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**Chair**

Mr. Gerry Ritz

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Wednesday, October 18, 2006

• (1535)

[English]

**The Chair (Mr. Gerry Ritz (Battlefords—Lloydminster, CPC)):** I call this meeting to order.

This afternoon we have before us Gary Groves—

**Mr. David Anderson (Cypress Hills—Grasslands, CPC):** I have a point of order.

**The Chair:** Mr. Anderson has a point of order.

**Mr. David Anderson:** I want to express my apologies to the witnesses who are here. I'm going to have to leave, because apparently Mr. Easter has found something much more important than this in the House. He's apparently introducing a concurrence motion on one of the agricultural issues. It's unfortunate that he couldn't be here to take this seriously, but some of us will have to go deal with that.

**The Chair:** Thank you.

The meeting will continue.

Before us we have Mr. Gary Groves, minister-counsellor, Foreign Agricultural Service.

Gary, welcome. It's nice to see you again.

With him we have Lisa Anderson, the agricultural attaché. Welcome, Ms. Anderson.

If you have a bit of a presentation to give us this afternoon, we'd welcome that.

**Mr. Gary C. Groves (Minister-Counsellor, Foreign Agricultural Service, United States Department of Agriculture):** It's not really a presentation.

I would like, first of all, to thank you for the invitation to come here to share views on the state of agricultural trade relations between our two countries.

As you mentioned, I'm the minister-counsellor for the U.S. embassy here in Ottawa. In my role here, I'm the principal USDA representative in Canada. I have with me Lisa Anderson, who is our agricultural attaché. We are trade types. We are not technical. We will try to address all your questions as well as we can, but please understand that if things get too technical sometimes, they can be outside the scope of our expertise. But we will certainly get back and pursue ways to get the answers you're seeking to this committee.

**The Chair:** We're politicians. We never let that stop us.

**Mr. Gary C. Groves:** Frankly, I'm a diplomat, and I don't let that interfere with me either.

On the topic today of agricultural trade relations between our two countries, frankly, we think we have a very good relationship. It is our number one relationship, in many ways. We are each other's best markets for agricultural products. That has been growing ever since the FTA and NAFTA came into effect.

There are always many trade issues between us. In my foreign service career, I have dealt with many countries, and I've never seen such a list of issues, which we seem to be able to develop between us. But the thing with our relationship, that often is not the case with other countries, is that we try to find ways to.... We at least listen to each other and try to find solutions to the problems.

We realize that at times there are frustrations on your part. Many times you think it takes us a lot longer to do something than it should. But we do take our actions very seriously. We take our relationship with Canada very seriously. We try to do everything on the basis of science and on the basis of law. I think overall we have managed to do that.

One thing I mention as I travel around, and it's important for people to understand, is that in the case of the United States, we are just about everybody's best market for agricultural products, or at least a prime market. We face a lot of requests from around the world from people who want us to take action. It might be to provide access to the market, or whatever. The list, for example, that APHIS deals with on risk assessments and whether to allow products in is just amazing—it's in the hundreds—because every country wants to get into that market.

The problem, in our case, is that they might have pests or diseases that could affect many of the products we grow, since we do have such a wide range of products. So while it seems that we are doing this just to be protectionist or whatever, there are legitimate reasons why we go through this process.

In my experience, Canada gets incredible priority in terms of the issues it raises, whether it's to look at risk assessments or to look at whatever issue. Having served in South America, I can tell you that the Uruguayans have been trying to get their fruit in and get on our list for risk assessment for years and years.

We realize the importance of this relationship with Canada, and we have to give these issues priority. It's important to us economically and politically in every way. We may not do things that you agree with, or whatever, but at least we try to get people to listen to your concerns.

I think a good example of that is the recent visit by your agriculture minister, Mr. Strahl to Washington. He had I think three items on his agenda that he basically wanted to talk about. He felt that he was not getting enough collaboration from us, and we are actively dealing with all three of those issues and I think making progress.

This is the type of relationship we have and that we want to maintain.

With that, I will turn it over to whatever questions you have.

**The Chair:** Do you have any opening statements or remarks, Ms. Anderson?

**Ms. Lisa Anderson (Agricultural Attaché, United States Department of Agriculture):** No, I have none.

**The Chair:** Thank you.

Mr. Steckle, for seven minutes, please.

**Mr. Paul Steckle (Huron—Bruce, Lib.):** First let me welcome you people here today.

Obviously, as all of us here know, Canada and the U.S. have a tremendous trade relationship. Were it not for our American neighbours, we would be duly filed with a whole lot of product for which we probably wouldn't have a home. So we do appreciate the openness we have.

But there have been a number of issues, and I think you're quite aware of what those issues are. I would be remiss today, as a person who has been part of this committee and part of this ongoing BSE issue for a long time—in fact it's going on three and a half years....

While we have some degree of openness in terms of the cross-border movement of live animals under thirty months, and certainly product taken from animals under thirty months, we still have that irritant of not being able to move older animals. I quite understand the reasoning, which you mentioned earlier, or at least I think you said that you base your decisions on science. But I'm wondering whether sometimes political science gets in the way of animal science, going both ways. I'm wondering how we can reconcile true science, in the fairest sense of trade, and allow these products to flow more fairly.

Obviously when we look at the causes in the first place, on a percentage basis it would have taken thirteen animals to have caused the Americans to close the border. But the border was closed with one animal. So it was a decision taken, and we didn't argue the decision. I guess the argument we have is, why so long, when so many times we thought we were getting close but the border remained closed?

I know that's a long preamble to perhaps not a short answer either. But can you respond to that?

• (1540)

**Mr. Gary C. Groves:** Regarding this whole saga that we've been through over the last three years or so, there have been frustrations on our part as well. From the start, I remember Secretary Veneman saying Canadian beef is safe, but we have this process—and we have tried to do what we can too.

Now you mentioned the political angle. Obviously politics enters any government decision. But we have been trying to base this on science and structure the rule-making in a way that politics cannot get in the road. Obviously the challenges that were made to the USDA slowed down the process.

There were a few other events here and there. When we had an animal with BSE, that got people wondering about things. You had another animal that maybe was outside the band of what we were expecting, and so on, so we had to go back and do the....

Right now, when you had that animal of fifty months, there was just no way we could go forward with the risk assessment, as it was made. We had to wait on the study that was done here and incorporate the results into it. So there wasn't an alternative, and the rule-making process is very slow.

As far as I can see, the best way to try to expedite these sorts of things is to get internationally accepted standards that we all can play under. You've been working in the OIE; we've been working in the OIE. We think that by doing this we can get some internationally accepted standards, so that the reaction will always be in a certain way and we won't have to go through this whole process again. But the first time around is always going to be the longest one, and that's really what we're facing.

Secretary Johanns has indicated all the way through that he is very committed to getting this border back open completely and normalizing trade. He has not faltered on that. He said he saw nothing in the study on the fifty-month animal that altered this for him.

So that is going forward, and there's very much a commitment to get that taken care of. We know if we don't, as he says, dot all the i's and cross all the t's, then we're going to be subject to challenge and possibly a successful challenge.

That's really what the ninth circuit court said when they looked at our first rule and it was challenged. The courts said that we are empowered by Congress to make these sorts of decisions. So as long as we do our homework, or do our efforts to ensure that what we're doing is having the impacts we claim, then they're going to yield to our judgment on this. We think that will hold and we'll be able to move this forward without delay.

**Mr. Paul Steckle:** These kinds of challenges are never without some difficulty, of course, because there are interest groups that play into this. We know that our cap played a big part in this, as well as a number of other matters pertaining to the politics of certain states. Elections, and this type of thing, all play into it.

I guess if we have standardized rules that we both believe are fair and safe when it comes to the health side.... We need to work as countries. Both Canada and the U.S. need to work toward standardization of principles, values, and standards that all of us trust—we trust you, you trust us. I think at some point we have to do that anyhow. Regardless of how clear we think the science is, we have to do that.

But I guess having said that, we have other matters. We have the softwood lumber issue. We have other issues, where we've had appeal after appeal, and after winning the appeals, we still don't have resolution. At what point does the appeal process work for us, or does it always work against us? I don't know. It comes to a point when you say, why have this appeal? It's very costly, and why have this appeal process if we don't live by the rulings of those appeal boards?

• (1545)

**Mr. Gary C. Groves:** The actions they took in that case are all in accordance with the international rules. They have the right to make these appeals and to file these cases. We can't just stop doing that. It has to go through its process. I would hope that when we set our international trade rules....

We used to run into this a lot—we still do to a certain extent—on phytosanitary. In the Uruguay Round, we managed at least to expedite that. To me, those are the mechanisms we have to use to get at these sorts of delays.

But I would use the example of frustration that our industry had with Canada over the bluetongue issue. That was something that was around for twenty years. We couldn't get any progress on that with Canada until recently. Now it is basically worked out.

So there are things in the reverse that our producers feel have been delayed longer than they should, or they feel were not based upon sound science. There are always going to be these sorts of disagreements. I actually think we are working in more and more areas towards coming up with standardized rules that will deal with this.

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

Mr. Thibault.

**Hon. Robert Thibault (West Nova, Lib.):** I missed the name of the issue he raised.

**Mr. Gary C. Groves:** Bluetongue.

The case of bluetongue is something that goes back to restrictions I believe were started maybe thirty years ago on our bringing U.S. cattle into Canada—basically western Canada. There were concerns they would bring bluetongue, and it became focused around feeder cattle.

We worked for years to come up with pilot programs and ways to mitigate the risks and so forth. Our feeling all the way through was that it was a low-risk area. The Government of Canada has now agreed with that, and it has made those changes.

**The Chair:** We worked it through, Robert. There was the seasonal allowance of cattle, such as in winter months when it was cold, and from certain states where the bug, I'll call it, wasn't as prevalent as in other states. Now, we've cleared the decks, and it's not a trade irritant anymore.

Monsieur Roy, seven minutes.

[Translation]

**Mr. Jean-Yves Roy (Haute-Gaspésie—La Mitis—Matane—Matapédia, BQ):** I agree very much with Mr. Steckle. I am more particularly interested in the opening of the border. What happened

at the border since September 2001 has been most difficult for producers in Canada and Quebec.

Apparently, the United States are considering customs tariffs for the inspection of agricultural products, and they could go into effect around November 24. I have a hard time accepting this.

It means you have no trust at all for the Canadian and Quebec inspection system. You do not trust producers or other people here. If you levy customs tariffs for the inspection of our products and if we do the same with yours, all these products will end up being more expensive. Products from Canada and Quebec will be less competitive and so will be the American products.

If we were to decide also to levy custom tariffs for the inspection of your products, if we did not trust your own system, we would both end up with a problem. In that case, products from European countries or other countries would be less expensive for big companies serving all Canadians and Quebecers.

Do the United States actually intend to levy customs tariffs starting on November 24 for the inspection of agricultural products from Canada?

• (1550)

[English]

**Mr. Gary C. Groves:** The issue you raise doesn't actually involve customs tariffs. It involves what we call user fees, which are for recovering the costs the USDA or Department of Homeland Security incur in order to inspect products coming across.

This issue actually has a rather long history to it. We adopted this program about ten years ago and imposed it on all countries, but we provided an exemption for Canada for the user fees.

The reason for that was because we looked at what was coming in from Canada at that time, and it was basically Canadian products in terms of fruits and vegetables. Other than potatoes, because potatoes always have something in particular, the Canadian product didn't have problems in terms of passing on diseases that we were concerned about or in terms of diseases that the Canadian government was obviously able to take care of, so we exempted Canada.

But about five or six years ago the USDA started to see more and more fruits and vegetables coming in from Canada that were products we would not allow to directly enter into the United States.

Really the crux of one of the main parts of the issue here is that, with globalization and all that has gone on, we're all bringing in fruits and vegetables from all around the world now. In the United States, as I mentioned, we have growing areas, we grow citrus products, and we grow different kinds of products, but we may have a concern about Med fly that you don't have.

We've now created a system for some Central American countries to export bell peppers to the U.S., but they have to treat them for Med fly, whereas you might allow those to come in without treatment because that's not an issue. But why raise the cost to the exporters and ultimately the cost that the consumer has to pay?

We found that some of these products are being re-exported down to the United States. There have been several times when the CFIA has actually found that and has fined companies for re-labelling products and shipping them down.

We are concerned about that part of it, product coming in, because over 80% of the pests that we are concerned about, you're not concerned about. There are a lot of things that come in.

Based upon some sampling at the border and so forth, for example, we've also noticed at pre-clearance that travellers bring in fruits and vegetables that they can't get in the United States, take them down with them, and so forth. This presents a risk. If you take a Med fly into California, you could need a billion-dollar eradication program to deal with that. My point is that we now have some very legitimate concerns here.

You asked if there are other ways to do this. This is what the minister was appealing to our secretary.... The secretary said we were perfectly willing to look at options on this, and it's actually a process going on right now. We are working with the appropriate people in CFIA to look at some options as to how we can meet our concerns about these kinds of products, through other types of inspection, inspection at origin, treatment at origin, or whatever. We look at options other than imposing the user fees, additional inspections, and so forth.

My answer is yes, there are other ways to possibly do it. We hear you, and we are actively looking at that. I can't say what the outcome of the process will be. I'm not in a position to say anything regarding the date of November 24, but it is something under active consideration.

**The Chair:** Very briefly, Mr. Roy.

[*Translation*]

**Mr. Jean-Yves Roy:** Thank you, Mr. Chair.

Could you answer briefly my question? Will these user fees actually go into effect as soon as November 24? Is it not possible to postpone their implementation until we can find some other ways or options?

• (1555)

[*English*]

**Mr. Gary C. Groves:** The rule-making that was done is an interim rule. It came into effect ninety days after that was published, but a government agency can delay or suspend it. Yes, from a rule-making aspect, that is a possibility. I don't know if it will happen, but it can legally be done.

**The Vice-Chair (Mr. Paul Steckle):** Mr. Bezan.

**Mr. James Bezan (Selkirk—Interlake, CPC):** I want to thank the two of you for coming before the committee today.

I also want to thank USDA for the work they did on getting the border open for the animals under thirty months. I am a cattle producer. Mr. Miller and I were in Seattle to watch the appeal at the ninth circuit court and we appreciated the argument put forward by USDA. I wish they had been that prepared the first time when it showed up in Billings. We wouldn't have had all the heartache and hardship that we faced in Canada if USDA had been more prepared at the Billings court.

You were talking about the over-thirty-month cattle and about the risk assessment ongoing for the latest cow. We have OIE standards that both countries agreed to and are adhering to. When do you expect the assessment to be finalized on this last case? Realizing that we are in the middle of mid-term elections in the U.S., how soon after the election is wrapped up do you expect the rule to be presented for comment?

**Mr. Gary C. Groves:** I don't think this is an election issue. It's not a Democrat or Republican issue.

Every time we've given timeframes we've been wrong on this issue. But the idea the secretary has been laying out is that we would try to get this out by the end of the year. That is his goal. Certainly, he has indicated that this is on track as a proposed rule. That doesn't mean cattle are coming across the border, or beef over thirty months. Again, we have to go through a public comment period, which normally lasts sixty days. I don't know what it's going to be. We have to review those comments. Assuming it goes forward, we then have to come out with a final rule. If it's a major rule, there's always that sixty-day period after it comes out.

You can do the math and get well into next year. It is going forward, though, and I believe the end is in sight.

**Mr. James Bezan:** I encourage you to be vigilant with the rule-making process, because we don't need another situation where R-CALF is going to take it to court.

I would like to know your opinion. Where do you think R-CALF fits in these days? Are they becoming more relevant since they lost in that appeal court? Are they losing steam, or are they going to continue to be a pain in the side and a thorn in the backside of Canadian cattle producers?

**Mr. Gary C. Groves:** I wouldn't dare to comment on that.

I can say that we fully expect this rule to be challenged in the court system. But we learned a lot the first time around, in Billings and Seattle, and we are taking those lessons to heart. This time around we have a solid case and I think it will hold up to any challenge, frankly.

**Mr. James Bezan:** I want to follow up on Mr. Roy's comments about these user fees. They are widespread and based upon border crossings by air, land, or with shipments. I see it as an irritant to the mutually beneficial relationship we have on trade, especially agrifood trade.

Is there any process that would harmonize this relationship so that these user fees don't come into play? This would make it a little more friendly. I understand that you guys are trying to do cost recovery, which could go back into investments or fixing up port facilities. I used to be a livestock exporter. I was a cattle producer before politics. Before BSE, I was a livestock exporter, predominantly into the United States, and the facilities at the border sometimes leave a lot to be desired. Often we're using only Canadian facilities because the USDA facilities weren't in existence. USDA vets were always complaining about it, because they were always run into Canada to inspect cattle rather than being able to handle them at their own office.

So, first, are those fees going to be used to improve the facilities? Second, are there better ways to harmonize this than charging it to tourists walking across the border?

• (1600)

**Mr. Gary C. Groves:** First of all, just to be clear, the fees would apply to airline passengers and to all commercial conveyances crossing by land. They would not apply to people going across in a personal vehicle or whatever.

We are incurring real costs. About three years ago we created the Department of Homeland Security. The border people from APHIS that had been at the border and in pre-clearance in the airports went to the Department of Homeland Security. Prior to that, APHIS's plan was to double the number of personnel, at the pre-clearance positions, for example, with the idea that they could help expedite this process, so they would have sufficient staff so there wouldn't be delays in terms of inspection and so forth. It's really to cover those costs of personnel and so forth.

For example, the Department of Homeland Security requires those inspectors to be American citizens. We used to do more with foreign nationals, with Canadians in the case of Canada, but now, with the new system, we have to bring an American inspector up to live in Toronto or wherever. The costs of stationing an expat in any foreign country, Canada or wherever, are quite high. So we are incurring some very real costs.

**Mr. James Bezan:** But you've always recovered the costs, I would think fully, in the import fees that we already pay. When we send cattle across, we pay so much a head. If we ship a load of pork, there's a charge to USDA to inspect that load when it enters. These fees are all collected through the customs agent. What's happening to all those costs?

**Mr. Gary C. Groves:** Fruits and vegetables have never been inspected, but yes, cattle got inspected. Fruits and vegetables from Canada were exempt from all inspections. Now part of the new thing is that some of these products would be inspected.

There are alternatives that we are willing to look at. The last thing we want is to muck up the border, frankly. We don't want to create another trade irritant with Canada. We want this border to be there from the security and the prosperity standpoint. That is why we are willing to look at alternatives and why we are actively looking at alternatives.

What will happen regarding those fees? Right now it's on the books for them to go into force. Whether there will be a delay or a phase-in or whatever, I have no idea. But there are certainly options. Our concern is primarily with making sure that products coming into the United States do not cause a danger to American producers. If there's a way to do that here at origin, or to do that better, we're certainly willing to look at that.

**The Vice-Chair (Mr. Paul Steckle):** Thank you very much, Mr. Bezan, and thank you, Mr. Groves.

Now we move to Mr. Thibault. We're going to continue with seven minutes. We have enough time here to let everyone continue with seven minutes.

**Hon. Robert Thibault:** Thank you, Mr. Chair.

Welcome to the committee. It's most gracious of you both to appear. It's a bit unusual, so we're doubly honoured to have you here to discuss these very important issues.

We spend a lot of time in Ottawa, and around the country, talking about the irritants when there are problems, and sometimes we forget that there's a huge amount of trade that goes without problem across our border. But there is a concern, following the BSE thing and following the ramifications of 9/11, that the questions of food safety and national security, which I think are quite legitimate, will be abused or misused to become protectionist measures, and that would hurt trade between both our countries. We experienced this very closely in the BSE question, where we do have an integrated market. The market doesn't recognize the border; it's completely administrative and political. Businesses depend, and our economy depends, on this free flow of products across both nations, so I think we have to be vigilant.

But that being said, I want to point to a couple of areas of success. In a previous life I had the opportunity to serve as Canada's Minister of Fisheries, and following the 9/11 crisis and your new food safety regulations, there had been some restrictions put on our shipment of fresh seafood products, with the prior notification prior to the border...and those things, which would have killed the industry, and it would have hurt your economy also. I think you'll discover if you go to Florida, in Florida you eat Maine lobster, and quite often it originates in Nova Scotia. It is an integrated market.

At that time I worked with Mr. McClelland, who is now, I believe, at EPA, and he was very helpful, as was Mr. Powell, and we were able to resolve that situation, so it never got the media attention and it never got the press to the extent that BSE did. I would hope we're able to have more of those examples in the future, and I hope we will learn from BSE, enough so that we never live that type of a situation again, because we will have other incidents and other problems.

I live in eastern Canada, in Atlantic Canada, and half my family lives in Massachusetts, and the links between those two parts of the world are very close, and very cultural and very social, and it brings me to my question. In Nova Scotia, we have some exhibitions that always feature international competitions, whether they are ox hauls or whether they are heavy horse pulling. Because of the BSE thing, the unintended ramification was that our competitors couldn't make it to the U.S. and the U.S. couldn't come to ours, so both Maine and Nova Scotia suffered. I talked to some producers of alpaca, which is a very much a niche market but also an integrated market. There's no difference. You can't operate alone in Canada and you can't operate alone in the U.S.; it's one market. Because it was classified as a ruminant, it suffered the problem of being able to cross the border.

Through this BSE thing, have we learned enough to stop those unintended consequences in the future? Have we found mechanisms where we can continue the parts of the market that aren't affected or at risk?

•(1605)

**Mr. Gary C. Groves:** I think we are learning, and we're learning very quickly. A good example is on potatoes, what we just had with the potatoes, this nematode, something that hit our producers in Idaho last spring and then in Quebec in August. Within six weeks, or something like that, after this happened we had a protocol that lays down that if something happens in the future, here's what each of us is going to do.

For avian influenza, we now have a protocol that lays out, okay, if this happens, we're not getting into banning the whole country; we're going to look at it this way.

So we are developing those types of protocols. We don't have it for everything—we don't know what the next big problem is—but the timeframe we are getting to deal with it and to realize what we should do is narrowing a lot.

Yes, we learned something from the FDA bioterrorism experience that you talked about. We all were wondering what the heck was going to go on with that. There were little bumps, but, by and large, Canada presented itself so convincingly to U.S. officials, in terms of having mechanisms set up, so that this would not create this gigantic problem at the border.

I think we are making significant progress. When you consider two governments that have such a wide diversity of interests, I think we are.

•(1610)

**Hon. Robert Thibault:** The cynics would say on the potato issue that they got results a lot quicker when the problem was found in Idaho. Before that, the action wasn't very quick.

**Mr. Gary C. Groves:** We would say the reverse, that Idaho got worked out when you had it in Quebec. I'm sure that's what our producers would say. We weren't getting anywhere...well, we were getting places, but it wasn't going as fast as we wanted on regionalization in Idaho. You wanted that in Quebec, and the minister said, "Do you realize how big the province of Quebec is?" Okay, we want the same thing in Idaho. So it goes around and comes around, and what starts it up first, or whatever...

**Hon. Robert Thibault:** I guess it doesn't matter how thin you slice it, there are always two sides.

**Mr. Gary C. Groves:** There are always two sides to the story.

**Hon. Robert Thibault:** On the question of BSE, there was frustration on the part of Canadians generally. Between our administration and your administration—Secretary Veneman and our Minister of Agriculture at the time—there was agreement between the trade departments of both countries on how to proceed, going with the science-based approach and showing proof of food safety. I think everybody agreed with that. The agricultural community was frustrated by the pace but was in agreement. The wrench came with all the challenges, and because of your constitutional and legal systems your administration seemed unable to make it move any faster. I think that created a lot of the frustration.

Has anything happened that would speed up that process should the same situation happen again, or would we be subject to all the same levels of appeals?

**Mr. Gary C. Groves:** The appeal process hasn't changed. The question is, can you better answer to the courts what action you've taken? I think we've greatly improved on that side.

Appeals like that have happened with various products coming from various countries. In each case we found that whenever we went ahead too quickly with something that maybe wasn't quite ready, the appeal was successful. I served in Argentina, and Argentine lemons are a classic example. That one got sidetracked for years because they were able to shoot some holes in what we were proposing. That is where it is absolutely essential that we have everything lined up. We can't change the legal system in the United States. It is what it is.

**The Vice-Chair (Mr. Paul Steckle):** Mr. Miller.

**Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC):** Thank you very much to both of you for coming here today.

As Mr. Bezan said earlier, I'm also a beef producer. The BSE problems we've had in Canada since 2003 are still not 100% over, although we are getting closer. So I encourage you to keep up endeavours to get the borders fully open.

There's an old saying in my part of the world that talk is cheap, but it takes money to buy whiskey. The bottom line is that we can talk about this, but unless you show the actions, it doesn't mean anything. So I really encourage you to do that.

There's also a perception, especially in the beef-producing areas and amongst the farmers, that a lot of decisions made by the USDA or the U.S. government on products moving there are based more on politics than science. When it came to beef testing in Canada, our consumers knew that our testing was right. We actually increased our consumption through that time by around 8%—somebody correct me if I'm wrong. That tells us something. Nobody got sick in either country and nobody died, because we kept it out of the food chain. So there's the perception that the decision was based more on politics.

I'd like you to comment briefly on that if you could.

•(1615)

**Mr. Gary C. Groves:** I really feel that if you look at our actions over the years, it's hard to come up with cases where we haven't eventually done the right thing from a science standpoint. I was thinking about that, and it's really that things take longer than maybe they should. Politics, of course, enter into the process of challenges, and so forth, and congressmen asking the administration why we're doing different things, but in my experience, the basic thrust of the direction in which we want to go, and in which we do go, is based on science, because that is the only rule that is going to kind of work in the end. That's what we want and that's the way we want other countries to treat us, and that's the way we have to treat them.

While people like to look for other reasons, at why it is that we're doing this or doing that, because they may not agree with our science or whatever, two scientists can disagree looking at the same thing, but I think it really is a sincere effort to keep the foundation of science.

**Mr. Larry Miller:** Mr. Groves, I hope you're right on that.

Another issue that has come up just recently, of course, is the E. coli in spinach and what have you. The disturbing part for me, not just as a politician in Canada but as a resident here, is that there is a history of product coming out of California that the USDA has commented on. It has kind of put up some warning signals—call them what you want—over products that are coming out of there. You could look at this E. coli outbreak in spinach as maybe something that should have been stopped or foreseen and caught. So I'd like to know what kinds of efforts and pressures you're putting on California, because it seems to be that one state or region, if I can call it that, that you're having problems with.

**Mr. Gary C. Groves:** From a U.S. government standpoint, the agency that deals with that is the Food and Drug Administration, rather than the USDA.

We have authority over meat, and so forth. It's just the way things are broken down. So it's the Food and Drug Administration that has actually made some of those indications to the industry in California that I think you're referring to.

I think they are really taking the heat on that. They have made changes. They are making changes, developing a plan for how to do so, because they obviously don't want their customers concerned about their products. When you deal with some of these buyers that they deal with, the Wal-Marts of the world, they get pretty specific on requirements, and so forth. So it's a very active thing going on in terms of what other action should be taken.

But in the meantime, they feel they've isolated the problem, that in this case U.S. spinach is safe. So there is not an immediate concern there for the product on the shelves. But you can always do things better, and that's the way the industry and the government out there are moving.

**Mr. Larry Miller:** You say you've isolated the problem, and that's fine and good, but at the same time, what new safeguards or new measures is the USDA proposing or putting the pressure on them to bring in to make sure it doesn't happen again?

It's one thing to deal with an issue when it comes, but we hope we learn something to make sure it doesn't happen again.

**Mr. Gary C. Groves:** That is something that's being actively done by the FDA. I don't know exactly what changes they are making to make sure this does not happen, but that is going to be actively done. We can't have this sort of thing with our vegetables, leafy vegetables particularly. So yes, it's something they are actively working on, and I don't know specifically what changes they are making or whatever, but I think there is a plan to go forward with this.

**Mr. Larry Miller:** Thank you.

**The Vice-Chair (Mr. Paul Steckle):** We're almost out of time, but do you have a short question?

• (1620)

**Mr. Larry Miller:** I was going to comment on the golden nematode. That issue was resolved pretty quickly and the border was going.

Maybe you could just briefly comment on what exactly happened such that this one was allowed to get back on track and get the border open in a hurry, compared to some other products.

**Mr. Gary C. Groves:** It's one we both know we've got to get a handle on very quickly because of the impact it can have. We both have a long history of dealing with potato-related concerns, diseases and so forth. The scientists on the U.S. side and on the Canadian side know each other. They actively talk to each other. I can guarantee you when that came out there were a lot of late-night discussions to figure out just what the reaction should be, how we can deal with this, and so forth.

What made it successful is that close relationship, not only at the political level—if one side doesn't feel it's on track—but also at the technical level; they have confidence in each other, they trust each other, what they're saying. We have that, but we have a long relationship in particular on potatoes.

**The Vice-Chair (Mr. Paul Steckle):** Thank you very much. I think it was also not a health issue.

Mr. Gary C. Groves: Right.

The Vice-Chair (Mr. Paul Steckle): Okay.

Where's Mr. Boshcoff?

**Mr. Ken Boshcoff (Thunder Bay—Rainy River, Lib.):** Thank you, Mr. Chair. I have two questions. One deals with the water issue. The International Joint Commission recently commissioned a very extensive study to determine the decrease in water levels in the Great Lakes. I am a former mayor who worked with the Great Lakes-St. Lawrence mayors. Mayor Daley and I had several protocols for water in terms of the population demands in the southwest U.S., and the agricultural demands, not only in the Great Lakes but also in western Canada and the western United States.

What is your view of the next five years in terms of demand? We can see that kind of pressure happening in other countries in the world.

The second one is this. Recently in Alberta the sugar beet harvest has come in, and there is protectionist pressure on the United States government on the heavy juice. Some have said the sugar beet lobby in the United States makes R-CALF look like cub scouts.

I would like your comments on the future of those and the resolution of them, please.

**Mr. Gary C. Groves:** On your first question, water levels in the Great Lakes, that is completely out of my area of expertise. I know meetings are going on this week.

**Mr. Ken Boshcoff:** I meant the diversion for agriculture and the pressures for both drinking water and agriculture.

**Mr. Gary C. Groves:** I have no ability to comment on that with any sort of U.S. government position or anything like that. Sorry about that. I hear things, but that's just like you hear things, so I don't really want to make comments based on that.

On sugar beets, sugar, when you're talking about the sugar program in the United States, that is obviously one of our most sensitive products. You have sensitive products, and we all know what they are, and we have sensitive products. Sugar is an issue we have had for a long time—our import program with sugar. It's a very regulated program. We find with regulated programs, there are always going to be efforts to get around that sort of regulation. I don't know enough about the heavy juice to know exactly how that fits into the scheme of things, but the answer to the sugar issue is really found in multilateral trade negotiations.

In terms of changing some of our import programs and so forth, it's something we'd be willing to deal with, but this is legislation, this is the law of the United States. So we implement those laws regarding sugar, ensuring that whatever comes in is coming in according to the import program and what it allows.

• (1625)

**Mr. Ken Boshcoff:** With what has happened on the softwood issue over the past number of years—essentially the ignoring of panel decisions—do you see that something like that may lead to disputes about sugar beets, where even though we may have a justifiable case, duties or surcharges may still be levied, knowing that with the precedent of the softwood deal the Americans would never have to pay the money back, or only part of it, or something like that?

**Mr. Gary C. Groves:** I don't consider that to be a precedent for the sugar program. The way we administer that program, we buy a lot of sugar from outside the country, but it's very much controlled.

In terms of challenges and so forth, our basic approach is that we're going to take the actions that we feel we are permitted to take under the WTO, under the international trade agreements. If anybody doesn't necessarily agree with those actions, they can challenge us, but those are the actions we take on that program or whatever program. We feel we're consistent with our international obligations.

**Mr. Ken Boshcoff:** For organizations such as that, is there an atmosphere of friendliness as opposed to an adversarial one, or is it just healthy competition? On this committee, I think we're perhaps trying to build some bridges in terms of understanding. Having gone through some of the BSE issues previously, we don't really want to see that happen in that tenor again. Could you say that some organizations are perhaps more assertive in their defence?

**Mr. Gary C. Groves:** I think most organizations are assertive in what they see as their rights, whether they're cattlemen or whatever, but it's always good if we can develop alliances between the industries. It has really helped us in the case of the BSE. The relationship between the National Cattlemen's Beef Association and the Canadian Cattlemen's Association has been a close one and one of trust. They obviously are competitors, but they've realized that their future is tied together.

We've had this where we've had tomatoes. Finally the industry is realizing that they need to cooperate rather than litigate. The more we can have industries doing that, whether it's in hogs or whatever, and the more that we as governments can encourage that, the better off we're all going to be.

**Mr. Ken Boshcoff:** Thank you.

**The Vice-Chair (Mr. Paul Steckle):** Thanks very much, Mr. Boshcoff.

Before I go to the next questioner, I just want to elaborate a little bit on one of Mr. Boshcoff's questions that you responded to, and that has to do with the response you gave on trade rules.

While trade rules should be clearly written and understood by both sides, you say we may not always agree with your interpretation of those rules. That's a fair statement, but somehow when we enter into that arena, we then find ourselves into an appeal process and we have to prove the onus. That is what has led us into many of the areas where we've had disagreement.

I think we need to clearly and perhaps better understand or try to understand and agree that we try to live by the same rules. I think Canadians have sometimes felt that we have tried to live by the rules, or that we're the smaller player and we have to live by the rules, but somehow others—namely the United States in this case—do not always live by those rules. We then have to spend our money to prove that you haven't. Of course, the appeal process then goes on and this becomes a long, drawn out process.

This has caused some of our problems, and we need to get beyond it. I think we need to do better on that front.

Mr. Gourde, for seven minutes.

[*Translation*]

**Mr. Jacques Gourde (Lotbinière—Chutes-de-la-Chaudière, CPC):** First, I would like to thank the USDA officials. About ten days ago, I was at the Canadian Food Inspection Agency with our own officials, and we had excellent co-operation from the American officials on the golden nematode issue. Our two countries are making good progress. I think it is important for the future of both our countries to have sound agreements and to find ways to sort out our problems.

There is a lot of talk about intervention protocols. I think it is quite beneficial for Canadians and Americans to find joint solutions to the problems that can and will certainly arise.

In a context of globalization, many parasites can spread to the North American continent, either in the United States or in Canada. In the future, we will most probably have to regionalize the issues, just like we did with the nematode issue. It is important for both our markets in Canada and the United States. Whether we like it or not, we share this continent, and the market is becoming more and more globalized.

Do you think that in the next five to ten years we could agree on memoranda of understanding on a wide range of potential problems, or should we do it just on a case by case basis? What is the position of the American government on this?

• (1630)

[*English*]

**Mr. Gary C. Groves:** We would like to go about it as broadly as possible. Case by case, it obviously takes longer, but we are very much for harmonizing and integrating the industries on both sides of the border to the extent that we can. I think we are fully prepared to talk about ways to better do that or to do that in a quicker fashion.

There are obviously certain sectors in which that's not going to be the case, but, by and large, there is a lot more potential for harmonization. For example, in fruits and vegetables, there are areas that we can work on together to adopt similar regulations, similar standards, and really help to integrate some of these markets. It serves both of our economic trade interests to do so.

Often it ends up being on an individual sector basis or whatever, but our position is that we're ready to go forward in a number of other areas. You just can't do them all at once, but to the extent possible, we are willing to talk about further areas of harmonization. That's really what the whole process of the security and prosperity partnership is about. It's about looking at further ways....

We have NAFTA. We have the integration that we have. But where do we go next? What are the areas that we still need to be working on? All three sides are identifying these areas with priorities and so forth, and the basic goal is to move that forward. That gives us the broad umbrella to go forward, but a lot of the work is going to be done by individual working groups and individual sectors.

[Translation]

**Mr. Jacques Gourde:** I would simply like to mention that we appreciate this new cooperative climate. I know it did exist in the past, but I think that for the well-being of our two countries, we should keep this same direction.

The problems we will meet in the future will most likely be problems we have in common. I am sure the Canadian Food Inspection Agency will co-operate with the USDA in the interest of both our markets.

[English]

**The Vice-Chair (Mr. Paul Steckle):** Are you finished, Mr. Gourde?

**Mr. Jacques Gourde:** Yes.

**The Vice-Chair (Mr. Paul Steckle):** Going to the opposition side, we'll hear from Mr. Thibault—and if you can't conclude your seven minutes, you can share the time.

**Hon. Robert Thibault:** Thank you very much. I have two questions.

First, I'd like to come back to the sugar beet issue, because I'm not too familiar with it. I learned this week about that issue, but I understood it to be an area of trade that had been ongoing between our producers and your market for a long time, and that it was coming to an end because of protectionist measures or lobbies within the U.S. market that would have until now been operating under the program, under your importation programs, with great fear that that market would be removed from those growers or from that area. I was wondering if you could explain your perspective or your understanding of this problem.

**Mr. Gary C. Groves:** I must say that I was not aware of this problem coming in, so I really would have to look into it in order to really give an answer to that. I'm sorry about that, but I just really don't know enough of the specifics to be able to answer your question.

•(1635)

**Hon. Robert Thibault:** I thank you. I can't give you the specifics either because it's something I've learned about as an evolving question rather recently. But we would be interested to have follow-up if possible.

**Mr. Gary C. Groves:** Sure thing.

**Hon. Robert Thibault:** If you could let us know what the situation is, please do so through the chair.

On the second question, I know you were asked by Mr. Boshcoff about the water level and that it's not your area of expertise. Let me assure you, though, that the whole committee would be interested in any water cooler talk you can share with us.

My final question to you would be on your perspective, being experienced in matters of international trade, as to the future of the WTO round and the GATT rounds. Do you have hope that they will be resuscitated and that we will come to a better leveling of the playing field, giving us easier, profitable access in international markets while helping developing countries and at the same time protecting both your and our producing sectors?

**Mr. Gary C. Groves:** On the WTO, obviously we've been very disappointed about not making more progress on that, but I think all of our trade officials, including Secretary Johanns, are saying that they still believe we can get an agreement. Now, that agreement could be six months, they just don't know, but they do consider it more "when" than "if". That's a bit like our experience with the Uruguay Round, which certainly went into hiatus for a while.

There are some difficult issues here. In the U.S. it's not like we can come up with another proposal that's going to bring this thing back on track. We stated clearly from the start that we have to have significant market access in countries like Japan, and the EU, and in the developing world. When we looked at what was on the table, it just did not provide that.

When some of the developing countries can protect 95% of their sensitive products, or of their agriculture products—not just sensitive products, since they could basically call everything sensitive—that's not market access. Look at some of the EU proposals for beef. They were talking about access to 160,000 tonnes of beef. Well, I think Canada imports more than that. We import over a million tonnes.

So the access they were offering was just not worth paying the price for in terms of what we were willing to offer. We are willing to go however far we need to go on the side of domestic subsidies, as I think they have said. But we have made a very ambitious proposal. Some people try to shoot holes in it, but if you really look at the proposal we made, there are serious reductions in U.S. farm support programs. There is no way we could have the farm support programs in the shape or form they are in now if that proposal were done.

In this case, overall, our interests are really aligned with Canada's. As you said, we have basically the same objectives. We want to get at, first of all, the most egregious practices, the export practices. We want to bring down the domestic subsidies in terms of the trade-distorting subsidies. We want real market access. Obviously we want to be able to maintain our farm safety net for our farmers, in whatever form we each do that.

So I think our interests are very closely aligned. We have to keep trying to move this forward, realizing that we're on the same side rather than undermining the position taken by the other. We have been very supportive of each other. Canada was very supportive of our proposal. This is the only way we're ever going to get....

But as for prospects, no one knows.

**Hon. Robert Thibault:** As part of that safety net, another sensitive project that we seem to protect is the supply management side. We've all been asked by the supply managed sector to use article XXVIII, because we have some imports that come in falsified—the sugar mill plans and all sorts of other ways that you can get around our restrictions.

There's been some reluctance to do that, with a preference for working through WTO and GATT to do those things. Now we end up in a position where that's going to have to be seriously considered. I'm not on the government side, I'm opposition, but the world government is going to have to consider those things. My fear is that this will happen internationally, without a framework, and people will have to be more rigid to protect their interests, or negotiate a billion bilaterals, which becomes difficult to work also.

I just wanted to hear your perspective on these things.

● (1640)

**Mr. Gary C. Groves:** Yes, I think that would be our perspective as well on Canada going article XXVIII. I mean, you're opening something up here that other countries are going to look at, that producers in other countries are going to look at, so you really need to carefully consider this in terms of whether or not it's really in your interests overall to do this. It certainly wouldn't be something that... you know, we would be opposed to that. It's your legal right, but we would have concern for the precedent it would set.

But you're right on the preponderance now of bilaterals. For us the bilateral option is an option—a lot of countries around the world want to sign bilaterals with us—but that's not really the way we want the world trade system to go.

**The Vice-Chair (Mr. Paul Steckle):** We'll now move to the government side. Mr. Devolin wants to speak. But before we do that, I need the unanimous consent of the committee, because Mr. Devolin doesn't have a substitute form signed.

Is it the wish of the committee to allow him to speak?

**Some hon. members:** Agreed.

**The Vice-Chair (Mr. Paul Steckle):** Unanimous.

Mr. Devolin.

**Mr. Barry Devolin (Haliburton—Kawartha Lakes—Brock, CPC):** I thank my colleagues for their indulgence.

Thanks for being here today, Mr. Groves and Ms. Anderson.

I want to talk a bit about the BSE issue and make an observation. There seems to be a gross disconnect between the impact of the decision to close the border and the actual level of the risk. This is true not just in the United States, but also in other countries.

With regard to the actual BSE risk to people, I expect that if you were to walk two blocks to a steakhouse, the odds of being run over

by a car are much greater than the odds of catching something from eating that beef. There is a lack of proportionality between what actually happened to Canadian farmers as a consequence of this decision and the actual risk presented by the handful of animals that were found.

My riding is in eastern Ontario, about halfway between here and Toronto. It contains some prime agricultural land, but also lots of rolling farmland that's good for pasture. I had a significant number of small cow-calf operations in that area, full- and part-time. Most of them had their equity wiped out through this process, so there was a big social and economic displacement in the community.

I have lots of dairy producers in my area. Because of the supply management system in Canada for dairy, farmers don't try to maximize their milk output. They try to maximize the efficiency of producing a certain amount of milk. This has caused a lot of dairy farmers to spend time on developing high-quality genetics that are exported around the world as breeding stock. I have a significant number of dairy farmers who have been impacted by the closure of the border. This is a less obvious impact, but they have lost this secondary revenue stream derived from exporting high-quality, live dairy animals into the United States and elsewhere.

A third group that was affected were sheep farmers. I have some sheep farmers in my area, one in particular who is very well known. He also developed high-quality genetics and was on the verge of starting to export significant numbers of sheep into the United States and Mexico, which, forgive the understatement, also got sideswiped in the border closure.

There is obviously a connection between BSE and beef cattle. I guess you could make an argument that there's a connection between BSE and dairy cattle, if at some point down the line they entered the food chain. But there's no connection with a sheep farmer.

As someone who is experienced in these matters, do you have any ideas or observations on what needs to change so that when something arises like a case of BSE, we don't use a sledgehammer to kill a fly? The collateral damage is unbelievable. Can you tell us, as someone who has been around this business for a long time, whether there are lessons we can learn from what has happened in the last three years that would allow us to protect food safety without causing unnecessary and widespread damage in other parts of the agricultural community?

● (1645)

**Mr. Gary C. Groves:** Yes, very much so. There are many lessons. We're a lot smarter about BSE now than we were three years ago.

Three years ago, if another country had one case, they couldn't ship anything to either one of us. Canada had to act just like the United States. So when Canada got the first one, that was our reaction because that's what we thought the science was telling us. We've learned a lot about the science of BSE and what can be done, and we are taking those lessons to heart.

We've had some collateral damage in the United States too, from three animals now. We lost a multi-billion-dollar market in the Far East that still has not come back for us, in terms of exporting there. There were producers, I'm sure, in the U.S. who would like to have access to the genetics you're talking about to help them become more efficient and more competitive. So it's very much so; there is collateral damage.

I know the impact this had on the Canadian industry was just phenomenal, but the answer to that is that I think we're not there yet, even on the BSE side. We still have this rule to go. This rule should take care of much of what you're talking about in breeding cattle and so forth, like that, but we still have to work on the sheep, the alpaca, and so forth, to get fully in line with what we now believe should be the standard, which we have been pushing for in the OIE.

So ultimately that's the answer, to develop international standards that we can all live with. When it happens to us, we learn pretty fast in terms of what the science is that we didn't realize, and then we have to work on other countries together. I think we're making real headway on this.

**Mr. Barry Devolin:** I serve as the government's liaison with the Korean community here in Canada. This summer there was a group of Korean legislators who came to Ottawa for a visit to talk about issues. It was interesting. I knew they had arrived the day before, and I said, "I understand you were at the ambassador's residence last night. His chef is the best Korean cook in town and I'm sure you had a wonderful meal of bulgogi." They said yes. I said, "That's great. You've already eaten Canadian beef since you arrived here and obviously you're feeling fine today." Somewhat in jest, I pointed to the ambassador and said, "And your ambassador eats Canadian beef regularly and look at him. He's the picture of health."

It was just for a moment, but I thought we'd actually penetrated what I call the absurdity of some of these rules. Even those who are travelling to other countries, supposedly defending the food safety of their own country, if you offer them a nice porterhouse steak here somewhere in town, they'd be more than happy to eat it, right? So it belies the notion that the risk that was posed was such that it required this kind of a response.

I take what you say at face value. I guess I have more of a comment than a question, which is that I really think that on both sides of the border we need to figure out a way to deal with things in a more reasonable and proportionate way.

One of my colleagues—I can't remember who it was—made the reference to R-CALF and other groups in the United States clearly taking a political opportunity to make, what I would call, mischief, which had an enormous cost to so many Canadian producers. I hope that in the United States and in the government there's a recognition of that, and it is clearly a situation we hope never recurs.

• (1650)

**The Vice-Chair (Mr. Paul Steckle):** Thank you.

Mr. André, do you have a question?

[*Translation*]

**Mr. Guy André (Berthier—Maskinongé, BQ):** I will dare ask a question even if I just arrived and I am still feeling my way around in this discussion.

I read this document and I heard about the customs tariffs the Americans will levy in a near future on imports from our country. Was this question already asked? I do not want to be repetitive. Did somebody already asked this question?

[*English*]

**The Vice-Chair (Mr. Paul Steckle):** The question, Mr. André, was asked previously.

[*Translation*]

**Mr. Guy André:** I was wondering about this. Could you tell me whether this will be implemented after November 24?

And also, will we be able to levy the same kind of fees? Since the Americans can do it, why could we not? Do the Americans levy this kind of fees on products from other countries also?

[*English*]

**Mr. Gary C. Groves:** In terms of the user fee, yes, as it is scheduled now, the interim rule is still on the books and is scheduled to go into effect on November 24.

Last month, Agriculture Minister Strahl went down and talked with Secretary Johanns, and they agreed to collaboratively look at this issue and see what other options there might be, and that process is under way now. We don't have, yet, anything to announce or whatever, but it is something that is being actively considered.

In terms of the user fees themselves, the basic goal is cost recovery. I believe that Canada has a cost-recovery system now for inspections, but I think it only applies to a very few products and that the amount they collect is very small. But Canada has that system and has the right to impose that system.

I'm sorry, was there another...?

[*Translation*]

**Mr. Guy André:** I might have another short question about the BSE issue. You know that Canadian and American cattle travel both ways at the border. Right now, the American market is open to other countries.

I was in Taiwan recently, and I could see that they let in the American cattle but not our beef of less than 30 months. Is this just a matter of political lobbying, or are we looking at something different?

[*English*]

**Mr. Gary C. Groves:** Are you talking about our restrictions regarding Canadian...? No. Are you talking about Taiwan?

[*Translation*]

**Mr. Guy André:** I am talking about restrictions in Taiwan on American and Canadian beef. Our beef is still banned. We cannot export beef in Taiwan, for example.

[*English*]

**Mr. Gary C. Groves:** Canada still cannot export to—

[*Translation*]

**Mr. Guy André:** It would seem that restrictions are tougher for us than they are for the Americans.

[English]

**Mr. Gary C. Groves:** Our position with all countries, I think, just like Canada, is that we urge them to adopt the now adopted OIE standards. So we would urge them to allow the same standards and product coming from Canada as from the United States. We aren't over there saying to take our beef but still be concerned about Canada's.

Are they legitimate? I think we would say no. We believe that with the OIE standards, you can pretty much trade in beef with the SRM removal and under certain conditions. So we are really urging all countries to do that, just as in the case of Canada. It's perfectly safe.

So it's very frustrating. Japan has twenty months. There's no basis, scientifically, for the twenty months. We are trying to get them to go, because right now what they're finding is that the consumer wants the American beef or the Canadian beef. Your exporters have found the same thing. They can't, frankly, get enough of it to supply their demand for those cuts by doing what they're trying to do and limiting themselves to the twenty-month-old animal.

So we find that the Japanese consumer still has confidence in North American beef, and we are very much urging that they.... Again, we feel that we in North America have a unique product here in terms of many things, but particularly in terms of beef, grain-fed beef that is not produced as abundantly in other countries. So whether they buy it from the U.S. or from Canada, the more we can get consumers overseas to want that type of beef, the more we're both going to benefit. So we very much want to get beef from North America into the Asian markets—all of them.

• (1655)

**The Vice-Chair (Mr. Paul Steckle):** Now it's Mr. Bezan, for five minutes—we're going to cut it down. Then it's back to Mr. Boshcoff.

**Mr. James Bezan:** Thanks, Mr. Chair.

I want to follow up on what Mr. Thibault started talking about, which is that in the program of WTO, things aren't looking good. As you said, Canada and the U.S. are very close in our position that we want to have more trade liberalization. It's important to our red meat sector and to our grain and oilseed sectors. But it doesn't look good.

You mentioned bilaterals, and of course as a Canadian government we're moving forward with more bilaterals. You do gain market access, under most favoured nation status, when you sign these bilaterals. The problem, though, is that this still doesn't deal with all the distorting subsidies out there, whether they be in trade or production. It doesn't deal with phytosanitary issues that keep getting thrown at us, such as the European beef hormone ban.

How do we resolve this? If we can't get them to the table now, what do you figure the next step is going to be, from a WTO standpoint? Or is WTO going to become irrelevant?

Secondly, how do you see this all playing into the U.S. Farm Bill? You guys are in the process of bringing forward a new bill and you mentioned you were going to be very ambitious and roll back support, that it was production and export distorting. What framework are we looking at coming out of the U.S. administration?

And are we going to see an actual reduction in the overall dollars spent, or are you just going to spend them differently?

**Mr. Gary C. Groves:** Bilaterals just cannot deal with these multilateral questions. We just don't see a way to get at some of the topics you're talking about, in terms of subsidies, on a bilateral basis. That's what we did in the Canadian-U.S. free trade agreement. We just set aside a lot of the areas and said, we can't deal with this. That's pretty characteristic. There are some...and certainly we can get some openings for products; we've run into it with Mexico on the sugar side, and so forth. But by and large it's very difficult.

So the WTO is the answer. That's why we support the WTO process so strongly. We don't think it's going to become something irrelevant, or something that is set aside, or whatever. Our expectation would be that eventually some of these other countries are going to realize it has to be in their interests to go forward with a WTO. I think as this process unfolds in the months ahead, they are going to realize that they want it to go forward. They want the United States and Canada to make these concessions—they're valuable to them—and they realize they have to also offer something substantive. It's a hope maybe, but it's also I think our expectation. Again, whether it takes six months or six years, we're not really sure, but eventually it is going to come along.

As for the WTO and the Farm Bill, it has obviously complicated our world in terms of the Farm Bill. But our intention is that we're going to go ahead and write new farm legislation. Our Farm Bill is not going to be written in Geneva; it's going to be written in Washington. That's the approach I think of the administration and of the Congress. It expires roughly at the end of September of 2007, by and large, or with the next crop. That is the kind of timeframe they have to deal with.

There are still certain other constraints. There are budget questions: how much do we have available for it? There are questions the secretary is raising regarding equitable treatment of different products. Under the current Farm Bill a few products receive most of the support. There are a lot of questions. There are questions on biodiesel and biofuels; there are questions on the environment and conservation. There are too many things out there in rural development that we have to deal with in this Farm Bill. We can't wait for some WTO agreement to be concluded. We really have to go forward, and I think that's very much the intention of what they're going to do.

• (1700)

**The Vice-Chair (Mr. Paul Steckle):** I'm sorry, your time is done. Five minutes is gone.

Mr. Boshcoff.

**Mr. Ken Boshcoff:** Thank you very much.

As a courtesy to Mr. Atamanenko, who is in the House right now on an important matter, I would like to ask this question for the record on his behalf.

Would the U.S. proposal on domestic support in the WTO result in a real reduction in actual U.S. spending?

**Mr. Gary C. Groves:** The answer to that is a definite yes.

Our proposal I think works out to about a 53% reduction in our allowable level of domestic subsidy. There is just no way we can cover that by just shifting around boxes and the area we have available and so forth. If you really do the math, it just doesn't come out. We're talking about the amber box going down from around \$19 billion to \$7 billion, and for domestic support, that's the trade-distorting one. Then there's the *de minimis*...there are all these different boxes, you know. All those allowances would go down in half, so there's very much a definite reduction. Anybody who is saying otherwise is just trying to create a smokescreen so they can look at us rather than at themselves.

**Mr. Ken Boshcoff:** Thank you very much.

We also have a question in common that I was planning on asking.

Recently I quoted into the record of this committee the National Farmers Union as stating that some U.S. trade reps have said that with the Conservative government's dismantling of the Canadian Wheat Board, they had managed to do more in a few months than the U.S. had been trying to do for several years.

So the question that we also share is, does the U.S. government support this government's intention to remove single-desk selling at the Canadian Wheat Board?

**Mr. Gary C. Groves:** Our position on monopoly powers of state trade organizations is well known. We oppose that. We certainly are pursuing that in the WTO. We pursued it in various WTO cases, obviously, as you know.

Regarding the Conservative government, we're not part of that debate. That's an internal domestic Canadian matter, so I would just leave it. Our position is well known. But what you do here, whether you do that now voluntarily, that's a Canadian debate.

**Mr. Ken Boshcoff:** So it wasn't a directive from the U.S.—

**Mr. Gary C. Groves:** No, no.

**Mr. Ken Boshcoff:** Okay. Thank you very much.

**The Vice-Chair (Mr. Paul Steckle):** Mr. Miller.

**Mr. Larry Miller:** I have two issues.

First, I just want to follow up, if I can, Mr. Groves, on Mr. Bezan's question.

The U.S. Farm Bill, when it started out, basically covered wheat, corn, sugar beets, and a few other things. It seems to be getting broader and broader all the time and covering more products. I guess I wonder, as an agricultural producer, how far you're going and if there is any direction you could give us as to any other products that we haven't heard about that they're planning on including in it. I'm sure you'd share that with us if you knew.

**Some hon. members:** Oh, oh!

• (1705)

**Mr. Gary C. Groves:** Right.

It has basically stuck to what we call the five program crops. I suppose I should name them now that I've mentioned them. It's wheat, corn, soybeans, cotton, and rice. Those get over 90% of the support.

We brought in I think peas and lentils in the last one. That was something the producers in some of the states that border Canada certainly were supportive of. They would say that Canada has always had support for their peas and lentils, and now that they have their industry developed, they don't want us to do this. I mean, you always get those types of debates going back and forth.

In terms of this Farm Bill, as I said, the secretary is very concerned about equitable treatment. Equitable treatment that's really.... You're talking about what they call specialty crops, which is a bit of a misnomer, because specialty crops, value-wise, actually account for half of the U.S. agricultural crop production.

It's not that these people are looking to have a program subsidy, such as what they have for corn or whatever. They're looking for investments in their future, in terms of research; in terms of dealing with phytosanitary issues, whether it's within the U.S. or overseas; in terms of helping with market development, and so forth. If you do the green box types of programs, which are not considered to be trade distorting, that's the type of support I think they are looking for out of this Farm Bill.

So you may see some direction like that. But, no, you're not suddenly going to see all kinds of crops coming in.

**Mr. Larry Miller:** There is another issue. There are people who seem to think that water might become one of the next big agriculture issues, mainly because of the amount of irrigation that goes on in the midwest. Frankly, I've travelled through there, and I can't imagine how a society, or a government, can justify how much water gets used in basically desert conditions. But that's an opinion.

Another opinion I have is that water should never be treated like a commodity such as wheat or oil or lumber or whatever. That's something I believe very strongly in, and I will push my government on that issue. It's something I'm a big pusher for.

The Great Lakes basin covers just about 50%—within a million of 50% of the population—of Canadians. In your opinion, do you see that the diversion of water is moving to the front burner, so to speak, in the near future? Is there much discussion on that? What direction do you think the U.S. is headed on this?

**Mr. Gary C. Groves:** I'm certainly not an expert on water in the Great Lakes and so forth. But just to give you some water cooler talk, from what I can gather, our states have the same concerns as you about the Great Lakes: maintaining that water as a resource, not abusing that resource, and so forth. It's something we share.

It's not like they're planning on draining the Great Lakes or something like that. It's very much a shared approach. I don't perceive there are policies coming down the road that should create alarm on this.

Again, this is just what I can gather.

• (1710)

**Mr. Larry Miller:** Okay. I would just comment on that quickly, Mr. Chairman.

That's one thing about that saying that talk is cheap.... One thing that Canadians have a fear of, or I certainly do, is the fact—and I'm sure Americans recognize this—that very little water actually runs from the U.S. into the Great Lakes system. It all comes from Canada's side, or the biggest part of it does. So there is a difference, and the same care-taking, or worry, about that water supply may be slightly different.

I think the situation with Devils Lake in North Dakota shows an attitude that Americans are going to do what they want, so to speak—if and when they want. It's a fear that's out there. Hopefully, down the road, it doesn't create big-time problems. I think we have to protect it.

**Mr. Gary C. Groves:** You're out of my area of responsibility.

**Mr. Larry Miller:** I understand.

Thanks, Mr. Chair.

**The Vice-Chair (Mr. Paul Steckle):** Thank you very much. I think the sentiment of Mr. Miller is shared by all of us around this table. The diversion of Devils Lake into Manitoba is certainly something we haven't forgotten. In fact, we're not even getting used to it yet.

I have something that sort of goes back to the water issue, and this is my last question. It may not be into your areas of expertise, but certainly if we look at invasive species and we talk about invasive species going south into the U.S., we're concerned about invasive species coming north. I particularly think of the Asian carp, which is in the Mississippi system. That's only one, and there are others—a number we could mention.

I'm wondering what the U.S. is doing in terms of allowing live species into your country, for whatever purposes, whether it's to clean up ponds so you can raise other kinds of fish...the kinds of species that could ultimately end up being hazardous to our ecosystem. That's a serious problem and it is one we're wrestling with ourselves. But certainly when neighbours allow things to happen and those creatures start to trespass into our territory with negative impacts, we have reason to be concerned. Is that something that touches you? Are you involved?

**Mr. Gary C. Groves:** Not directly, but invasive species is an area that we're very concerned about. Obviously, we have lots of people in USDA working on this, working with their counterparts in CFIA on different ones that touch both sides. I think our general approach is that we understand and would agree with you that allowing things that can.... Since we do share this border, we have to consult with the other and look at this.

I think we're doing that more and more. I know we did that in the case of allowing in Paris and China, coordinating more of our actions to see what the other is doing and that what the other is doing is not going to affect the industry. I think it's a legitimate point and one that we need to always be aware of.

**The Vice-Chair (Mr. Paul Steckle):** Thank you very much, members of the committee, and certainly to you people, Mr. Groves, Ms. Anderson.

Ms. Anderson, we didn't give you any time for comment on this... we actually did, but we didn't find you commenting. Have you anything to add to this meeting before you leave?

**Madam Lisa Anderson:** No. I think Mr. Groves covered it all quite adequately.

Thank you.

**The Vice-Chair (Mr. Paul Steckle):** Next time you can come alone.

Thank you again. I hope we have covered areas that you see as areas of mutual concern, because obviously this is not a one-way street; it goes both ways. And we do appreciate your forthright answers and responses today.

**Mr. Gary C. Groves:** I very much appreciate the opportunity, Mr. Chairman. We are always willing to address your issues of concern and so forth. I find it very useful for me to hear from you. I hope it's useful to you, likewise.

**The Vice-Chair (Mr. Paul Steckle):** Thank you very much.

This meeting stands adjourned.

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