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Chair

Mr. Bernard Patry

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•(1105)

[*Translation*]

The Chair (Mr. Bernard Patry (Pierrefonds—Dollard, Lib.)): Order please, we are ready to begin.

[*English*]

This is meeting number 75 of the Standing Committee on Foreign Affairs and International Trade, pursuant to Standing Order 108(2), study on the World Trade Organization meeting in December 2005.

As witnesses this morning we have, from the Grey, Clark, Shih and Associates Limited, Mr. Peter Clark, the president; and from the Canadian Agri-Food Trade Alliance, Mr. Liam McCreery.

Welcome to both of you. I understand that

[*Translation*]

Mr. Lefebvre and Ms. Mercier, who are coming from Montreal, have been delayed because of the weather. We hope they will join us as soon as possible.

[*English*]

We'll start with Mr. Clark.

Mr. Peter Clark (President, Grey, Clark, Shih and Associates Limited): Thank you, Mr. Chairman.

I find it interesting to be back before your committee five years after we were here preparing for Seattle in 1999. I've sent a rather lengthy paper around to members of the committee, which of course we can't read because it's too long.

During the presentation in 1999, I indicated that the big issue was going to be the rebalancing of the Uruguay Round for developing countries and small economies. If the smaller economies did not get organized, they would get rolled again and they would suffer even more. If they did get organized, it was going to be a long round.

Ms. Finestone, who was with you at the time said, "Well that's rather depressing". And I said, "Well, it may be depressing but I think it's accurate". It has turned out to be accurate.

What Hong Kong is going to be about, if it's going to get anywhere, is development. We shouldn't be under any illusions as to the seriousness with which the developing countries are approaching these talks in Hong Kong. Included in the paper are extracts from a communiqué by African ministers that was issued just two days ago. If you look at what they're concerned about, their concerns are really not much different from those of western grain farmers and oilseed farmers, except that they operate on a smaller scale and in a different

environment. They're concerned about the lack of effective discipline on domestic support in the United States and in the European Union. Those are real concerns.

What's on the table, if you boil it right down, is smoke and mirrors. It's wonderful to offer a 60% cut when you have to cut 70% to get the water out of your system.

If the African countries don't get what they're looking for in terms of disciplines on agricultural subsidies from the north, from the wealthier countries, if they don't get something meaningful on cotton, there is a very good chance that they will walk. They walked in Cancun and they may not come back this time, because they do know that they have some power. It is a development round, and public opinion is on their side. We could very well see them block consensus.

Another possibility, of course, is that Brazil might cause the G-20 to block progress, if they don't agree. I put less weight on that because Brazil and India are now involved in the quad. They have an interest in maintaining some sort of momentum, probably until... Portman is now calling for a Hong Kong two or another ministerial at the end of March. They may well get it through to there. These discussions are at serious risk because of the deeply entrenched differences in a number of areas.

What is Canada's interest? Canada has interest in liberalization in every segment of the negotiations. We don't hear enough about our interests in those areas. Of Canada's gross domestic product, 69% is related to services. Only 12% of our exports are related to services. We have a serious need to catch up with respect to services, not only in the WTO but in bilateral and regional negotiations, on which we really do have to progress even more.

It should come as no surprise to anybody in this room that the issue, which has not received any media publicity in recent years, dealing with rules relating to the application of anti-dumping duties and subsidies and countervailing measures, is an area of very significant importance to Canada. We're a highly export-oriented economy. It does us absolutely no good to secure additional access to foreign markets if the rules do not protect that access. We have to make the rules work for us and not against us.

•(1110)

With respect to agriculture, we need to pursue a very delicate balancing act. Our firm issued a study in the last few days of the 2003 reform of the Common Agricultural Policy. It focuses on beef and dairy and it demonstrates, not only in those sectors, that the Common Agricultural Policy reforms, while they're supposed to be based on decoupling, are really not. If we referred in the past to dirty tariffication, we should refer to dirty decoupling, because in these cases farmers in the European Union who obtained their support without any obligation to plant the crops they had been planting are precluded from planting what are known as permanent crops. Permanent crops are fruits, vegetables, wine...tree fruits. They can't plant those. So they can't really shift.

The WTO panel in cotton found that this was not decoupling. It did not entitle people to claim green support. So we have to look at that. What we're really seeing in the European Union is that farmers are getting what they call a single farm payment or what the farmers call in Europe welfare. They're getting that single farm payment. It's not coupled with any particular production. It's a market risk payment. It's a basic payment. And they can continue to produce what they were producing and take their money from the marketplace as well.

At the same time, their price supports are being removed. Farm units in Europe are being consolidated, because there are measures in place to encourage young farmers to consolidate by allowing retiring farmers to sell their entitlements to the single farm payment. So you're ending up with much bigger units.

In Spain 5,000 small dairy farms were combined into 500 larger ones. These units are much more competitive. They can compete at the lower price. But even with all that, because the CAP reform was based on a certain assumption about the relationship of the euro to the dollar, the Europeans are hard-pressed not to exceed their export commitments now, and it's going to be very difficult for them to live up to what they've promised in the future.

We have already, in the United States, Congress saying they're going to extend these grains and oilseeds payments or their counter-cyclical payments for at least a year. We have some people in the Senate wanting to extend them to 2011. We have Congress telling the negotiators, "You can't preempt what we're going to do with the farm bill in 2007". We have to make sure that what we're looking for is real. We've been fooled in the past. We don't want to be fooled again in the future.

I would not say that nothing is going to happen in Hong Kong, because you're going to have an awful lot of ministers there and they're going to have to do something. They will focus on the differences. I'm looking at the papers that are coming out of the WTO. While they look a bit like a menu from a Chinese restaurant—you take one from column A and one from column B—everything is there. And people are going to focus on it.

Lamy is a smart cookie. He does know his way around this business. If he talked a little bit more to ambassadors in Geneva, he might get along a little bit better. But he's a good man, and I think he will bring people together. He has a plan. None of us may understand it, but we know he has a plan and he will get there because he has the

determination. He reminds me of the director general of the GATT when I worked in Geneva with the Canadian government, Olivier Long. He knows how to bring people together and he will do it.

As for Mandelson, he's a pretty shrewd negotiator, but he has to try what he's doing to get over the roadblocks he's facing right now. He has some things to overcome. He has to try this. He has to push it and see where he gets with it. My view is if he pushes too hard, some people are going to walk. It's not going to be because of the Africans, in his case, because he's trying to put the United States on the spot in cotton, and we have no indications that the U.S. will move in cotton, but that could be a real stumbling block.

•(1115)

I'm into Liam's 10 minutes now, and we should let him get on with his.

The Chair: Thank you.

Do you want to add something? Do you want to speak also?

Mr. Peter Clark: No, he's a different—

The Chair: Oh, it's different. Okay, that's fine.

It's 10 minutes each. If we go 40 minutes with the two others coming in, there will be no more question and answer, but go ahead, it's your time.

Mr. Liam McCreery (President, Canadian Agri-Food Trade Alliance): It's my time?

The Chair: Yes, it's your time. Go ahead.

Mr. Liam McCreery: Thank you, Mr. Chair, and thank you, members, for allowing me to speak on behalf of the Canadian Agri-Food Trade Alliance and its members today.

We definitely see challenges and opportunities in the current round of the WTO, the Doha Development Round, and we're honoured that you would take the time to listen to our point of view.

I'm going to introduce myself first. My name is Liam McCreery. I'm a grains and oilseed producer from Ontario. I grow corn, soybeans, wheat, and a bit of alfalfa. I'm also president of a group called CAFTA. I think most of the people in the room know CAFTA, but I will take a little time to talk about the Canadian Agri-Food Trade Alliance.

It's an interesting coalition, in that while we do represent producers—the two largest sectors, which are the grains and oilseeds sector and the beef industry—we also represent the entire value chain. We represent genetics, seed companies, crop input, feed companies, and also processors and exporters and further value-added. If you add it all up, we produce \$50 billion a year annually in sales and represent over half a million Canadian jobs. So we represent a huge constituency.

CAFTA was formed in 2001 for one reason: to advocate trade liberalization in agriculture and agrifood, primarily through the WTO, but also through bilateral and multilateral arrangements, based on a solid WTO. The Canadian agricultural sector is heavily dependent on international trade—91% of our producers realize the prices they receive on international markets. And I'll use my farm as an example.

My soybeans end up in premium food grade markets around the world, mostly in Asia, and in that market I have to compete against subsidized American soybeans. My corn I sell in Ontario to a local hog producer—actually, his pork ends up in the States too—and the price I receive for my corn is established in Chicago. The price that's established in Chicago is being manipulated downward by the subsidies in the EU and the United States.

When you look at it from that point of view, you might ask the question, why do we even bother to compete in international markets? Well, the answer is very obvious. If we decided as a country that we were not going to be engaged in international markets, over half the producers in Canada would have to find something else to do. And that's clearly unacceptable for the farmers who would lose their farms, for rural Canada, and for the whole Canadian economy. We must continue to try to compete in those international markets. We would also lose, beyond my focus—the farm—tens of thousands of processing jobs as well.

I think it's pretty obvious to everyone in this room how important trade is. Peter touched on it in his speech. Over 40% of Canada's gross domestic product does come from trade, and one in three Canadian jobs relies on international trade. Trade in agriculture is crucial, but understand that it's only 10% of our exports. That's an important point to remember, because when we're talking at the WTO, there's a lot more to the WTO than agriculture. As Peter pointed out, there are services, industrial tariffs, facilitation, and rules, but agriculture is the most contentious and the toughest issue to deal with.

Right now, farmers in Canada are facing in international markets over \$300 billion in subsidies that their competition receive. That's about six times what the same countries give in development aid, which I think is very obscene, but that's what we're up against in foreign markets. We also face mega tariffs, measured in the one hundreds of per cents. These are the richest of the rich countries imposing these tariffs, not the poorest of the poor. To put a number on it, industrial tariffs right now around the world are around 4% on average; in agriculture, it's over 60%. So you can see the devastating effects on export-oriented countries.

It's interesting that over the last decade our exports have increased but our income has not. It's because we continue to face these huge subsidies and tariffs in the international markets as well as artificially low prices. The Doha Round is the last chance in the next 20 or 30 years to really go after these trade-distorting subsidies and tariffs on a multilateral basis. If we had better rules, we would be better able to negotiate bilateral and multilateral deals that would help our agricultural community.

It's interesting to note that while people will look at bilateral and multilateral arrangements, no multilateral or bilateral agreement has touched subsidies in agriculture. The WTO is the only tool to go

after the trade-distorting subsidies and the best way to go after, on a global basis, the huge tariffs that we face.

• (1120)

Let's talk about what's happening in the WTO right now. There have been a lot of reports coming out of Geneva about the fear of a lack of ambition in Hong Kong. I want to clarify, as clearly as I can, what that actually means. It doesn't mean that the WTO or its 148 members are backing away on the Doha mandate of lower tariffs and lower subsidies. It means we might not be as far along down the road as we'd like to be when we get to Hong Kong.

So the journey of a thousand miles will continue. We're just not as far as we want to be. It's important to remember that, because it's not doom and gloom on the goal; it's just not as fast as we would like it to be. We are making progress. I want to talk about some proposals that have come forward to the WTO that really have negotiations going this fall.

Let's talk about the United States, the EU, and the G-20. On market access, the United States has put a very ambitious proposal on the table. We could give you many examples, but I want to highlight a couple. If we embrace the American proposal on market access, Japan's 248% tariff on durum wheat would go to 24%. Obviously, wheat's of huge interest to our great country. Japan's beef tariff would go from 50% to 7%. These are meaningful changes in tariff rates.

The TRQ on malting barley in Korea would expand and give Canada's exporters access to double the current amounts available. If you look at malting barley, really, it's value-added for our western Canadian farmers. So what the Americans have put on the table for market access for lowering tariffs is real.

The G-20 proposal would also mean great liberalization, but it does have some issues to work out around developing countries. To highlight, it would mean meaningful cuts in basically the most developed countries, but maybe not as much in developing countries. That needs to be worked on.

The EU's proposal on tariff reduction is unacceptable at this point. Clearly, the Europeans have put something on the table that meets their needs and is totally focused on their own needs. It must be worked on. Clearly, the proposal put forward by the EU will be the issue that must be addressed to keep these negotiations going.

We should talk about subsidies, domestic support. The United States has put an offer on the table that does make significant changes to its domestic policy. It needs to go further—it needs to go a lot further—but it would result in real cuts in U.S. spending on subsidies and would require major changes in the design of American programs.

For example, we estimate that the Americans will spend about \$14.6 billion on amber support this year. The U.S. proposal, if implemented, would have that cut to a limit of \$7.6 billion. The U.S. agriculture secretariat has stated publicly that the U.S. proposal on domestic support would substantially change its most trade-distorting program—most notably, the marketing loan and loan deficiency programs—and would eliminate its counter-cyclical payment programs. Is it perfect? No, it needs to be improved, but it's a good basis to start negotiations.

The EU and G-20 have also put offers on the table that would cut support substantially and, more importantly, get rid of export competition. Export competition is the export subsidies that are currently in place. They distort markets by over \$7 billion a year.

So again, we have a commitment to continue to move. It's not going as fast as we want it to go. The clear message today is that as a country, as the world's third largest agriculture and agrifood exporter, we must continue to push to make sure the ambition remains there and we continue to go down the road.

So I've talked about the importance.... Two more minutes, sir, or one more. I have to make something very clear.

There are some people who would be happy if these negotiations failed. I can't stress strongly enough that failure would be a disaster for Canadian agriculture and processors. The status quo does not exist. If we fail to achieve new rules, we have to understand that our friends in the United States can increase amber support by 33%, close to \$20 billion.

We have to understand that we currently have an agreement in place that would allow the Americans and the Europeans to spend unlimited amounts in the blue box. We also have to understand that, as Peter pointed out correctly, there is water in tariffs, meaning between bound and applied, so countries can increase tariffs without notification or justification of increasing those tariffs.

• (1125)

There is no status quo. Things will not continue as they are. As bad as things are now for export-oriented industries, if we don't get a deal the agrifood sector will hurt more in Canada. Remember, 91% of us receive the prices we receive based on international markets.

Mr. Chair, I'm one minute over, and I appreciate your latitude in allowing me to be so, sir.

The Chair: Thank you, Mr. McCreery.

We'll start with questions and answers.

We'll start with Mr. Sorenson for five minutes.

Mr. Kevin Sorenson (Crowfoot, CPC): Thank you, Mr. Chairman.

Thank you, Mr. Clark and Mr. McCreery, for being here today. We welcome you on a snowy wintry day. We certainly have appreciated your attendance.

Mr. Clark, in very quick passing, you said we don't hear much about "our interest". I agree with that statement. We don't hear enough, and that's why I thank you for being here. I certainly agree

with you, and it's one of the reasons we invited the minister to appear before us here today, but the minister would not appear.

It's frustrating, especially to the foreign affairs and international trade committee, going into the round that we have in Hong Kong and understanding the importance of being there, that we don't have a minister to come to our committee. In fact, everything we have heard out of the minister's office is that if there's an election, the minister may not even be going to Hong Kong. Perhaps you have some idea what the ramifications would be if we didn't have a minister there.

Mr. McCreery, you have said in the past that no deal is a bad deal. You did somewhat answer this in your presentation, but is the Doha mandate still viewed as a starter by these countries that are now hedging, lobbying, and jockeying for position? Do they have problems with the mandate of Doha, and maybe a little with what is expected of Canada?

We know what we want from Europe: we want to see the elimination of export subsidies, a commitment to market access, and to expansion in that area. In the United States we want to see a lowering of subsidies. There are a number of other things you mentioned. Is Canada playing a leading role in any of this? Is Canada viewed as being front and centre in bringing countries together? Why haven't we heard a position from Canada?

My last comment, and both of you can make a response to it, is that governments in Canada have historically been left finding the right program for agriculture. I as a small businessman also own a farm, and if it isn't GRIP, it's NISA for a few years; if it isn't NISA, it's CAIS. Then, right in the midst of CAIS, all of a sudden we have announcements to help the struggling grains and oilseeds sector. Every other day there are problems and programs and everything else being addressed.

You mentioned a 248% tariff on durum wheat and what you would lower it to. You talked about beef tariffs and lowering them to 5%. Does this mean the end of programs, or just a first step towards solving the crisis?

• (1130)

The Chair: Mr. Clark.

Mr. Peter Clark: In terms of who we're represented by in Hong Kong, I would expect there will be some form of ministerial presence there, because they're under a lot of pressure to have it. I would note that right through the Uruguay Round we really never had ministers at the table in the same way as we have in the WTO. These things were run by officials who took instructions from cabinet and from the government. There is scope for that.

I'm not sure there will be all that much progress in Hong Kong, or commitments that couldn't be addressed by officials, but I would agree with you very much that if we don't have a minister in the chair, it doesn't carry the same weight at all.

With respect to your question about programs, I spent part of my career in the Department of Finance. The problem in Canada is that we don't have the deep pockets they have in the United States. The U.S. geared up the rules so that if you have programs of general application, they're okay. We've always had to pick and choose where we put our money; we've had to be more specific.

Mr. Kevin Sorenson: We've had deep pockets for everything else. We've had deep pockets for sponsorship; we've had deep pockets for anything else the government wants. But when it comes to agriculture, there certainly is no deep pocket.

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

Mr. Chair, are we here to talk about WTO, or are we here for a rant from Mr. Sorenson? Is he really suggesting we shouldn't have paid out \$755 million to farmers yesterday? Is that what he's all about?

Mr. Kevin Sorenson: I'll answer that. I'll tell you what. I would expect, Mr. Easter, that we have a policy and make agriculture a priority in this country, and this government has failed to have it.

The Chair: Okay, time is over for Mr. Sorenson.

Thank you.

We'll be very straight about this now. What I'm going to do is this.

[*Translation*]

Ms. Martine Mercier and Mr. Serge Lebeau have arrived. We will give them an opportunity to make a very short presentation, since they are part of the panel for the first hour. We will extend this part of the meeting until 12:05 p.m. or 12:10 p.m.

[*English*]

Mr. Kevin Sorenson: Mr. Chairman, we had questions that were specific to Mr. McCreery.

The Chair: Yes, but the five minutes were over.

Mr. Kevin Sorenson: Okay, and now where are we going?

The Chair: Now we're going, as I just mentioned, to Madame Mercier and Mr. Lebeau, because they're here for the first hour. We'll extend the first hour for another 10 minutes, because it is also my understanding that we're not going to discuss the motion from Mr. Menzies and Mr. Paquette; they're going to withdraw their motion. That should give us more time for the second group.

[*Translation*]

Ms. Mercier, you have the floor.

Ms. Martine Mercier (Second Vice-President, Union des producteurs agricoles du Québec): Thank you, Mr. Chairman. We apologize for arriving late. Has everyone received our presentation?

The Chair: Since it is only in French, it will have to be translated before being distributed to the committee. Go ahead.

Ms. Martine Mercier: Fine.

The first few pages provide background information on the Union des producteurs agricoles, but since people here are already quite familiar with our organization, I will start with the urgency of the situation.

It is crucial for the most senior levels of government to participate in the trade negotiations on agriculture that are underway at the WTO. In fact, on the eve of the sixth WTO Ministerial Conference to be held in Hong Kong, from December 13 to 18, and given that Canada is renewing its negotiating mandate, there is a pressing need to clarify the situation for the following reasons.

While the most recent information from Geneva seems to indicate that it will not be possible to provide ministers with a comprehensive trade agreement text, including terms and conditions, at the Hong Kong meeting, this Ministerial Conference, the highest WTO body, does however remain a crucial step in the Doha cycle, which began in Qatar in 2001. There will be an agreement on the main negotiating principles and on the process to be followed.

Based on our information, the federal cabinet is set to renew the mandate for its negotiators prior to the Hong Kong meeting. This mandate must be unequivocally clear to ensure that, upon the conclusion of the current negotiations, the supply management sectors are subject to no reduction in over-quota tariffs and no increase in tariff quotas, and so that all sectors can continue to provide producers with an income that will enable them to cover their production costs.

We are concerned. The text of the July 2004 modality framework, especially as regards sensitive products, is a major gain for Canada. It ratifies the possibility of sheltering our supply-managed commodities. However, the notion of sensitive products in being increasingly trivialized in negotiations.

The current U.S. proposal on sensitive products—accessible to only 1 per cent tariff lines and a tariff ceiling of 75 per cent—is a death order for supply management. To maintain our systems, in Canada, we need at least 14 per cent of tariff lines to be considered sensitive products and recognition for tariffs over 300 per cent, in other words, what we currently have.

On several occasions, Government of Canada representatives have tried to get us to accept additional access to our markets.

However, the supply management sectors have already contributed, compared to many other countries, by providing 4 per cent access for dairy products, 5 per cent for eggs and turkey, 7.5 per cent for poultry, and 21 per cent for hatching eggs. The European Union offers 0.5 per cent access to its agricultural product market, the Americans offer 2.75 per cent access to their dairy products market and world-wide, countries offer less than 2 per cent access to their markets.

So how can we talk about consistent and fair criteria, as they are set out in the July 2004 Framework Agreement?

Moreover, current tariffs for production under supply management provide no leeway. The price of Brazilian chicken is such that even with a 238 per cent tariff, the product enters the Canadian market. Moreover, the world price of butter was at one of its lowest levels in the fall of 2003. It would not have taken much for butter to be imported at over-quota levels.

In light of the comments made by government representatives as to the development of the negotiations, we fear that Canada will sign an agreement, regardless of whether it is acceptable or not for agriculture. In 2003, at the fifth WTO Ministerial Conference in Cancun, there was a strong sense of urgency to sign at all costs, even to the detriment of supply management.

Is it not in Canada's best interest to sign a good agreement rather than to sign a bad agreement hastily?

We were also told that all in all, agriculture represents a small percentage of the country's economy, an economy that is highly dependent on exports. While considering the importance of exports, Canada must however recognize the major economic and social impacts of supply management in the country and therefore ensure that it remains intact upon the completion of the WTO negotiations.

Moreover, the proposals that are currently on the table will not make it possible to improve prices for agricultural commodities on world markets—grains, red meats, etc.—nor will they increase market access.

Canadian negotiators have calculated that the U.S. and the European Union should reduce subsidies by at least 79 per cent compared to historic data before we have to remove the first dollar of subsidies. However, the U.S. is proposing a 53 per cent reduction, and the European Union a 65 per cent reduction. Table 1 simply indicates that even with a suggested 68 per cent reduction, which they have not yet reached, trade is distorted.

The Americans acknowledge that their proposal is tantamount to doing nothing, and that is without considering that they can have unlimited recourse to green box subsidies, which are already allowed under the WTO.

• (1135)

So the proposals on the table are not good for sensitive Canadian products, nor are they good for other sectors of production.

There are excerpts of some comments from the U.S. in the brief.

I will now move on to the distressing situation in the textile industry. Can we imagine dairy and poultry production disappearing one day from the agricultural landscape?

Let's look at the textile industry. Because of the long implementation schedules that some member countries had given themselves, Canada thought that it could adapt to the changes. What is left today of what was once a flagship industry in the Quebec and Canadian economy? The painful experience of the textile industry will repeat itself for supply managed commodities, if Canada accepts the proposals that are currently on the table.

Mr. Chairman, we are very much in favour of the motion supporting supply management that was unanimously adopted by the House of Commons the day before yesterday—it has been

appended to our brief. We understand that the mandate for Canadian negotiators will be strengthened as stipulated in the motion. We therefore expect the strategy and discourse of Canadian representatives at the negotiating table to be adjusted accordingly. We are convinced that that will change the dynamics of the negotiations and can only be beneficial for Canadian agriculture on the whole.

We also want to ensure, upon the conclusion of the negotiations, that the supply managed sectors are subject to no reduction in over-quota tariffs and no increase in tariff quotas, so that all sectors can continue to provide producers with incomes from the market that enable them to recover their production costs.

Our conclusion contains some additional data.

• (1140)

The Chair: Thank you very much, Ms. Mercier.

[*English*]

We're going to have thirty minutes for questions and answers. We are going to start again with the Conservatives, and we'll go to Mr. Menzies, if you don't mind. Then we'll go to Mr. Paquette, Mr. Eying, Ms. McDonough, and then Mr. Easter.

Mr. Menzies, please, for five minutes.

Mr. Ted Menzies (Macleod, CPC): Thank you, Mr. Chair.

I realize that weather is a factor today. Thank you for making the extra effort to get here.

Before our last two people seated at the presenters table arrived, we had asked some questions, and I don't think we actually got the answers. In fact, one of the short answers raised a more serious question with me, and I would like it clarified.

Mr. Clark, you talked about how historically the minister did not need to be there. My understanding is that we have no voice in the green room if we don't have a minister there. I'll go back to what have been very public statements by public servants that their bosses, the ministers, were not going to be there, trying to blame this on the Conservatives for an election at this time, which is absolutely incredible. But it is more incredible that these ministers are not willing to do their job to represent Canadian industries. This is very critical.

The Chair: What is your question?

Mr. Ted Menzies: My question is a clarification on that, and I would also like Mr. McCreery to have an opportunity to maybe brief us on what the actual Canadian position is, if he understands that. We've talked about what happens if we don't get a deal, and we've had some sectors say that no deal is a good deal; some say no deal is a bad deal.

My question would be, if we don't get a deal, who pays? Is it the Canadian taxpayers who pay? Who is it?

The Chair: Mr. Clark.

Mr. Peter Clark: Mr. Menzies, I did try to answer that question in terms of saying that if we did not have a minister there, it wouldn't carry as much weight as if we had officials. I'm not aware that one has to be a minister to be in the green room. I spent time in Geneva as a Canadian delegate and I spent a lot of time in the green room, and I certainly wasn't a minister.

Mr. Ted Menzies: But could you make a final decision?

Mr. Peter Clark: You make *ad referendum* decisions. You take positions in these discussions based on your instructions, and the instructions came from cabinet. You don't wing it. There used to be an old saying when you went into GATT meetings that if you didn't like your instructions, you did what you wanted and you went back and said, instructions garbled, played it by ear. You can't do that anymore. Computers don't get garbled.

Mr. Ted Menzies: Okay. Thank you.

I would like Mr. McCreery to have an opportunity.

Mr. Liam McCreery: Thank you, Mr. Chair.

Thank you for the questions. I will try to touch on all of them.

It's our understanding that in Dalian, China, when the ministers were not at the meeting, they were not allowed to speak in the green room or in the negotiating room. They have a new name for it. It's Chinese. I don't know it, sorry. But it's absolutely crucial that we do have ministers in the room to represent Canadian interests, and when we weren't in the room in Dalian, we did not speak. That's the bottom line. It's the political process for you guys and the ministers to work out whether they are there or not. I'm not going to play your game. You're better at it than I am, but it's important that they be there to represent Canadian interests.

Mr. Ted Menzies: There's an answer in place here.

Hon. Wayne Easter: On a point of information, you're saying there were no ministers in Dalian at the meeting. I was in Dalian, and Minister Mitchell and Minister Peterson were there. They were in the green room. Let's be clear—at the Dalian meeting, the ministers were there.

• (1145)

The Chair: Okay, I was not there.

Mr. Ted Menzies: I would think it would be Kenya.

Mr. Liam McCreery: It's Kenya. That's my mistake, sir. I apologize.

The Canadian government had decided to support the Doha mandate, and the Canadian government supported the July 2004 framework in Geneva. It clearly lays out making substantial progress in all three pillars in agriculture. That's the Canadian position, as I see it. If people want to talk about whether that's right or not, that's fine.

Mr. Sorenson, you talked about the mandate.

The Chair: Not Mr. Sorenson.

Mr. Liam McCreery: Mr. Menzies.

Mr. Kevin Sorenson: That's all right.

The Chair: You have 40 seconds left, and I have to move to Madame Mercier, who wants to add something after that.

Mr. Liam McCreery: Thank you.

You asked about the Canadian leadership role at the WTO. I think it's crucial we do have ministers engaged in Hong Kong and that they do take a leadership role. We are the third largest exporter of agriculture and agrifood products in the world.

[*Translation*]

The Chair: Do you want to add something, Ms. Mercier?

Ms. Martine Mercier: No, except that we feel that it is very important for the ministers to be present in Hong Kong.

The Chair: Thank you.

Mr. Paquette.

Mr. Pierre Paquette (Joliette, BQ): Thank you, Mr. Chairman.

Thank you for your presentations. They were all extremely interesting. Since Ms. Mercier did not have much time, I will focus mainly on her. The motion adopted by the House which was moved by my colleague from Richmond—Arthabaska, Mr. André Bellavance, contained two of the ideas that you mentioned:

[...] Canada obtain results that ensure that the supply management sectors are subject to no reduction in over-quota tariffs and no increase in tariff quotas [...]

During the day, we had debates and discussions with the Conservatives, the NDP, and the Liberals. In the opinion of many people, these two ideas should not appear in this form, because it gives the impression that Canada is not prepared to negotiate. I would like you to start by responding to that argument. In the end, we did succeed in convincing them that it was important. Does that wording mean, generally, that Canada is not in a position to negotiate anything regarding agriculture in Hong Kong?

Secondly, do we have any leeway to increase tariffs? You mentioned it, we have already gone further than other countries. Do we have any leeway to reduce over-quota tariffs? Could the negotiators obtain a reduction in over-quota tariffs in exchange for access to other markets? I would like you to explain what that means.

Finally, I would like to know if you are making any specific efforts. According to what the officials have been telling us, one of our problems is that few countries use this agricultural model. Are you taking any specific steps to explain it, so that other countries could use the supply management model for their own agriculture? I'm thinking about Africa, for example. I would like you to say a few words about that too.

I will give you some time, because we do not have much. Thank you.

The Chair: Mr. Lebeau.

Ms. Martine Mercier: Serge will start by covering the technical aspect.

Mr. Serge Lebeau (Senior International Trade Advisor Agriculture, Union des producteurs agricoles du Québec): Does the motion that was adopted this week mean that Canada has no leeway? No, Canada still has leeway because there are two types of tariffs: over-quota tariffs and in-quota tariffs. We can still reduce in-quota tariffs. They are tariff quotas, in other words, market access. Depending on the product, we still have 20 per cent or 10 per cent tariffs. We would have no problem eliminating those. Even with the motion, Canada still has leeway as regards tariffs.

As we explained in our brief, market access, on average, depending on the tariff quota, is about 2 per cent. We have already provided 5 per cent access. Countries should reach 5 per cent before we discuss any increases beyond 5 per cent.

Mr. Pierre Paquette: Where did that 5 per cent come from exactly? From previous negotiations?

Mr. Serge Lebeau: Precisely. It was in the Uruguay Cycle. The objective was for countries to hit 5 per cent. There is still some leeway. In the July 2004 text, everything concerning sensitive products leaves this opportunity open. When we talk about a substantial improvement to market access, we are talking about tariffs, and not over-quota tariffs. Moreover, we succeeded in having that article withdrawn in July 2004. It referred specifically to "over-quota". That was removed. Tariffs include both over-quota tariffs and in-quota tariffs. We therefore have no problem working with the in-quota tariffs.

• (1150)

Mr. Pierre Paquette: If we were to slightly decrease over-quota tariffs, what effect would that have on our...

Mr. Serge Lebeau: We explained that in our brief. At present, chicken from Brazil is penetrating the Canadian market. Brazil benefits from absolutely exceptional conditions: very low labour costs, an excellent climate, resources, and access to low-cost grains. Those conditions are such that Brazil can pay a 238 per cent tariff, and despite that, still penetrate our market. If we were to reduce our tariffs by 20 per cent, we would be completely inundated.

As for butter, at one point in 2003, international prices were so low that, once again, tariffs of the order of 299 per cent were imposed. Butter could come from abroad. From that point of view, over-quota tariffs do not provide any leeway. We have reached the limit.

As regards your question on Africa, UPA Développement International works with African countries, especially the ones in West Africa. I think the concept of supply management is making progress. In his text tabled on November 26, Mr. Crawford Falconer mentioned supply management specifically. I think that in note 21 of the text, it says that some countries are thinking about adopting a supply management system to develop their agricultural industries. All in all, the idea is making progress.

The Chair: Thank you.

Mr. Eyking, you have the floor.

[English]

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

On a point of clarification on the minister, because I'm parliamentary secretary to trade, up until this week the Minister of Trade and many around this table were planning on going to Hong Kong to fight for our farmers. The minister had been asked to come forward to this committee on December 1, and he planned on coming here as a witness. Because of the actions of the opposition parties this week, we know that the presence at the WTO and also the presence of the minister here today are jeopardized. For the record, I'd like to say that, Mr. Chair.

My question is to the witnesses. Mr. Mandelson is a very important guy in this negotiation and the talks. He's representing, or speaking on behalf of, the EU, but many countries like Norway, Japan, and also many poor countries that sell to Europe, that are protected, such as people who produce bananas and what not, would like to see the EU make a strong stand. There's been a quote by the President of France, Jacques Chirac, and he says that if there's any deal changing, he's going to veto the rulings. Can he do that? If the EU sends a negotiator in, can one country in the EU veto, for instance, even if Germany and other countries agree with the deal?

I guess that's my question to you, Mr. Clark. How does that work?

Mr. Peter Clark: The commission negotiates on behalf of the member states, but it's the member states that are members of the WTO. They have the rights and they can, if they do wish. I can tell you, I was in the GATT. I was chairman of the committee on budget, finance, and administration, and the EU did not participate in that committee. It doesn't participate in this committee because the member states make the contributions. The member states of the EU are the members of the WTO, and if one of them chooses to veto it at the end of the day, they're going to have problems in Brussels, but they can do it.

Hon. Mark Eyking: One representative from one country could really make it collapse?

Mr. Peter Clark: Yes. It's one country, one vote, just like the UN.

Hon. Mark Eyking: My second question is this. If Hong Kong collapses, which is really going to shed a light on WTO for future international negotiations, how bad would those repercussions be before we go back to the table again? Or will you see countries looking at bilaterals and saying, look, this thing is not working, we're going to go one-on-one with other countries, back to the old way?

Mr. Peter Clark: There is already more emphasis on bilaterals and regionals, which are really not as far advanced as I'd like to see us. If we didn't have the WTO, we'd have to reinvent it. You can have these blocks, but you really do have to have a place, even if you just have a whole bunch of blocks, where the blocks could go and talk to each other and litigate their disputes. While we get frustrated with WTO dispute settlement, we'd be in really terrible shape if we didn't have it. Some of the disputes don't get respected, but most of them do. We're running up to number 300 now. There have been half a dozen where people have resisted. You'd have to reinvent the WTO if you didn't have it. I don't think it will fall apart if Hong Kong falls apart. My view is that it will create a crisis that will force people to focus and come back to the table. My view is that it's not going to be settled next year anyway. Next year is a mid-term election in the United States. Nobody does deals when there are elections in the United States.

As far as what I call systemic procedural blackmail—called the fast track—if there's a deal they want, they'll extend the fast track. If they don't like the deal, they'll vote it down. It's just an artificial timetable. If we take another year and finish it in 2008, we'll probably have a better deal.

• (1155)

Hon. Mark Eyking: Do you see a way, in the whole structure of the WTO, of maybe getting agriculture separate, of doing it differently, at different times, or do you think it just always has to be in the whole mix, going through, no matter what you do?

Mr. Peter Clark: In my view, if you don't have a big package—a big all-encompassing package, a single deal—there isn't enough in it for people to go back to their parliaments and say that on balance they got a good deal. You can't do it really without agriculture, because you've got so many developing countries that want to recover what they lost to the U.S. and the EU in the Uruguay Round. You can't really do it without agriculture. You need a big package so that you can get a balance.

The Chair: Thank you. No, that's it.

Madam McDonough.

Ms. Alexa McDonough (Halifax, NDP): Thank you very much, Mr. Chair, and thank you to our witnesses before the committee today.

I'm trying to get an understanding of what a lot of the positioning that we hear from various sectors and segments of Canadian society actually means when it comes to the hard-headed negotiations. Earlier this week, as you'd be well aware, more than 20 Canadian business groups, including the Alliance of Manufacturers & Exporters Canada, the Canadian Chamber of Commerce, etc., issued a joint declaration calling on the Government of Canada to work for the elimination of trade-distorting measures across the agricultural sector in order to reach a Doha Round agreement. Several of these groups have asserted that continuing to defend our supply management system is severely weakening Canada's ability to exert influence in the WTO negotiations.

I'm asking if you would comment on that.

Secondly, it's my understanding that 11% of the marketing of our agricultural products currently is through supply management. The

demand from the U.S. is that parties reduce that level to 1%. It has been reported that Canada has already signalled that maybe where we should be in this is somewhere in the middle. I'm not knowledgeable in negotiating in this arena, but it strikes me as a public surrender in advance of even entering the ring to put that out there.

Could you comment on that? Am I missing something?

[*Translation*]

The Chair: Mr. Lebeau.

Mr. Serge Lebeau: Ms. McDonough, I did not read the organizations' statement. In my opinion, however, the fact that we are supporting supply management does not soften Canada's position, because sections 31, 32, 33 and 34 of the July 2004 text refer to sensitive products. Therefore, in July 2004, all of the countries professed to wanting to protect, for different reasons, certain agricultural sectors. To give you two examples, I would say that Japan certainly must have different reasons than we do for protecting its rice and that the Americans certainly have different reasons than we do for wanting to protect their orange juice. It remains a fact that the 148 signatory states of the July 2004 agreement agreed to put several paragraphs and sections on sensitive products into their texts. We believe that products under supply management would clearly be in the category of sensitive products.

I therefore think that there is no shame in saying that we want to protect a sector for various reasons, whereas we want to be able to export from other sectors. I think that several countries are in this situation.

I did not understand your question on the issue of percentages. I do not know if you are talking about tariff line percentages. We say in our text that we need 14 per cent tariff lines in order to have some flexibility, whereas the Americans are suggesting 1 per cent, the Europeans 8 per cent and the G10 group, led by Japan, Switzerland and Norway, suggest 15 per cent. We would be comfortable with 14 per cent, because within that, there are all the over-quota tariffs, which represent 7.3 per cent, and the other 7 per cent are intended to protect the in-quota tariff lines. This is the process we have, but we really need both kinds of tariff lines if we want to be able to benefit from section 33, which stipulates that substantial improvements will be brought about through a decrease in tariffs. As I was saying earlier, we are prepared to decrease the in-quota tariffs, but we are not prepared to do so for the over-quota tariffs. We need both kinds of tariff lines; that is why we need the 14 per cent.

• (1200)

[*English*]

The Chair: Do you want to add something, Mr. McCreery?

Mr. Liam McCreery: Yes, please.

Thank you for the question, Ms. McDonough. On a very technical level, you asked for numbers: 90.7% of farmers are not in supply management in Canada, and they represent 80% of the farm gate.

I want to talk about sensitive products from a different point of view, just for one second, to address your question. The most sensitive products in the world are meats, and the second most sensitive group of products in the world is grains and oilseeds. If you look at that from a Canadian point of view, our largest exports are grains and oilseeds, followed by beef. So when we talk about sensitive products, understand that there's a real issue for exporters, because when we're trying to get into Japan or Korea or Norway or Switzerland or the EU, what we want to export they consider sensitive. So understand that it's always a double-edged sword. And what we do as CAFTA is look at it from an outward-looking point of view. These are very real issues that our producers face when we're trying to get into the richest of the rich markets.

We have a huge trade deficit with the EU, with Korea, and with Japan, and yet with the things we're good at producing—grains and oilseeds and meats—we're not allowed to compete in their markets. So that's our perspective. When we talk about sensitivities, it's a double-edged sword. It can really cut exporters in Canada.

The Chair: Thank you.

Mr. Clark, do you want to add something?

Mr. Peter Clark: Just very quickly, this press release echoes the editorial in *The Globe & Mail*, and I sent *The Globe & Mail* a letter saying I'm surprised that they're so misinformed about these things. If you cut our dairy tax, who are you going to benefit? The United States, where the subsidies are equivalent to \$2 a pound on butter? Or New Zealand, where they're running in disguise the New Zealand Dairy Board, which is an illegal subsidy that the European Union has challenged? They're going to benefit. This is not going to benefit developing countries, because they can't even meet Canadian Food Inspection Agency criteria.

You talk about numbers. We get access—and this is one of Liam's points—into the European Union, two-tenths of 1% for pork. We're supposed to be getting 5%. If the European Union had the same access for cheese as the 5% we want, they'd be buying 330,000 tonnes a year more cheese. If they had the same level as we gave in the Uruguay Round for cheese, that would be 550,000 tonnes more.

My point—and we've written several papers on it—is that we didn't get what we bought and paid for in the Uruguay Round. We paid for that with market access. Why are we going to buy the same fish twice? Let's get what we've already bought and paid for.

The Chair: Thank you, Mr. Clark.

Mr. Easter.

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

On that last point, I'm just wondering if any of the witnesses might have some documentation that would show who lived up to what they agreed to in the last round, who followed through on the commitments, and who didn't.

But, Mr. Chair, I think what we see before us, the positions tabled here today, show the extremely difficult position that's before our ministers and our negotiators in terms of the WTO. On the one hand, some witnesses are saying absolute inflexibility. On the other hand, some other witnesses are saying that we must have a deal. Then you throw in the partisan stuff by all parties, including our own, and you

can see the dilemma that the minister and the negotiators are in. And some of it's fact and some of it's fiction.

We have put forward—and everybody knows this—a balanced position that was agreed to by industries, by producers, previously. The minister in July got into the framework the sensitive products category, which we believe could produce a win-win.

But my questions are to Mr. Clark. What strategically should we do? We can quibble over the election or not. The reality of the matter is that if we're in an election and we've lost confidence of the government... I agree a minister should be there; I think we all do. But if we're in an election campaign, other countries will look at our minister probably with less credibility. Are we better sending a minister even though we're in an election? Are we better sending bureaucrats or negotiators with a mandate, from your point of view and your experience in terms of negotiations? That's question number one.

Question number two is this. If we're some further time down the road in terms of this discussion... From the discussions I've had with Secretary Johannes, I think they see the start-up of the U.S. Farm Bill as...once they're into the Farm Bill, they claim they're locked in for five years. Are they? Are they not? Do we have manoeuvrability if we don't meet that deadline of the U.S. Farm Bill and the politics they have at home?

Those are two questions for all of you.

• (1205)

The Chair: Mr. Clark and then Mr. McCreery.

Mr. Peter Clark: Thank you.

If you want to find the information about who lived up to their promises—I'm sure Liam has some too—you can go on our web site, www.greyclark.com. There's a paper there that I presented at the Press Club in September, which goes through that for all products, all countries. It's fairly comprehensive.

With respect to the minister, I feel it's very important to have a minister there. People can say, well, you're in an election, but as for who's going to win the election, they don't know. So they may say, well, we're not going to go too far in giving him anything because we may not get it back. But having a minister there is essential to our credibility, absolutely essential to our credibility. This is a crunch meeting.

On the point about the U.S. Farm Bill, I would have to say this. I've been analyzing farm bills since the mid-eighties. There are so many trade-offs, so many deals between this senator for these producers and those producers. Once they do get locked in, what you're trying to do is not implement international obligations but undo deals among politicians in the United States. And we've seen, on softwood lumber, what having 49 senators supporting a position can do. It's just put us in a totally untenable position. So if there's something we want to get rid of, like counter-cyclical payments, which is very important to us across the board, if that gets locked into the next Farm Bill, forget about it until 2012.

The Chair: Mr. McCreery.

Mr. Liam McCreery: Thank you, Mr. Chair.

Clearly I agree with Mr. Clark that we do need a minister or ministers at the meeting, and it was very clever how you put that political question in. There are 140 countries at the WTO, and I'm sure they will give our minister or ministers the respect that is due, because they are ministers of the Government of Canada until the government changes.

You asked a very important question about whether people are playing by the rules. Sadly, unfortunately the answer is yes. The success of the Uruguay Round was due to the fact that we had a rules-based trading system in agriculture—the first time in GATT—and it took us from 1947 to 1994 to get it. That was the good thing, but the circle was too broad. You could drive a truck through the rules that are there now.

So understand that most countries are living up to their obligations. They are living within their subsidy rates. Understand that many countries—Japan, the EU, Korea—can increase tariffs, and the EU and the United States can increase trade-distorting spending. They are playing by the rules and they can spend a lot more. That's why we need a way better WTO agreement, and that's our opportunity with the Doha Round.

[*Translation*]

The Chair: Mr. Lebeau.

Mr. Serge Lebeau: Mr. Easter, I will answer both of your questions. First of all, regarding the countries' commitments, Mr. Peter Clark will no doubt be pleased to send you the necessary information.

Next, I fully agree with my two colleagues in saying that the presence of the minister is critical. I do not believe that the fact that we are in an election period would undermine his credibility.

• (1210)

The Chair: Thank you.

[*English*]

Thank you very much, all of you. We're going to recess for four to five minutes, before having the CCIC and Make Poverty History. There is a little lunch behind you.

• (1210)

(Pause)

• (1229)

• (1230)

The Chair: Okay, now we're going to continue.

From the Canadian Council for International Cooperation, we have Mr. Gerry Barr, who is the president and chief executive officer, and Ms. Gauri Sreenivasan, trade policy officer; and from Make Poverty History, Mr. Mark Fried, member.

Welcome to the three of you. We'll start with the presentation from Mr. Barr, please.

Mr. Gerry Barr (President and Chief Executive Officer, Canadian Council for International Cooperation): Thank you very much, Mr. Patry.

I think it's terrific that we have an opportunity to be here at this very important hearing. I think it needs to be said that it's a great shame today's session is the total extent of parliamentary review and input into the year's most important political decision point for Canadian trade policy. Of course that means it's all the more key, and as a result we certainly appreciate the time you have set aside to listen to our thoughts.

The three of us would like to set out some context to give our perspective on how Canadian positioning is going and how it might be improved. My colleagues will offer some specifics as well as some general observations on key negotiating areas.

You have, I hope, received CCIC's recent background paper for Hong Kong, which goes into more detail on all of this than we can hope to possibly do today.

Let us start off this way: in the context of two spectacular WTO collapses, a crisis of confidence in the multilateral trading system and growing global poverty, governments have committed in that context to making this round specifically about development. It is the Doha Development Round. Its middle name is Development.

That requires trade negotiators to think differently from the way they normally do, and it's not easy. It requires an orientation very different from the kind that focuses on market access, trade-offs, reciprocal concessions, and that sort of thing. It can be done. It's hard to take that shift, but it can be done, and it is not pie-in-the-sky NGO talk. Citizens are hoping for it, non-governmental groups are hoping for it—earnestly so—and their minds are on it. Over 250,000 Canadians, for example, are now mobilized around the Make Poverty History website, demanding a focus on trade that will lead to more appropriate approaches from the point of view of development.

Trade is vital to Canada's economy. We are, correctly, staunch believers in its power to bring prosperity and wealth to citizens, but we've taken a mixed and balanced approach to trade. We built up our industrial capacity originally through joint ventures, controls on foreign ownership, and requirements for local production—the Auto Pact is an example. In agriculture we developed some sectors as competitive export sectors. Others, we decided, would primarily service domestic demand, as in poultry and dairy. That has been our story.

We've also seen the vulnerability of over-reliance on export markets—for example, in the beef industry—and that rules-based international trade can sometimes mean not too much if powerful players don't choose to play by the rules.

All this historic experience and our mixed economy model you would think would make us a natural advocate and ally of developing countries when it comes to a development agenda. That's because developing countries also have a mixed approach to trade policy. They have aggressive export promotion interests; they also have substantive defensive development concerns; they seek to shield and build up and diversify industrial and agricultural capacity, as we did in earlier years, so that they can broaden their global competitiveness and protect vulnerable majority farm populations. Based on that, you would think there would be good common solid ground between Canada and the developing world, given those common experiences, but Canada has to date not done a good job of finding allies on the obvious shared goals we have with the south with respect to the defensive agendas on trade.

• (1235)

The official idea or narrative is that the main gains of liberalized trade will come from opening borders across all sectors, that this is good for development in the long run, that if we grant developing countries less steep cuts or slightly longer timeframes on, for example, tariff reductions, they will get there. But frankly, the evidence of benefit is melting even as we go through this year of negotiations. The World Bank has recently and radically dropped their claims regarding the benefits flowing to developing countries from full trade liberalization scenarios—and this is breathtaking, I think you'll find—from \$539 billion, which was trumpeted in 2003 as the aggregate benefit to the developing world that would flow from full liberalization ahead of the Cancun ministerial, to only \$90 billion in gains to the south. Studies also show the benefits to the developing world would very probably be concentrated in the hands of a few of the larger developing countries.

More importantly, the modelling by the bank of expected gains likely from Doha scenarios, which is to say less than full liberalization scenarios, predict at best—at best—\$3 per person per year, or less than a penny a day for each person in the developing world. Some models would point to gains of less than a quarter of a penny per day for each person in the developing world. I think these numbers radically and fundamentally redefine the notion of ambition in trade talks.

Benefits are supposed also to flow from reduction of trade-distorting subsidies, and this is a vital part of the development agenda. Canada is right to push on it, as it does, but there is very little action on this front in the talks. I know you're going to hear more about this point this morning.

Third, there is technical assistance to ease the cost of transition to open markets and to build capacity. Now, aid is good and important, but aid packages cannot replace the need for getting development inside the rules of trade. Developing countries need to be allowed the policy tools that make markets manageable. Stripped of tariffs, there is no amount of capacity-building in trade negotiation or farming technique that can help Ghana's small chicken farmers compete with

below-cost dumped frozen chicken parts from Europe sold at two-thirds the price of the regular market price.

This is not a knowledge problem. It's not a capacity problem. It is plainly one of unfair trade practice and wrong-headed agricultural policy on the north, one that encourages overproduction and results in corrosive dumping practices.

I want to suggest that our agenda should not be an ambitious approach to liberalization, but a smart approach to liberalization, leaving more power in the hands of developing countries to decide where and when they want to, and can, open their borders, and leaving more tools to defend themselves from unfair trade practices, like dumping, that are unlikely to end within the decade. If they do not end, what is the developing world supposed to do—just take the hit one year after the other after the other, when in fact, in very cost-efficient ways, simplified mechanisms could be developed to defend against that corrosive impact?

We NGOs—those of us who are working on trade and solidarity issues and development—will be watching that Canada takes the right approach at Hong Kong, and we say the right approach is that Canada ought only to support a deal, whether it is done in Hong Kong or six months afterwards, if it is pro-development. If it isn't, Canada should not support it—ought not to support it. We earnestly encourage you, and through you, the minister and those trade officials who are engaged in the current discussion, not to support a deal that is not unambiguously useful from the point of view of developing-country economies.

• (1240)

The goalposts are shifting for what can be achieved in Hong Kong, certainly, but there is an ambition to sign a deal in 2006, so we will come to this point of passage. Given the lack of parliamentary scrutiny in the lead-up, we suggest that there be a parliamentary take note debate, at a minimum, in Parliament in 2006 before any deal is signed.

The Chair: Thank you.

Ms. Sreenivasan.

Ms. Gauri Sreenivasan (Trade Policy Officer, Canadian Council for International Cooperation): Thank you, Mr. Chair. Gerry and I have agreed to share the time for CCIC.

With that description of what we would see as a more balanced approach for Canada going into trade negotiations and the need for Canada to identify more clearly with a number of the development proposals coming from developing countries, I want to take a look at what that might mean specifically, in agriculture, for example. I know you had a long session on this just before our panel.

Just to remind you then, the development agenda in trade has at least those two dimensions. There is an offensive set of interests for increased market access for southern exports, and there is this defensive development agenda, which is critical for farm livelihoods. It's worth remembering that 90% of agricultural produce on the planet is never meant for international trading. It is grown or raised, if it's livestock, for local markets. That means that the internal agenda for trade is, by far, the lion's share concern for the planet's farmers and for global agriculture.

Here is a quick snapshot from the recent Commission for Africa, which reported to the G-8. Crops for export in Africa bring an inarguably indispensable annual income of \$17 billion to the continent, but the commission pointed out that the development of local markets would give smallholders and other poor farmers greater opportunities to sell food and also the chance to diversify into new crops. They estimated that if you could address trade distortions, as well as internal infrastructural bottlenecks, to make local markets accessible, Africa's internal market could be worth \$50 billion a year versus the \$17 billion a year coming from export farming. Getting the poor access to their own local markets in agriculture is absolutely central to the development agenda. It is, sadly, often not in the spotlight when the discussion is about what's on the table for development at the WTO.

For Canada, it's important to know that, the world over, farm groups that developing NGOs work with, as well as academics, are intensely interested to learn from the lessons of Canada's farmer-controlled marketing mechanisms. The true Canadian model and agenda in agriculture is of this mixed approach to agriculture, as Gerry described. We think Canada should be proud and proactive of this mixed agenda in agriculture.

To do that, we need to go in, clearly, as an advocate for a smarter approach to liberalization, not a pro a priori, keener approach to liberalization, as Gerry referred to. We need to focus on the power for developing countries to choose their own path. Certainly, in our view, we cannot expect any support from north or south for the flexibility to maintain our defensive and vital interests in the Wheat Board or supply management if we press relentlessly for more and more open markets from developing countries. This is the hypocrisy that must stop. It is vital in a development round that northern countries support these pro-development defensive proposals to allow the flexibility, and who better than a country that seeks it for itself?

What specifically are the proposals that Canada could support?

[*Translation*]

First of all, we must put an end to dumping. International trade rules must prevent the sale of agricultural goods below the cost of production. Europe and the United States sell wheat at up to 40 per cent below cost. Farmers in all countries, including Canada, lose out as the world price is driven down unfairly.

Canada is working with developing countries to push for the elimination of harmful subsidies and must do so with greater vigour. Foreign policy in the United States and the European Union will likely ensure five to ten more years of dumping.

[*English*]

The proposals currently on the table for Hong Kong are a joke in terms of subsidy reduction. Any new agreement, in our view, must ensure that rich countries' export subsidies are eliminated—and this part Canada is working on—but they must also provide penalties for those that continue to use them. We believe the rules must allow developing countries to defend local markets by applying duties to below-cost agricultural imports. This idea, the use of tariffs in this way, is not a proposal that Canada has been supporting, and it is in our interest and it is one that we need to support.

On the tariff formula itself, without getting too technical on you, Canada is supporting a very aggressive approach to the reduction of tariffs. We need proposals that build in much more flexibility for the south. There needs to be a more generous set of tiers for categorizing the tariffs for developing countries, and we need reductions that are at least two-thirds the rate of those of developed countries.

Third, from dumping to the tariff formula, we move to food security proposals. There are a number of specific proposals on the table from developing countries, and they've hardly even made it to the table for discussion yet. One of them includes exemptions for reductions for crops designated as key to food security. The second is for a safeguard mechanism that would allow governments to respond to import surges with simple duties. Again, these are small defensive tools used to defend non-export competitive farmers in crops key to food security. Canada has said officially, yes, we'll support these, but unfortunately our information to date from developing-country delegates is that Canada is not yet seen as an ally on these proposals, and it's pretty late to start showing our support. We must not push trade-offs for these kinds of flexibilities and we must be generous in our treatment of them. These are the kinds of criteria that NGOs like CCIC will be watching for in Hong Kong.

Last, if I have one more minute before I hand it to Mark, I want to talk briefly, in addition to agriculture, about some special proposals on the table from least developed countries in a category called "special and differential treatment". Special and differential treatment for trade rules was identified as a core commitment of the Doha development agenda, but every single deadline for addressing these proposals has been missed since the round was launched. By the Cancun ministerial in 2003, 88 proposals that had been originally slated for discussion had been boiled down to 28. By last May, we were down to five that countries were willing to consider. So now, heading into Cancun, there are five proposals for clarifying special and differential treatment for the poorest countries on the planet, and wealthy countries are still complaining that these last five proposals are too ambitious and too wide-ranging.

I can get into the examples of them in questions, if you want. One of them, for example, includes exempting least developed countries from the WTO Agreement on Trade-Related Investment Measures, which is an agreement that prohibits certain kinds of industrial policy strategies. This exemption is being considered objectionable by wealthy countries, even though it is recognized by everybody that in order for LDCs to get out of their status of LDCs, they need to diversify their industries.

Canada, even as of yesterday, in a round table with the minister, would not indicate its support for those remaining five proposals. We think this is an area that we could see priority progress on for Hong Kong, so we'd like to flag that as well.

I'll stop there.

• (1245)

The Chair: Thank you.

Mr. Fried.

Mr. Mark Fried (Member, Steering Committee, Make Poverty History): Mr. Chairman and members of the standing committee, thank you very much for the opportunity to share the perspectives of the Make Poverty History campaign on Canada's role in the WTO negotiations.

I follow negotiations fairly closely for Oxfam Canada, but I also sit on the steering committee of the Make Poverty History campaign, and I'm here also representing the more than 700 organizations and nearly 250,000 Canadians who have endorsed this campaign. We at the campaign are perhaps best known for our fight for more and better aid, particularly the 0.7% goal, but we also believe aid will not work unless the rules that currently rig international trade against the poor are changed.

I work for Oxfam, and our business as NGOs is fighting poverty. Not only do we advocate for changes to government policy to fight poverty better, but we also invest millions of dollars annually in that effort, dollars contributed by Canadians. Therefore, we are quite distressed to hear from our partners in developing countries, from developing-country governments, and from their negotiators in Geneva that Canada is not supporting development wholeheartedly at the WTO.

As Gauri mentioned, we met with ministers Peterson and Carroll yesterday, and they needed no convincing that development is the *raison d'être* in this round of negotiations. They spoke glowingly of

Canada's commitment to pursue a pro-development agreement in Hong Kong, but there seems to be a disconnect between that and the impression that developing countries have of Canada's role. It may be that when you get down to the details of what Canada does, not what it says, it's not the same thing.

From what we can tell, there is one development issue on which Canada has unreservedly taken a pro-development stance, as Gerry mentioned, and it's a crucial one. This is the fight against the subsidies, the dumping, by the United States and the European Union in agriculture. Canada is doing the right thing and should continue and assist on an ambitious result there.

I do have a report here to share with you, if you're interested, that confirms Oxfam's analysis of the proposals on the table in agriculture, that confirms what Peter Clark said this morning, which is that there's not a lot there yet.

Canada's approach to other development issues leaves the impression that, like other rich countries, Canada has given priority to short-term commercial gain, more priority to that than to measures that could allow poor people to work their way out of poverty. Canada is pressuring developing countries to make radical cuts to tariffs and is seeking to chip away at any special and differential treatment measures developing countries have managed to keep on the table. I think this approach not only falls short on our commitment to development, it also undermines our ability to build a solid alliance against the European Union and the United States on the issue of subsidies.

Officials justify Canada's approach by claiming that low tariffs mean more trade, and trade brings development. I only wish it were so simple. It makes little sense for countries with large numbers of poor people in rural areas to lower tariffs on staple food crops, especially while the United States and the European Union continue their high-subsidy regimes. With industrial goods, it's the same story. How could a country develop industry if it opens up to cheap foreign imports? The countries that have successfully reduced poverty—we could count Canada among them, but more recently there are Korea and Taiwan and even Vietnam—have lowered their tariffs slowly and selectively. As they become wealthier, they open up those products and sectors that become competitive.

CIDA officials and Canadian government officials who deal with development are well aware of the evidence in this regard. They understand that high and variable tariffs are a key policy tool for developing-country governments, and that tariffs have become even more important as other tools of industrial policy have been taken away, constrained by WTO and other rules—but our negotiators have not acknowledged that, and I fear it may be because it conflicts with their vision of Canada's short-term commercial interests. As Liam McCreery from CAFTA pointed out this morning, the high tariff barriers that Canadian exporters face are not in the poor countries; they're in the richest countries. Canada could do well to back off on its demands for the reduction of tariffs in poor countries.

I'll speak very briefly about non-agricultural market access, the industrial tariff negotiations, to give you a flavour of this. These are called NAMA, the acronym for non-agricultural market access.

The formula for tariff reduction in the mandate says it must provide for what they call “less than full reciprocity”, meaning that developing countries should not have to give as much as rich countries. Frankly, it's hard to see why developing countries should have to give at all. This is supposed to be a development round, and it's a development round because in the Uruguay Round they did nothing but lose. They gained nothing at all.

• (1250)

Nevertheless, wealthy countries, including Canada, have insisted on a tariff reduction formula, called the simple Swiss formula, that would impose the most severe tariff reductions on developing countries, not on wealthy countries, and I can get into the details of that in the question period, if you're interested. Naturally the poorest developing countries, particularly in Africa, are not about to sign on to such a deal, and this is one more reason things are not progressing as quickly towards Hong Kong as they should. Developing countries have put reasonable alternatives on the table, but Canada to date has refused to support them.

We believe Canada's commercial goals ought to be compatible with its support for development, but Canada needs to show more flexibility in this regard. In the services negotiations, for example, rather than accept developing country proposals of preserving their ability to regulate foreign investment, to ensure that the poor have access to essential services, Canada wants rules that would lock in privileges for foreign companies. I think Canada has to take a more flexible approach.

A central problem with Canada's approach to the negotiations is that it undermines the effectiveness of our strategy to stop the unfair trading practices of Europe and the United States, because it impedes our alliances with developing countries. A more development-friendly strategy would see Canada back off from its market access demands on developing countries and offer some explicit support to their key proposals. Canada could then be a more credible ally in the fight to confront the subsidies in agriculture.

Gerry mentioned aid for trade. I also have a document here about aid for trade, which I'd be happy to share with you, if you are interested, and certainly we agree that aid is no substitute for changes in the rules.

To conclude, some of you may recall during my last appearance before the committee in June that I shared our concerns that the short-term commercial interests of Canadian business overseas can at times conflict with our public interest in fighting global poverty. I stress the word “short-term” because I believe that promoting trade rules that favour development is a viable commercial goal. It may take longer, but helping poor countries become stable and prosperous trading partners will, in the medium-term, pay off in greater prosperity at home. The radical tariff reductions that Canada is seeking in poor countries, on the other hand, might let us sell abroad a few more things for a few years, but in the end it would only lead to a need for ever greater aid, rather than allowing poor countries a fair chance to work their way out of poverty.

I thank you for the time. I would be happy to answer your questions.

• (1255)

[Translation]

The Chair: Thank you very much.

[English]

Now we are going to have a five-minute round of questions and answers for each party. We will start with Madame Guergis.

Ms. Helena Guergis (Simcoe—Grey, CPC): Thank you, Mr. Chair.

I'd like to thank the witnesses today for their presentations. They were very good.

I'm reading a headline in the *Victoria Times Colonist* today. It reads “UN official scorns Canada on aid”. The article goes on to criticize Paul Martin for refusing to put his money where his mouth is. Despite the enormous surpluses that we see with this Liberal government year after year, what reason do you think it is that we can't get them to commit to even just drafting a plan to reach the 0.7%? Do you have an idea? I keep grasping to try to figure out what the reason would be, and I'm looking for somebody to—

Mr. Gerry Barr: It is a complete mystery to the whole world, and I think our inability to get out of neutral on this file is corrosive to our relationships internationally. The developing world does not understand it. The developed world does not understand why Canada is unable to move forward. When we go to fora such as Hong Kong with proposals to make, those proposals are affected, and the credibility of our voice as an international actor is certainly affected, by our inability to reverse what is plainly international delinquency on the question of meeting our responsibilities as donors in the donor community.

Forget about 0.7%—don't really, though, but forget about it for a second. Think about the idea of the 0.5% target, 0.5% by 2010, an interim goal that has been set by many countries around the world. Mr. Martin had been expressing some enthusiasm on the idea of interim targets. Mr. Goodale has been known to say a word or two about interim targets. Two-thirds of the donor community, fully two-thirds of the donor community, have either committed to that interim target of 0.5% by 2010 or have committed to maintain their level of spending at 0.7% or greater, or have committed to achieve 0.7% by 2015. That is two-thirds of the donor world.

Canada has the most robust economy in that group and is unable to move forward.

Ms. Helena Guergis: I just want to get a couple of more points in from my side, so may I speak a little bit more?

As you know, this entire committee did pass a motion, and we were calling on a draft plan to reach the 0.7%, something that the committee could review and that we could talk about and have a full discussion on, even engaging Canadians in discussing different ideas on how to reach this 0.7%.

I'm sure all of us are going to wake up Saturday morning and open our papers and we're going to see another picture of the Prime Minister or Minister Carroll with Bono, all happy-go-lucky. What is this, probably the fourth picture shot we've seen on this? And yet we still have no plan in place.

You see commitments from the government—\$30 billion in spending in the budgets in the spring, another \$30 billion in the budget last week, and over the past few days billions of dollars in more announcements. I take a look at this and I wonder what this means. Reaching 0.7% seems to be almost impossible with all of this spending going on.

I'm curious, how do you think that leaves the Canadian commitment, the reality of even reaching that 0.7%, when you and the community see all of this spending going on, but we don't see any further commitments on trying to reach the 0.7%? It's extremely frustrating.

• (1300)

The Chair: Mr. Barr.

Mr. Gerry Barr: As I said earlier, I think our inability to act appropriately on this file affects our ability to function well and with impact in the context of multilateral negotiating fora such as Hong Kong.

With respect to the report number 12 of this committee, which recommended both a strategy for going forward on 0.7% and aid legislation, let me just take a brief moment *entre parenthèses* to say to this committee, thank you. It was a remarkable act. We appreciated it—you can't imagine how much—in civil society circles across the country. I can only say I guess the democratic deficit is deeper than even Mr. Martin thought, since there has been no government action based on the plain and the obvious will of Parliament here.

The Chair: Thank you.

Ms. Helena Guergis: Thank you.

[*Translation*]

The Chair: Ms. Lalonde, you have the floor.

Ms. Francine Lalonde (La Pointe-de-l'Île, BQ): Thank you, Mr. Chairman. I must start by mentioning that I'm quite pleased with what my colleague has to say about the 0.7 per cent rate.

The testimony we're hearing from all three witnesses is disturbing. I'd like to start with your conclusion and invite you to expand a bit on it. You say we need a good agreement or we shouldn't sign. In the last four lines of your brief you state that it is not clear what scope or what level of precision can be attained in an agreement in Hong Kong, but that a significant turnaround is required if the Doha round is to seriously address development and poverty eradication. You add that if what is on the table in Hong Kong does not move us towards this agenda, Canada must refuse to support it.

Let's talk about the mandate of negotiators. I personally am satisfied with the mandate they have with respect to supply management.

There's also the issue of development. According to you, what are the crucial requirements which, if they are not met, should prevent Canada from signing it? Why do you say it is preferable not to agree to anything rather than to sign a bad agreement?

[*English*]

The Chair: Mr. Fried.

Mr. Mark Fried: Thank you for the question.

There are many issues in play, and actually we've drawn up a long list of the things we want to see there, which we'd be happy to send to you. There are about 25 different items that we consider to be minimum standards. But most importantly, we see in the agriculture file that there have to be some really serious cuts to the domestic support of the United States and European Union, which allows them to trade so unfairly and really harms the livelihoods of the poorest farmers.

But also in the agriculture file and in the industrial tariffs, there has to be sufficient flexibility, so that poor countries are able to use trade policy to fight hunger and poverty. As for what constitutes "sufficient", you can get into the technical details of it and the numbers, and I'll be happy to talk about that with you, but it's a longer discussion.

I think those are two key areas.

Perhaps you'd like to add something, Gauri.

[*Translation*]

Ms. Gauri Sreenivasan: I'd simply like to add that the council's position as well as that of Make Poverty History remains the same with regard to the Doha round as a whole. However, expectations have changed with respect to the December meeting. A text was provided allowing parties to state whether they support it or not. It wasn't the final document, but at least it came with key figures. It dealt with all negotiations.

Now, we don't know what it will deal with. We do, however, know that it will not come with all the figures. Clearly, the ministers will be trying to go beyond what has been achieved to date. It won't simply restate what has been achieved to date. In Hong Kong, we intend to make decisions. Despite the absence of final figures on agriculture, we could agree on a type of formula and determine that figures must be within a given range.

Such a document may either be an impediment to development, or it could keep development on the agenda. Once again, in Hong Kong, it is important for Canada not to take any measures to abandon the objective stated earlier by Mark. It could mean the end of export subsidies by a given date, or a formula which would in essence preclude developing countries from using tariffs as tools.

We're going to have to look into the Hong Kong document. There may be pitfalls in it or it could be quite progressive. We know it isn't the final version. However, we are going to have to look at wording very closely in order to make sure the decisions that are taken promote development. We believe that to date, the direction negotiations are taking is not encouraging.

• (1305)

The Chair: Thank you.

Mr. Easter.

[*English*]

Hon. Wayne Easter: Thank you, Mr. Chairman.

Don't be confused by the concern expressed by the other side in terms of development aid. If there were ever an election and they won, poof, it would be gone.

You've been following the Doha Round pretty closely. Why do you feel supply management in this country is under such attack by the traders out there?

There's no question that there's rural poverty out there in the world. We do have a farm income crisis at the primary producer level in this country, and government has tried to respond to it with record payments. In fact, I did a tour across the country on that issue and I made some recommendations.

One thing that struck me was a comment by William Heffernan. He has said, "Economic power, not efficiency, predicts survival in the system." I think there's a lot of truth in that.

We've been able to do something within Canada with our supply management system. In the sixties, we saw that there was a problem. The market wasn't working, so we tried to balance that power in the marketplace. It has been of benefit to consumers and producers in the country, all alike. But we're finding that this system that is working so well in this country is under attack internationally.

You've been watching the Doha Round pretty closely. Do you have any comment to make on that?

Mr. Mark Fried: Thank you. Yes, indeed.

I would like to echo what Peter Clark said this morning. The problem for farmers in poor countries is dumping, it's not subsidies. Subsidies can lead to dumping, but they don't necessarily lead to export below the cost of production. The way the United States and

the European Union have designed their farm support regimes, it allows and encourages farmers to overproduce and then sell overseas at as low as 40% of what it costs to produce, thereby putting poor farmers out of business because they can't compete in that marketplace.

In the supply management system, as we know, there is very little exported from it. It doesn't have the effect of driving down the world price and hurting poor farmers overseas. The only area in which it could potentially harm developing-country farmers is in not allowing access for them to export to Canada in those products.

There are two facts. One, Canada does allow a reasonable amount of market access in those products. Second, the only countries that are keen to do away with supply management because they would benefit from its end are New Zealand and the United States. Poor countries would not be able to take advantage of the demise of supply management, so we do not see supply management as being a problem for developing countries or for development. We hope Canada will continue to support it.

The Chair: Yes, Ms. Sreenivasan.

Ms. Gauri Sreenivasan: Just to add to that, it seems to me that supply management and the Wheat Board, too, have been under attack. It is very important to try to analyze who the powers are that gain if supply management or the Wheat Board is dismantled. For example, it seems to me that in the Wheat Board there's an obvious case that even though the Wheat Board has a very small percentage of total wheat traded, the large grain traders would like to have even that share as well. For supply management, it's about more access for the very powerful agribusiness lobby of dairy in New Zealand, so they can get in.

In fact, in our experience with farmers in developing countries, it's not just that they aren't bothered about supply management; they actually see it as an incredibly important policy option for them to develop. There are very few poor countries in Africa that could, tomorrow, next week, or even next year, implement supply management. It takes incredible capacity on the part of your farmers' organizations. It takes a level of democratic governance. It takes a series of legislative changes. It absolutely takes the ability to implement border measures to protect the market.

Developing-country farmers see that intervention of supply management as a way to boost farmers' power in the marketplace, to address farm income. It's one of the tools they would like to be able to keep as an option in their future, even if they wouldn't have the capacity to implement supply management tomorrow. But in order to keep it as a viable option, they will need to have continued access to tariffs. In the interim, their best effort at managing supply in their local market is in blocking cheap imports.

This connection between farmers in Canada and the south, in terms of the critical role of border measures, is what we see as the interesting alliance. There's a kind of misnomer that the development agenda is by and large the north pitted against the south. It's much more about competing export interests trying to gain market share. We think Canada's defence of supply management should go hand in hand with the defence of those tools in developing countries that would allow them to similarly protect their markets for their local farmers. In the short term, for them that means largely tariffs. In the longer term, they might be interested in the more complex system of supply management.

•(1310)

The Chair: Thank you.

Ms. McDonough.

Ms. Alexa McDonough: Thank you, Mr. Chair.

Thank you to all of the witnesses for once again bringing really substantive, comprehensive approaches to these issues to the attention of the committee.

One of the things that were particularly appalling about the Prime Minister's decision to make a mockery out of the whole millennium development goals and the 0.7% obligations for ODA was for him to not only ignore the democratic will of Parliament on this but to actually attack those donor nations. It's very interesting to have the figure showing that two-thirds of donor nations are now on track here. For him to attack them for what he said were photo ops, just to sign on to this and to say that they'd actually never deliver.... One has to really think about the photo ops that we'll yet again be subjected to in the next 24 hours in light of those hypocritical comments.

One of the most helpful things about the CCIC brief is that it points out what may seem obvious to you, but I think it's helpful to bring it to our attention and for us to then bring it to the attention of Canadians. What Canada is actually participating in here, or where Canada seems to be going with respect to that single-band set of demands around market access, is just utterly hypocritical in terms of how we develop our own economy and address our own interests. It helps to make clear that the very reason we have adopted supply management, that we have set up the Wheat Board, that we have legislation supposedly—now being ignored—to protect our public not-for-profit health care system, is that they're what works for us.

The fact that we now have Canada not prepared to acknowledge how important this is to the poorest of the poor indicates how much they're now in a sort of ideological harmony with the demands of the U.S., for example, around dropping these various measures.

I want to turn a little to the services part, because there hasn't been much attention paid to this. I want to ask two questions very specifically.

People are aware that over the last while, to our horror, Terasen Gas in British Columbia has been privatized. We're talking about a basic public utility—and by the way, they're not just in the gas business, they're also in the business of controlling water supplies and distribution. Terasen has now gotten the green light to be taken over by a Texas-based, Bush-connected multinational corporate interest.

Given where we are with the pressure to really open up services for cherry-picking, takeovers, and so on, is there anything you can say to this committee about what we need to do to not only protect the developing countries in this regard, but to protect our own interests from further erosion of any possible protection of our basic services? Health care is particularly vulnerable now as a result of the inaction of the government in the aftermath of the Chaoulli decision.

•(1315)

The Chair: Mr. Fried.

Mr. Mark Fried: I'm not qualified to speak about what Canada can do to protect our own basic services here, but I can speak about the services negotiations at the WTO, where rules are in play that will undoubtedly affect Canada as well as developing countries.

The services negotiations were set up on the basis of allowing countries to negotiate only those sectors that they wanted to negotiate. That was the approach that everyone agreed on. If you want to invite foreign companies to come into your market, you can negotiate the basis on which they will do that, as part of this WTO deal. Many developing countries have said no, thank you, and have not offered to invite Canadian companies or other companies to come in and take over their public services.

The European Union has now turned around and said this is not good enough, that we have to change the basis of the negotiations, and that we have to have a required minimum percentage of the economy that is going to be opened to services. A required minimum of each sector or required bit of each sector has to open up. Canada has not spoken out against that. Canada has said we should do something like that, but maybe not quite in the way the Europeans say. Canada says we should have a plurilateral negotiation in which we'll get together with those who want to do so, and then we'll bring everybody else in after we've started negotiations with a group of countries who want to do so.

The area of concern is the mandatory nature. It is not that there shouldn't be some agreement on services or that there shouldn't be services in which foreign companies could have a positive role to play where there is a public regulatory environment in place that will ensure that basic services are provided equitably and universally to the poor. The track record, particularly in Latin America and South Africa, is not great in this regard, so it's of concern that in these negotiations, the wealthy countries—particularly Europe and the United States, but Canada is not far behind—are pushing very hard for opening up service markets to private companies where the regulatory environment is not in place. Even more, in the negotiations themselves, they're proposing to limit the ability of countries to regulate the delivery of services by foreign companies, which is of concern, certainly.

The Chair: Thank you.

Did you want to add something?

Ms. Gauri Sreenivasan: I just have two things on services.

On the one hand, as Mark has just said, Canada will say officially that the services agreement is a bottom-up agreement, that people need only list the sectors that they're interested in. At the same time, it's very clear that the pressure of the Doha Round is to say that if they want progress in agriculture, they must do something on services and NAMA. This is the trade-off concession mentality, as Gerry said when he opened.

A development round does require a different framework for approaching it. In our view, Canada could do more not only by saying it's okay and countries don't have to list it, but it could clearly address the pressures for the trade-offs. Canada could say that the European Union needs to do its reform in agriculture—it has always said it was going to do it and has promised it from twenty years ago—and not require further and further payments. So there's this trade-off issue.

The second issue is that in addition to the question of liberalization, there's a future thread in the GATS with respect to the regulation, the ability for governments to regulate services. They haven't gotten there yet, but article VI.4 will call for new disciplines on government's ability to regulate services domestically. Even if this doesn't relate to most favoured nation status, just any general

regulation that is seen to be trade-distorting could be up for discussion. We therefore also would like to really caution Canada that we need not go down that road of article VI.4, and that it's a danger both for Canada and for developing countries.

• (1320)

The Chair: Thank you very much.

I want to thank all our witnesses this morning, Mr. Fried, Mr. Barr, and Ms. Sreenivasan.

I also want to thank our research staff, our clerk, and everyone who helps us here, because it's probably our last meeting. I'm pretty sure next Tuesday's meeting will be cancelled. We were to have the pleasure of having the minister in next Tuesday, but because of the call of the election, there will be no more meetings.

I was very pleased to chair this committee in this Parliament, and I wish all of you good luck in the next election.

Some hon. members: Hear, hear!

The Chair: The meeting is adjourned.

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