans are, but I can tell you, having spoken to some of our employers in the meat packing and meat processing sector, that they made similar comments to what Mr. Rice made. A year ago they were basically looking at, if this deal wasn't signed, getting out of the market, which obviously, if they're not producing and selling for that market, could realize a potential job loss for our members. They have now turned around. They have done an about-face and are looking forward, if this deal gets ratified, to going to Korea to look for potential greater expansion into the Korean market, which, in turn, hopefully creates jobs.

Mr. Massimo Pacetti: I just have one more quick question. In terms of labour costs, are we competitive with Korea? Have you done any analysis? If a company were to decide whether to set up shop here or in Korea, would we be competitive with regard to labour?

Mr. Bob Linton: Sorry, if a shop were to set up in Korea or set up in Canada?

Mr. Massimo Pacetti: Would they choose Canada over Korea because of labour costs? Would it be more advantageous here, the treatment of our employees?

Mr. Bob Linton: Certainly, the treatment of our employees probably in Canada.... Hopefully, in a unionized environment there would certainly be much more fair treatment to the employees.

With respect to the dollar costs I don't know if that analysis has been done. I know that when the product is sold it's sold on the U.S. dollar, so we're competing on the U.S. dollar not on the Canadian dollar.

• (0930)

Mr. Massimo Pacetti: Okay. Thank you.

Madam Citeau, the numbers for exporting of agrifood I think are about \$800 million. The green exports, you're saying, were \$479 million but the majority of that would be wheat and wheat would only be subject to a 3% duty.

Is that correct or am I mistaken?

My point is that the majority of benefits from agri-trade in terms of wheat would not necessarily go up or down because the duty won't make a huge difference on the profit margin. I know that oats are at about 500%, but that's very minor in terms of your numbers here.

Mr. Philip de Kemp (President, Malting Industry Association of Canada): I'll try to answer that.

Having been an ex-grain trader many years ago, even though I'm president of the malting industry, 3% may not sound like much if you're dealing on a \$250 CIF but when you start adding up \$6 or \$7 a tonne.... If I'm a trader, I don't care if I'm working for any of the line companies in Canada or CWB, or what have you, if I'm a broker in another country and if I can make the trade at \$2 a tonne less I'll do it. Certainly, in the malt industry we're going to see some significant increases. We already have a very good trading relationship in Korea and we have for a number of years.

If I can just add, having grown up on a farm just outside of Ottawa here, and Randy being from Saskatchewan, even when you take a look at value added as far as beef and pork, for the grains industry, for every tonne of pork or for every tonne of beef it's going to be that much more barley or wheat going through those animals. It's going to be that much more fertilizer. It gives the farmers—albeit you're not going to have more farmers in Canada, obviously the numbers are declining and the farms are getting bigger—more income opportunity and more marketing options whether they're going to grow barley, wheat, or canola, depending on the prices in any given year to meet those needs and those value-added industries.

Mr. Massimo Pacetti: Great. Thanks.

I have just a quick question, Ms. Campbell.

In your brief, did you say that the Korea-U.S. Free Trade Agreement did not increase trade as expected? Is that what I understood?

Dr. Ailish Campbell: In the auto sector in particular, particularly on finished automobiles, the two-way trade is overwhelmingly in favour of Korea exporting into North America.

Mr. Massimo Pacetti: Okay.

Those are the numbers we have.

Great.

Thank you.

The Chair: Thank you, Mr. Pacetti.

Back to you, Mr. Cannan.

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

Thank you to our witnesses again.

I'll start off with Mr. Linton.

I just wanted to clarify something. You might not have the numbers, but Mr. Davies talked about the potential new jobs from this agreement for your membership. It could be similar to what the folks from CAFTA said, that it might be the fact of preventing the loss of jobs. It might be difficult to quantify but are you anticipating from a union perspective a potential growth in employees as a result of this agreement?

Mr. Bob Linton: Yes, certainly, if the market opens up as we expect it will under this agreement.

For example, in Red Deer, Alberta, where a lot of the pork is shipped to Korea because it is closer than shipping it from Ontario—it's processed in Red Deer and shipped—we expect that if that market opens up there will be substantial employment gains in Alberta. That's not to say that it won't also eventually happen in the other areas as I've mentioned, Ontario, Quebec, and Manitoba. However, I don't have exact numbers as to how many or how much employment will be created as a result of this agreement.

Hon. Ron Cannan: That's fair enough. Thank you very much.

Ms. Campbell, thanks for your compliments to our former chair and also your welcome to our new chair, who will be a great addition to our committee as well. I know that Mr. Merrifield will be working at representing not only Alberta but Canada. He's a great Canadian at heart.

Looking at this from a Canadian perspective, I thank you for your handout this morning, the Canadian Council of Chief Executives' annual report. In there, you made these comments:

Canada concluded a free trade pact with South Korea after nearly a decade of negotiations. The deal represents a watershed in Canada's efforts to forge closer economic ties in Asia and will create new opportunities to sell Canadian products in one of the world's fastest-growing advanced economies.

You go on to say:

In 2014, Canada will pass an important milestone: exports are expected to catch up with and surpass the levels seen prior to the 2008 recession. Better still, our country appears poised for an export boom in the years ahead. With one in five Canadian jobs dependant on trade, this is encouraging news for Canadian workers.

I share those sentiments totally. One of the comments we've had in discussions around the table—I've been on the committee for eight and a half years—is on the issue of looking at monthly stats as they point to the trade deficits. Often, the headlines are alarming Canadians about our shrinking trade deficit for that month, but I think that overall the narrowing trade gap, which you've referred to, means a better-performing economy. It's not always reflected in the immediate economic performance numbers. I'd say that almost the inverse is true, because GDP improves when a trade deficit exists, at times.

There was a comment you had on a blog, "Canada's trade deficit: understanding the big picture". You stated, "While persistent trade deficits over a number of years may spell trouble in certain circumstances, Canada is very far from being in that situation." To improve the trade balance, the organization has pointed to certain key factors, including the foreign direct investment and earning world prices on our energy resources, as well as pursuing robust trade opportunities with the Americas and Asia, including China, India, Japan, and South Korea, which we know are all economic indicators that our government has acted on as part of our GMAP strategy and which it believes are important to our local and national economies.

My question for you would be for the benefit of my constituents and for all Canadians. As we point to the trade deficits perspective on the Canadian economy, could you elaborate on this issue, perhaps sharing with us what factors influence the numbers, what the statistics don't tell us about trade in different sectors, and what we need to do to ensure Canada's overall economic health? There's a combination of questions in there, but I think there's something from your blog and comments in the past that maybe would help clarify it for the committee.

• (0935)

Dr. Ailish Campbell: You've quoted at length from several CCCE documents, so I thank you for that. I would just simply add that a positive trade balance is of course something that all Canadians want to see, but it isn't the whole picture.

We've been encouraging Statistics Canada to improve their measure of services trade and also the foreign affiliate data so that

we can add that to the statistic you've pointed out on merchandise trade. The key point there is this: don't look at just one month's number. Look in the aggregate, not least because Statistics Canada often restates monthly numbers. We went from a surplus of \$2 billion in July to a deficit of \$600 million in August, but we still want to see the Canadian economy on track for about a \$45-billion annualized rate.

Prices do matter. You could see volumes stay the same or even increase, but export numbers actually go down if we receive lower prices for our goods. That includes energy, which is a major component of our export numbers, in addition to things like auto parts, which can definitely shift monthly numbers.

So price matters. That means we want as many customers as possible for our products, and that's why this deal with South Korea—and indeed, more diversified trade with Asia—is essential so that we have more consumers and hopefully can get a more competitive and higher price for our products.

Hon. Ron Cannan: Thank you very much.

Shifting to the auto sector, there is good news of over 1,000 jobs at the Oakville plant. Ford is going to employ another 1,000 Canadians. We look forward to providing new opportunities in Asia. I think there are 21,000 finished vehicles going into China. That is a success, and it's great news for Canadians to be exporting finished products into China.

With Korea, I know that there's the KORUS agreement, as you alluded to. The issue specifically is the regulatory changes or non-trade barriers. With our agreement, its accelerated dispute mechanism clause has been improved over the U.S. model and is permanent. I wonder if you could comment in terms of that possibly being an added asset in our agreement in staying ad hoc as we implement this agreement as well.

Dr. Ailish Campbell: The dispute settlement mechanism, particularly on autos, was essential to concluding the deal so that this was a good deal for Canada. The U.S. snap-back clause is also in effect. I think it's important to think that Canada will need to work with its EU and U.S. partners to ensure that the Korean industry and the Korean government understand the importance of two-way openness to trade since we are certainly incredibly open to Korean vehicles that are imported, not just from Korea, but also from Korean-owned plants in the southern United States that are coming into Canada duty-free under NAFTA.

The global supply chain here is very important. Tariff barriers need to be surfaced and transparent. Testing needs to be rational; it needs to be actually related to a consumer safety issue or need, and Canada will need to cooperate with the other auto-exporting nations in order to ensure that the Korean market is open. It's a vital part of this agreement.

● (0940)

Hon. Ron Cannan: Thank you very much.

The Chair: Thank you.

Ms. Liu.

[Translation]

Ms. Laurin Liu (Rivière-des-Mille-Îles, NDP): Thank you, Mr. Chair.

Ms. Citeau, I would like to talk about the market share that Canada lost in 2011 and 2012 following free trade agreements with the European Union and the United States.

Beef exports dropped from \$96 million in 2011 to \$8 million in 2013. Other witnesses who appeared before the committee told us that the pork industry suffered major losses as well.

Can loss of market share for beef and pork producers affect other related agri-food sectors in Canada?

Ms. Claire Citeau: Since he's here, I will ask Martin Rice, executive director of the Canadian Pork Council, to answer your question about pork.

Mr. Martin Rice: Thank you.

[English]

I think, as Mr. de Kemp indicated, that the grain sector and the oilseed sector are both major contributors of inputs to the beef and the pork sectors, and there simply will be implications for them if that grain, which was able to be sold locally, has to be exported. So I would certainly see implications for those sectors, and I'm sure that there are other examples I'm not thinking of right now.

[Translation]

Ms. Laurin Liu: Ms. Citeau, aside from tariff lines, are there other obstacles that could hinder the export of agri-food products? If so, what are the main non-tariff barriers?

Ms. Claire Citeau: There are a number of measures related to the plant health environment. Mechanisms are in place to improve those conditions. In general, developing a foreign market takes a lot of time and investment. The industry is examining that aspect in particular to win back the confidence of South Korean buyers.

Ms. Laurin Liu: What do you mean by that? Can you provide more detail?

Ms. Claire Citeau: The important thing is regaining the confidence of South Korean buyers. An agreement between Canada and Korea can help create that confidence and reassure the markets.

Ms. Laurin Liu: Thank you.

You talked about how it can take time for the agri-food sector to regain the market share it has lost since 2011, and you said that varied sector by sector.

What sectors will take the longest to regain their market share, and which will do it fastest?

Ms. Claire Citeau: That depends on the sector. For some sectors, tariff measures will be implemented after two, three or five years for some processed food products containing sugar. For other sectors, the implementation of tariff measures will take a little longer, about 12 or 13 years.

It is important to emphasize that this agreement will benefit the agri-food sector in general. Once one or two products can enter the country, that will build the brand and produce positive spin-offs for the rest of the sector.

Ms. Laurin Liu: Which sectors could take 10 to 12 years to regain their market share?

● (0945)

Ms. Claire Citeau: I think it will be meats, but I can get you more specific information as soon as possible.

[English]

Ms. Laurin Liu: My last question is for Mr. Linton.

Obviously you can't give us precise figures on the number of jobs that would be created among your membership, but do you have an estimation of the number of jobs that would be lost if the treaty didn't take place?

The Chair: We're right out of time, but I can give you 10 seconds.

Mr. Bob Linton: At this time, as I previously mentioned, there has been no job loss, because the companies that our members are employed by were successful in finding other markets for their products.

The Chair: I'm sorry, Mr. Linton. You just ran out of time.

Colleagues, I would just remind you that you have your time period to not only ask the questions but also get the questions answered. I usually try to give you a one-minute warning, so if you're looking up towards me, you will see me raise my finger at one minute left.

We'll move on to Mr. Shory.

Mr. Devinder Shory (Calgary Northeast, CPC): Thank you, Mr. Chair.

Thank you to the witnesses.

Ms. Campbell, I want to thank Minister Fast, the negotiating team, and of course the advisory panel for negotiating such a great deal that even the NDP is supporting this agreement. I can see that the union from the agrifood industry is also supportive of this. When everybody is supporting this and is part of the positive tone, it's not that easy to ask questions.

But I'll start with you, Ms. Campbell. You talked about the EDC and trade commissioner partnership a little bit. I want to start by asking you to make a comment on their performance to date. In terms of the trade commissioners specifically, how has their performance been to date, all across the world?

Dr. Ailish Campbell: I agree, it's hard to ask interesting questions in an environment of violent agreement, but let me attempt to provide an interesting answer.

The Trade Commissioner Service reports annually on the trade they've facilitated. I encourage you to take a look at that report, or it may be part of the departmental performance report. But the critical factor is that the Trade Commissioner Service is present on the ground in growth markets. We would certainly like to see an increased footprint of the Trade Commissioner Service in Asia, and particularly in Korea, to help amplify the potential benefits of this agreement and make connections.

I would also note that economic diplomacy is of great use to those large firms that, as I said, the CCCE members represent. Those 150 companies represent the majority, over 50%, of Canadian exports. They commend the Trade Commissioner Service, our ambassadors, and indeed the work of the government to us regularly in Asia, particularly because the nature of that relationship is that the government is seen as a partner in business, not least because Korean student enterprises and large Korean firms are very much working in concert with their government.

Overall it's a positive message. I would say that EDC's work to establish agreements with large conglomerates, large enterprises, in Asia that are looking for supply chain partners of both medium- and small-sized Canadian firms as well as large is really important. EDC has facilitated a number of large Asian firms to come to Canada and better understand potential new partners in their supply chains. It's that kind of work, not just EDC focused on Canadian exports out but some of the ability to attract investment into Canada.

I would commend the government for the extension of the domestic powers on a permanent basis to EDC. We feel that EDC is an important partner in, as I say, not only promoting Canadian direct investment abroad in exports but also attracting significant investment to Canada. I commend their work in that area as well.

Mr. Devinder Shory: Thank you.

Realizing how fast the Asian markets are growing, how important is it for Canada to have free trade agreements with Asian countries?

Dr. Ailish Campbell: As I've outlined to this committee previously, our primordial and key relationship will continue to be with the U.S. That being said, Canada is vastly underexposed to Asian markets when you compare us with similar economies. It is a bit of apples and oranges at times, but we've seen Australia just leap ahead of Canada in terms of its penetration of Asian markets—

Korea, China, and Japan. We don't want to fall further behind, because North American growth rates are going to be relatively flat. That being said, Mexico does provide, I think, a really interesting market.

But it's clear that the growth in the global middle class will come in Asia. We can't be left behind. We've seen competitors from the U.S., Germany, and Australia very active in those markets. The more we can do to promote large business as well as small and medium-sized firms, to take advantage of new customers in growth markets in Asia, the better.

• (0950)

Mr. Devinder Shory: Thank you.

On your organization's website, your CEO and president John Manley made a comment about the Canada-Korea free trade agreement:

The agreement represents a turning point in Canada's long-standing efforts to build closer economic ties with Asia-Pacific markets. It demonstrates to other important economies in the region that Canada is a reliable and serious partner. And it offers a base from which Canadian companies can reach out to other fast-growing markets.

To what extent will Canadian companies be able to take advantage of South Korea's supply chains throughout the Asia-Pacific region as a result of the Canada-Korea free trade agreement? Also, how do you see brand Canada becoming more visible, not just in South Korea but in other Asian countries?

The Chair: That's a great question, but unfortunately we don't have time to listen to the answer.

We're going to move on to Ms. Liu.

Ms. Laurin Liu: Thanks, Mr. Speaker, and I'm happy to have another round.

[Translation]

I would like to ask Ms. Citeau more questions about the agri-food sector.

Can you tell us what gives us our greatest advantages in the Korean market?

[English]

Mr. Philip de Kemp: If I understood the question correctly as far as some of the best advantages for the Korean market, we missed a few things along the way when we talked about the possibility of, depending on the various sectors, increased jobs or what have you. Certainly in our industry, and perhaps in a lot of others in the agrifood industry, the ability to increase your capacity utilization for a plant that's already there, whether the workers are there or you're going to have to increase the workers, is huge. It is a powerful tool when it allows you to decrease your variable costs or your fixed costs. It gives you some marketing options for some of the countries you are already dealing with that you are not going to have to be as reliant on perhaps, as we use Korea as the gateway into Asia, hopefully, because that is the first one. That's huge, certainly in our industry, because obviously malt is treated as a commodity, as are some of the other ones.

The other thing is that perhaps down the road, in my view anyway, it's going to send a clear signal to other countries that look to Canada for food security, particularly perhaps Japan, whether we have an economic agreement with Japan bilaterally or through TPP or what have you. Just having this agreement in place and ratified quickly is going to send a very strong signal to other countries that want, at least in the agrifood sector, to deal with Canada.

Ms. Laurin Liu: Thanks for that answer.

Do you have any comments on other members or other parts of the value chain, such as the packaging industry, and value-added industries such as transformation, and what effect this trade agreement will have on those sectors?

Mr. Martin Rice: We have a very well-developed exporting industry. It's transportation; it's logistics at ports, the trading houses, which are significant in cities like Toronto and Montreal. They have a huge role and significant value added, which will grow as a result of this agreement.

Ms. Laurin Liu: You wouldn't have any projections in terms of job growth at the moment, but do you have any idea of how big that growth would be?

Mr. Martin Rice: We do have a figure.

I think Ms. Citeau mentioned a \$400-million figure, which we see ourselves getting back to after, say, five years and we're on the same terms of trade as our competitors.

We do have a figure to indicate the increased value added in jobs, from a study we had done for us. I'd be glad to maybe provide that to Ms. Citeau to pass on to you and the committee.

• (0955)

Ms. Laurin Liu: Thanks.

Ms. Campbell, perhaps on a lighter and more local note, you mentioned the television and video game sector. I am an MP from the region of Montreal, and Ubisoft is a very large employer of some of my constituents.

Do you have any details on how the video game sector could benefit from this deal?

Dr. Ailish Campbell: Quickly, I think the Montreal gaming cluster is an incredible asset for Canada. I was quite taken that

President Park, in her state visit to Canada, mentioned the Montreal video gaming community and mentioned the Cirque du Soleil. Clearly she's someone who enjoys Canadian entertainment, and we should be happy to provide it.

I think with our multicultural society, we provide a unique backdrop and creative inspiration for children's programming, which I know that I and my family really enjoy.

I don't have any specific numbers for you, but I think the fact that the president of South Korea herself highlighted the Montreal cluster and the ability to partner with Korean companies.... I would just highlight that it's going to be very important that we have our statistics right so we're measuring this trade, although certainly we know the jobs in that cluster will be preserved and potentially expanded the more we can export content to Asia.

Ms. Laurin Liu: Thanks.

I have a lot of questions for—

The Chair: I'm going to cut you off there, Ms. Liu. We're getting right to 10 o'clock and we have to suspend for about five minutes to get our witnesses.

I want to thank the witnesses for being here this morning and presenting.

Colleagues, we will suspend for five minutes and then we will get on with the second round.

• (0955)

_____ (Pause) _____

• (1000)

The Chair: Let's get round two on the go.

First, I'd like to thank the witnesses for being here this morning and sharing their knowledge and wisdom with us. You have 10 minutes each, and we'll start with Mr. Lindsay from the Forest Products Association, please.

[Translation]

Mr. David Lindsay (President and Chief Executive Officer, Forest Products Association of Canada): Thank you very much, Mr. Chair.

[English]

Thank you very much, Mr. Chairman. My name is David Lindsay. I represent Forest Products Association of Canada, and we're very pleased to be here. We thank the committee for the opportunity to present to you. The forest industry, as many of you around the table I have spoken with individually know, is a large and important part of the Canadian economy. We're in virtually every province and we directly employ some 235,000 workers. The forest industry is located mainly, as you can imagine, close to where the trees are, so in largely rural and remote communities.

We're perceived as a resource industry, which is factually correct, but most of our work happens in the mills and requires skilled and semi-skilled workers to process the wood into marketable products, so we're actually part of the manufacturing sector of Canada. We contribute 12% of Canada's manufacturing GDP. We're a sizable part of the economy both as an extraction industry of a green renewable resource and as a part of the manufacturing industry.

We went through some difficult times in the economic downturn of 2008. We actually started to slip in 2006 and 2007. The U.S. housing starts dropped precipitously and people discovered things like iPads and the Internet, so newsprint use has been dropping over the period of the last decade.

We have therefore concluded as an industry that Canada still has one of the largest and best managed forests in the world. We are a green and renewable resource, and we have something to contribute to the bioeconomy and the economy of the globe. Therefore, we embarked on something we call Vision2020 to determine how we can take advantage of the great resource we have in Canada. I won't go into a lot of detail on Vision2020. Suffice it to say we have committed to generating \$20 billion of new economic activity by the year 2020. In order to do that, we need to have innovative products, new markets, and new customers looking to fill the demands of the growing, emerging middle class of the emerging markets, and we need new products to help the domestic consumption here in Canada as well.

We're a large exporter and the export agenda is a big part of our Vision2020. We've actually been quite successful in the Asian market. Canada's largest export to China today is forest products. We export about \$4 billion worth of forestry products to China, and that market is continuing to grow. We're very supportive of opening up markets and additional trade to help create those jobs in rural and remote parts of Canada and help contribute to the economy, and therefore we're supportive of the Korean free trade agreement.

The challenge for the forest industry is that we have a very large diverse forest across the country, so we're trying to make sure that we're taking full advantage of it. The Korean free trade deal is very important to us and particularly in our western provinces. Last year, the Canadian forestry industry exported about \$500 million plus worth of exports of wood, pulp, and paper to the South Korean market. That makes South Korea the fourth largest customer for Canadian forest products, with the United States being the largest, and China and Japan after that.

We see it as a great opportunity to continue to expand our sales into South Korea. Currently the Korean market imports \$6 billion worth of forest products from around the world, and Canada is getting only about 9% or 10% of that. There's a huge opportunity for additional sales into the Korean market, but free trade agreements alone do not create sales. We need to work very hard as an industry to compete in that market, and we need the continued support of both the federal and provincial governments in our trade offices making sure that we have a good country profile and we're seen as a reliable supplier into that market.

● (1005)

We've got a good relationship with the trade offices and the British Columbia FIIs. We've got a good network of interactions and

connections with the in-market activities of South Asia and look forward to growing them in Korea.

Another point I would have to emphasize is if you can't get the product off the loading dock to the ports, to the markets, that creates difficulties with being seen as a reliable supplier so the transportation infrastructure of Canada is very important to our trade agenda. Eighty percent of our product used to go to the United States. It was very much north-south. Now our American market exports are about 60% and our east-west trade is growing. As a country we need to think about our transportation infrastructure as part of our trade agenda. We need to continue to maintain our positive profile as a reliable country and a reliable partner. We need to continue to innovate new products and look for new ways of using the forest fibre as a green, renewable resource. The free trade agreement with Korea is very helpful to our agenda, and we look forward to making new jobs and new economic opportunity and contributing to Canada's GDP by expanding those trade opportunities.

Thank you very much.

● (1010)

The Chair: Thank you, Mr. Lindsay.

We'll move on to Mr. Suk, please.

Mr. Mike M. Suk (Director and Spokesman, Korean Cultural Heritage Society): Good morning. My name is Mike M. Suk. I'm from Vancouver, British Columbia, and I represent the Korean Cultural Heritage Society of British Columbia. Established in 2000, the KCHS is a non-profit organization that serves communities in B. C. by organizing community-based multicultural events that showcase the dynamics of Korean culture and heritage. This year, our 13th annual festival held in Burnaby attracted over 26,000 members of our community and established it as one of the largest multicultural festivals in the Lower Mainland.

One of the most rewarding experiences in being involved with the KCHS is that I have the privilege of connecting with citizens who cover the full social and economic spectrum of the approximately 80,000 Korean Canadians who call B.C. their home. From this community-based context I'd like to offer my perspective on the Canada-Korea free trade agreement. Overall I believe the CKFTA is a significant step forward for Canada. In less than 60 years South Korea has made its mark on the world stage. Cutting-edge industries have developed in Korea. Korea has also emerged as an influential tastemaker in Asia. I believe companies in Canada, through joint ventures with South Korea, will gain favourable access to other high-growth emerging markets in Asia.

In terms of immediate returns, as you know, British Columbia is a trading province with a wealth of agricultural goods, natural resources, and professional services for export. Well-positioned companies and professionals in Canada will be able to take a lead and gain immediate benefits from the FTA, which is a great thing for everyone in our province. Having said that, what's more relevant and critical for this deal to me and my community is not just focusing on these major industries but that the government paves the way for young professionals and entrepreneurs to venture into the emerging industries of tomorrow.

One of the pressing issues of the day in my community is the lack of exciting jobs and opportunities for young professionals and entrepreneurs. In a very real way we are losing talented young professionals every year to countries around the world. New graduates are increasingly forced to find career opportunities overseas. I believe the free trade agreement poses an opportunity to be implemented in a way that increases the bandwidth of opportunity for young Korean Canadians with bilingual abilities and the cultural acumen to build profitable businesses and exciting careers here at home. In the long run this will result in, I believe, a stronger growth-oriented community base. One of the most immediate things I can see happening locally on the job front, if Canadian companies are incentivized, is that new graduates can fill cultural voids acting as liaison for companies importing and exporting goods. Valuable international work experience like this will set the foundation for these young people in turn to start their own companies one day and hire and inspire other Canadians to follow.

As small an issue as this may seem, and as local a subject, I believe it is a very important one to address as it deals with the future of our nation's workforce. Canada needs to retain its talented youth and inspire them to lead the future. I ask members of this committee to keep this in mind, to see that the FTA is directed on good domestic policies reflecting the best interests of our local businesses and jobs and also encouraging entrepreneurs to foster new business opportunities.

Thank you.

The Chair: Thank you, Mr. Suk.

Mr. Lee.

Mr. David Lee (President, Kocani Biz & Edu): It is my honour and pleasure to be a witness in front of the members of the standing committee on international trade. I am Korean Canadian, president of Kocani Biz and Edu, a Korean-Canadian business interest consulting company. I have a Ph.D. in economics, but I majored mainly in the international trade field.

In Vancouver, the gateway to Asia, I opened a class of international trade and started to teach how to do good business between Canada and Korea for Koreans who speak English and Korean. When I heard the news that FTA negotiations between both nations started in July 2007 I made up my mind to open the class. I thought that if an FTA were concluded, the Korean community in Vancouver would get a good chance to improve the community's economy. To boost business transactions between two countries many Koreans will be needed.

An FTA will create thousands of jobs and opportunities for Canadians by opening new markets to Canadian exporters in every province and territory. More than 2.78 million Canadians working in the industrial goods sector, in chemical and plastics, information and communication technology, aerospace, metallurgy and minerals, medical devices, and textiles and apparel, as well as in agricultural and agrifood products, wines and spirits, fish and seafood, and forestry and the value-added wood products, will benefit from more trading opportunities and the duty-free access to South Korea.

B.C. especially will get more benefit from the agreement because of geographic proximity. B.C. exported \$1,186 million worth of goods to Korea in 2013. Most of them were raw materials like bituminous coal, copper ores and concentrates, wooden telephone poles, fence posts, and other wood in the rough. In the near future, the amount of other items exported will increase because of a duty-free agreement.

In less than seven years Canada has concluded FTAs with NAFTA, Israel, Chile, Costa Rica, EFTA, Peru, Colombia, Jordan, Panama, and Honduras. With 13 more countries Canada is negotiating FTAs. Except for NAFTA, trade with the other countries is not big. Compared with those countries, business deals with Korea will be bigger and bigger as time goes by.

I mentioned the benefits of the free trade agreement with South Korea from the position of the Canadian side. I hope that war doesn't break out between Canada and Korea because I am staying on the Canadian side. Just kidding. Sorry.

The Canada-Korea free trade agreement provides preferential access to an important market in Asia. The agreement is Canada's first free trade agreement in the dynamic and fast-growing Asia-Pacific region. As part of the most ambitious plan in Canadian history to open new markets, the Government of Canada is working to create deeper economic ties through trade and investment agreements in the Asia-Pacific region.

The Canada-Korea free trade agreement's most visible benefit is the ambitious obligation undertaken by Canada and South Korea to eliminate tariffs. When the agreement is fully implemented, South Korea will eliminate duties on 98.2% of tariffs lines and Canada will remove duties on 97.8% of tariff lines. On average, South Korean tariffs are three times higher than Canada's: 13.3% versus 4.3%. Tariff elimination will be particularly advantageous for Canadian businesses exporting to the South Korean market. For Canadian consumers, the elimination of tariffs under the agreement will reduce the cost of imported product and result in lower prices and more choice.

•(1015)

The Canada-Korea free trade agreement will level the playing field for Canadian exporters and investors. It will secure Canada's position in the South Korean market, where competitors like the United States and the European Union are already enjoying preferential access due to the U.S.-Korea FTA and the EU-Korea FTA. Without the agreement, Canadian businesses would continue to face a disadvantage in areas ranging from industrial goods to agriculture and other agrifood products, fish and seafood products, forestry and value-added wood products, services, and investment.

The Canada-Korea free trade agreement looks to the future to provide opportunities for Canadian workers, businesses, and investors. It ensures that if South Korea reduces or eliminates restrictions on other foreign-based service providers or investors, Canadian companies and investors will automatically receive the same preferential treatment. It also ensures that if South Korea provides additional flexibility to goods from other countries on many regulatory matters, including, notably, standards and taxes pertaining to vehicles and parts, Canadian goods will automatically be granted the same flexibility.

In my personal point of view, some Canadian products will be more welcome in the Korean market than U.S. products. Koreans believe that Canadian products have good qualities and are made under good natural circumstances. Also, as Canadians, we can enjoy good quality Korean products, like automobiles, cellphones, computers, TVs, refrigerators, washing machines, and other electronic appliances with discounted prices because of duty elimination. That will improve our quality of life.

As one of the Korean War babies, I will never forget the sacrifices of Canadian young soldiers during the Korean War. From 1951 to 1953, 26,791 Canadian soldiers took part in the Korean War and 516 gave their lives to the Korean Peninsula. Many wounded soldiers stayed in hospitals and received significant care.

Koreans think of Canada as our friend, our blood alliance. That means Canadian products will be welcomed, will be familiar, and loved by Koreans.

I hope the agreement will be approved by the two nations' parliaments as soon as possible so that both countries can enjoy the benefits of the FTA. Then, two countries can go further to firmly tie their economic relationship and develop together.

Thank you for listening to my presentation with my bad pronunciation.

•(1020)

The Chair: Thank you, Mr. Lee, that was great.

Mr. Davies.

Mr. Don Davies: Thank you, Mr. Chairman, and thank you to all witnesses for being with us.

Dr. Lee, can you give us any insight or information about the perspective on this agreement in Korea? In particular, do you think that there is the capacity in Korea to agree to this agreement before January 1 of next year?

Mr. David Lee: Are you asking about the capacity of Korea?

Mr. Don Davies: We know that in Canada we want to get this agreement ratified before January 1 because the U.S. trade agreement with Korea has tariff reductions every January 1. We'd like to get Canadian exporters taking advantage of lower tariffs as soon as possible. I'm just wondering if you know anything about whether the Korean government has the ability to get this agreement ratified before January 1.

Mr. David Lee: Yes, I think so because the only people who are against the FTA are....As I mentioned, we can export cars, or something like that, made by Hyundai and Kia. I think there may be a 6% decrease in the price of the car, so then you can export more cars. The benefit of exporting cars is great. We think there may be a gain of 14% for the purchase of something like that. So I think some can make more money.

Mr. Don Davies: I had another question too. We've heard people say that, of course, this is Canada's first trade agreement with an Asian country. We've heard that South Korea is a gateway economy to the rest of Asia. This agreement will not only have benefits for Canada and South Korea but it may help Canadian companies, that are doing business in Korea, access other markets in the Asian region. Do you have any comment on that?

Mr. David Lee: Yes, definitely.

If a Canadian company makes a partnership with a Korean company, it's very easy to go to China, and not only China, but also east Asia. I don't know about Japan, because Japan doesn't want to import some products. You can go directly to China, but I think making an FTA with China and the Canadian government would take too long, so before doing that, you could just access the market in China, a huge country.

•(1025)

Mr. Don Davies: I see. Thank you.

Mr. Suk, you mentioned, the phrase I wrote down was, "emerging industries of tomorrow". Could you describe for us what you think some of those industries are?

Mr. Mike M. Suk: You can look at South Korea as being a tastemaker in Asia. Look at K-pop—Korean popular music—or look at the movie industry in Korea, look at the commercials, or at how music is being distributed on multiple platforms such as iTunes, for example. I believe that in British Columbia, tapping into the entertainment industry in South Korea is something that is definitely worth looking at. It leads to other benefits as well, in terms of what you just asked Mr. Lee. Korea is looked at as a tastemaker right now in Asia. I feel that marketing products in Canada with Korean companies can give you a better visibility in the Asian markets.

Mr. Don Davies: I see.

You mentioned you have a broad exposure to the Korean community in British Columbia, not only the economic, but also the cultural and social. In your view, how is the Canada-Korea free trade agreement viewed among the Korean Canadian population?

Mr. Mike M. Suk: I can speak only for the younger generation in my community, and we just don't know about it. I think there's a very big disconnect between how the government is run and how people in local ethnic minorities view the system, how they see the system working for them. I think it's just a matter of time for them to be educated on these things and see them as a very good opportunity to prosper.

Mr. Don Davies: Thank you.

Mr. Lindsay, what percentage of the forestry industry is unionized?

Mr. David Lindsay: I don't have exact numbers. I was at Unifor's Good Jobs Summit this past weekend, and we have a good working relationship with both Unifor and the steelworkers. Unifor represents a lot of our mills in eastern Canada, and the steelworkers union represents a lot of the forest workers. So I'd be taking a guess, and I wouldn't want to do that, but it's—

Mr. Don Davies: It's a significant percentage?

Mr. David Lindsay: —a significant percentage.

Mr. Don Davies: In terms of value-added production, I think all of us in this room from all parties want to see that Canada doesn't just rely on raw exports, but that we actually add value to those raw resources in Canada and increase the value of our exports.

Do you have any advice to give the federal government in terms of policies that will help your sector add that value that we all want to see?

Mr. David Lindsay: That's an excellent question, Mr. Davies. Thank you.

The whole premise of our Vision2020 is to continue to innovate and find new uses of the forest fibre. So it's not just old lumber and two-by-fours. We used to send tall ship masts for the British navy; the British navy doesn't need our pine trees anymore. We need new products, and that requires innovation. The government has been helpful in supporting an agency called FPInnovations, Forest Products Innovations, which is a public-private partnership; in academic research; and in promoting the trade opportunities. I don't want to bore you with a lot of details, but we can do everything from make the gloss sheen that goes on lipstick, to the flat screen TVs that can have a cellulosic filament, to auto parts. The Ford Motor Company is working with Weyerhaeuser to make auto parts so they're lighter and less carbon-intensive.

The Chair: Okay, we are going to have to move on to Ms. Grewal.

Mrs. Nina Grewal (Fleetwood—Port Kells, CPC): Thank you, Chair, and thank you to the witnesses for their time and presentations.

My question is to Mr. Lindsay.

Mr. Lindsay, can you please elaborate on value-added wood products? Is this an area that Canadian producers have an advantage in, and how does the FTA impact the sector?

Mr. David Lindsay: As I began to say to Mr. Davies, it's a wonderful, exciting opportunity for the forestry industry. Everything from the use of wood for construction.... We have something called cross-laminated timber. You can make taller wood buildings in

countries that have earthquake challenges. Timber construction is actually more malleable and better in an earthquake zone. That would be an opportunity to sell, in a new and innovative way, the very old material of wood. Engineered wood and cross-laminated timber is on the wood side.

On the pulp and paper side we have an amazing array of chemical processes and new uses. I'll give you a couple of practical examples. I mentioned the automobile parts. As you boil down the fibres to make pulp, there are oils and sugars that come out of that. You further refine those for making methanol. One of our companies sells it to make windshield wiper fluid. So oils and sugars that come out of the cells of the trees can be made into new products. We didn't use the whole tree 50 or 60 years ago. We left a lot of sawdust and debris as a waste product. Now those waste streams, the lignans, are turned into oils. The sawdust and the other materials can be further refined to make new products. We're now using 95%-plus of the logs we bring into our mills. It's much more sophisticated today than it was 25 or 30 years ago.

•(1030)

Mrs. Nina Grewal: You use the number \$500 million in exports to South Korea from the western provinces. How much will that number increase after the trade agreement?

Mr. David Lindsay: I can't give you an estimate on how much. I think the companies are keen to increase their market share. I know that on the wood side our increase in sales into Korea has been in the order of magnitude of about 20% in the last couple of years, so there's a growth opportunity there. What we did in China, for example, was to make sure we have good in-market sales, and explaining how to use the materials will help us to grow. Free trade is an important first step, but then there's a whole bunch of marketing that needs to take place after that.

Mrs. Nina Grewal: My questions go to Mr. Suk and Mr. Lee.

Can you please elaborate on the activities and events that your organizations run here in Canada? What are some examples of anything you do to inform the South Korean community or the Canadian community about this free trade agreement?

Mr. Mike M. Suk: We were established in 2000. Mainly we do an annual festival every summer. It's a community-based event. There's cultural programming and food tasting. It's a fun, family-oriented event. But I think, based on this year's numbers.... If you look at last year's festival, we did 6,000. This year we did over 26,000, so I think you see that even in Vancouver not only Koreans are interested in Korea, but other ethnic minorities and other groups are interested in Korea as well. I think this is a good platform to also share some of the ways that the community can get involved with this agreement and, again, prosper.

Mr. David Lee: I also provide a festival. It's called the Canada Korea Literary Festival. I'm actually a poet and I started that festival five years ago. We invite Canadian poets and they read their Canadian poetry in English. Then we translate it into Korean. We introduce Canadian literature to the Korean community.

Who is huge in America or huge in Canada? Because they're almost the same, in Korea they don't know what Canada is. To introduce Canada, I have that event every year. But if we get the FTA, I think that kind of cultural event will be very helpful in assisting a Canadian company to go to the Korean market. If the people are culturally familiar, the food and products will be more familiar.

Mrs. Nina Grewal: Do you think that the Canada-Korea free trade agreement will deepen the cultural links between the two countries? If so, how?

Mr. David Lee: Yes, sure, definitely, I think so.

•(1035)

The Chair: You have one minute left.

Mrs. Nina Grewal: Okay.

How does the wider South Korean community feel about the free trade agreement being implemented? What does the business community in South Korea think of the protections for investors in the agreement?

Mr. David Lee: What they think about protecting investments from Canada?

Mrs. Nina Grewal: Yes.

Mr. David Lee: Actually, I think it's kind of old history. For a while, Koreans didn't want to open their market to something like that, but the most important thing—as I mentioned—is that Korea is more familiar, actually, with the U.S.A. than with Canada. We didn't know a great deal. Even me, until I came here, I didn't know what Canada was.

The Chair: Mr. Pacetti.

Mr. Massimo Pacetti: Thank you, Mr. Chair.

Thank you to the witnesses for coming forward today.

Mr. Lee, just quickly, you started to speak about the benefit or the reason you set up your business, and then you went on and spoke about numbers and the benefits of free trade. How does this affect you personally or your company? I'm not sure I caught that part.

Mr. David Lee: I taught many people, as I mentioned, many Koreans, like the next generation. I taught many Korean students, so I hope if Canadian companies hire these kinds of people, it's very beneficial, not only for Canada, but Korea. I've already heard that some company based in B.C. hires Korean young guys who were born and educated here, and just sends them to Korea—

Mr. Massimo Pacetti: You're trying to perfect the Korean language for Canadian-born Koreans?

Mr. David Lee: For both of them, yes.

Mr. Massimo Pacetti: Have you seen an increase, or is there an interest, or are you just speculating that there will be?

Mr. David Lee: Sometimes I'm speculating.

Mr. Massimo Pacetti: Okay, thank you. I just wanted to clear that up.

Mr. Suk, let's focus on the cultural side. I agree with you in terms of the business; I think everyone around the table agrees on the business side. But on the cultural side, you organize an event. I'm more familiar with the Italian community, and we bring in Italian

entertainers, and that boosts interest. Is there any of that that goes on during your culture week?

Mr. Mike M. Suk: Yes. Historically, the festival has been on the more traditional elements of Korea. This year we targeted the modern dynamics of Korea and we tried to show British Columbia a lot of the modern—

Mr. Massimo Pacetti: Is it the hope of the Korean government to export these entertainers?

Mr. Mike M. Suk: No, it isn't, but I'll just go back to Ms. Grewal's question about how we could interact with each other by having Korean products showcased at our festival, having Canadian products showcased at our festival, and having interaction there. I think the festival does more at the grassroots level to educate Canadians of Korean descent who have lost the language, lost touch with their culture, to kind of reconnect with their culture, and also make alliances with other smaller ethnic minority communities. Hopefully, these people can be the liaisons between business—

Mr. Massimo Pacetti: You don't make money with the festival, you mentioned.

Mr. Mike M. Suk: No, I do not.

Mr. Massimo Pacetti: Do you not need help from the Korean government to send products or entertainers?

Mr. Mike M. Suk: This year we did have some help from the ministry of tourism and sport of South Korea to send a 20-member taekwon do team, the official taekwon do demonstration team, but this is all community-based, based on donations, a few corporate sponsors, and the city stepping up to the plate.

Mr. Massimo Pacetti: Okay, because there's nothing in the free trade agreement to promote culture. I think it's something that we sometimes ignore, but there's potential. There's a small Korean community in Montreal, not huge, but you should probably consider taking that eastbound, so you make it a two- or three-week type of South Korean festivities so that it highlights what Canada is all about. I think that's what your job would also be in trying to help South Korean culture become more dynamic across the country.

Just a quick question, Mr. Lindsay. Who's your competition right now in South Korea? It wouldn't necessarily be Europe or the United States that already have free trade agreements with South Korea. Am I correct?

•(1040)

Mr. David Lindsay: Yes. As I said in my opening remarks, there is about \$6 billion worth of forest product trade that goes to South Korea. I haven't done the breakdown, but as you can imagine New Zealand, Indonesia, Russia, and all the countries around the Pacific Rim would have a part of that market. So it's a global—

Mr. Massimo Pacetti: You would have the Nordic countries probably competing and they would be part of—

Mr. David Lindsay: Yes, it's a global marketplace. We're all in competition. Brazil is growing as a competitor.

Mr. Massimo Pacetti: Your tariffs would only go down, what I was reading was about 3%, so it's not a major—

Mr. David Lindsay: We've got a range of them up to 10%. Some are 5%, some are 8%, and some are 10% depending on the type of—

Mr. Massimo Pacetti: That would offer you a competitive advantage?

Mr. David Lindsay: That, plus a modest Canadian dollar, plus a little bit of market promotion. It's a globally competitive environment, so we need all of those.

A part of the trade agreement that doesn't get talked about a lot is agreeing to engineering standards and phytosanitary standards. Making sure we're science-based and engineering-based in how we're getting our products approved in markets is a big part of the free trade deal as well. It's not just tariffs.

Mr. Massimo Pacetti: Good point.

Thank you, Mr. Chair.

The Chair: Mr. Richards.

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

I appreciate you all being here today.

I will focus my questions mostly on you, Mr. Lindsay.

I was intrigued by some of your earlier comments about some of the opportunities you see in terms of some of the wood products and how much use we're getting out of a lot of the products, and that's great. I want to get a sense of the \$500 million worth that you exported to South Korea last year. I'd like a breakdown in terms of the raw timber and the value-added products. What percentages are those exports in each of those areas?

Mr. David Lindsay: I do have some of those statistics. Roughly 56% of it is pulp products and there's a whole range of pulp products. About 42% is wood products and there's a whole range of wood products. To get the value added of each product you'd have to look at it on a product-by-product basis. As you can imagine, pulp goes into everything from Kleenex, and tissues, and health care products like surgical masks—those are higher end—to cardboard and packing material. Depending on which customer is buying what, the breakdown is according to the type of pulp they're using.

On the wood side, we're constantly trying to encourage the greater use of wood. Again, it's a cultural thing. Some people don't like to use wood. China is much more of a concrete.... The *hutongs* and the construction in China are much more concrete-based. Japan likes to use wood. South Korea is in the middle. They like to use wood, but we want to encourage higher value and higher agricultural use of that wood.

Mr. Blake Richards: Where do you see the best opportunity for growth with the free trade agreement coming on stream?

The Chair: Just a second here, Mr. Richards.

We have bells here now. What I would like to do with your consent is continue on and let Mr. Richards finish his round of questioning. He's got roughly four and a half minutes left. Then we all would have equally had a chance to present. I would probably adjourn the meeting at that point in time. I seek consent from this

room to keep going, otherwise it's by the rules that I would have to adjourn.

Mr. Davies.

Mr. Don Davies: Mr. Chairman, you have our consent. I would even suggest that if we could do a second round of five and five that would still give us about 20 minutes to get over to the House for a vote.

The Chair: It would be pushing it. We'd be going into the second

Mr. Erin O'Toole: It's 11:10 now.

The Chair: I would suggest we finish the first round.

Mr. Pacetti, are you okay with this?

Mr. Massimo Pacetti: Sure.

The Chair: Mr. Richards, please continue.

Mr. Blake Richards: Thank you. I appreciate my colleagues allowing that.

I'm going to ask Mr. Lindsay where you see the best opportunities for growth with the free trade agreement coming on stream. Would it be across the board or do you see specific opportunities there?

• (1045)

Mr. David Lindsay: We have a good mix of products that we sell now so we want to augment all of those. Each company in Canada has a different specialty and different types of materials it sells. It's a function of individual companies deciding where they want to spend their time and effort, but if we're in a competitive no-tariff environment that creates opportunity. We haven't had tariffs on the pulp side, this is on the lumber side, so the best opportunity is taking the tariffs off the lumber side.

Mr. Blake Richards: Okay, understood.

You also mentioned that Korea was your fourth largest market with China and Japan being number two and number three, and I think you had said there was \$4 billion in sales to China last year if I'm not mistaken. Obviously Asian markets in general are a pretty significant part of the Canadian export business for the forest products industry. I'm curious as to your thoughts on this deal and it paving the way for future opportunities in Asia and what that might mean for your industry as well.

Mr. David Lindsay: The Korean free trade agreement is important to us specifically because of the Korea market—I can give you some numbers on that—but also because the Trans-Pacific Partnership and continuing to expand trade opportunities is something that our members are supportive of. We have a green renewable resource here in Canada. It's well managed, and it's seen as quality lumber. We want the opportunity to compete. There are some other countries that don't have the same forestry standards and forestry practices as we do. So we need to make sure we're explaining that we have good environmental practices and we're very competitive in a commodity industry even though we have higher environmental standards than some of our competition.

I'll give you just some of the stats. In 2013, as I mentioned in my comments, we were at about \$4.5 billion to China, \$1.5 billion to Japan, roughly half a billion to South Korea. You can see there's a step down from China to Japan to South Korea, but then the individual European countries are far behind that. The Pacific Rim is a growth opportunity for us.

Mr. Blake Richards: You mentioned that one of the keys to seeing that growth is educating consumers in those countries on just how strong our environmental practices are and things like that. I'm just wondering if you can give me a bit of a sense as to what you're doing now to try to prepare the ground on that front with consumers in those places.

Mr. David Lindsay: There are a number of initiatives this month. The British Columbia government and the Quebec and Ontario governments all have trade missions going across the Pacific.

They're not going to Korea, but they're going to Japan and China. The British Columbia government, with the support of the federal government, has something called Forestry Innovation Investment, FII. It has in-market offices to explain to architects and builders how to use wood. We'd like to expand into India as well. They're looking at opening an office in India. The education of the engineering and the architectural community on how to use wood and the new engineered wood products that are coming on market is part of that educational process. Once people understand that, then the sales forces of the individual companies try to negotiate their deal. That's why government support is quite important to open those doors and get that preliminary conversation going about how you can use wood.

Mr. Blake Richards: Good. I thank you very much for your answers, and it sounds like you're well-positioned to take advantage of the opportunities before you.

Mr. David Lindsay: We're excited. Thank you.

Mr. Blake Richards: I thank all three of you for appearing.

The Chair: Thank you, witnesses, for being here this morning. I apologize for us ending early, but with votes we have no choice.

Colleagues, I just want to remind you that today's the last day to get any amendments into the clerk, and on Thursday we'll start clause-by-clause.

The meeting is adjourned.

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