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**Chair**

**Mr. Leon Benoit**

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Wednesday, June 7, 2006

• (1530)

[English]

**The Chair (Mr. Leon Benoit (Vegreville—Wainwright, CPC)):** Good afternoon, everyone. We're now starting our eighth meeting of this committee.

Pursuant to Standing Order 108(2) we're doing a study on the World Trade Organization and services, agriculture and non-agriculture market access.

We have as witnesses today, from the Department of Foreign Affairs and International Trade, Terry Collins-Williams, director general, multilateral trade policy bureau; Robert Ready, director, services trade policy division; and from the Department of Agriculture and Agri-Food, Graham Barr, director, multilateral trade policy division.

Gentlemen, you would have opening statements, I would imagine. We normally allow ten minutes for an opening statement, but if you need more time than that we will allow that, and then we'll go to questioning when you've completed your presentations.

Thank you very much for being here this afternoon.

**Mr. Terry Collins-Williams (Director General, Multilateral Trade Policy Bureau, Department of Foreign Affairs and International Trade (International Trade)):** Thank you, Chair.

We thought that in the interest of time we would simply introduce ourselves and our roles in the WTO negotiations, and dispense with opening statements to allow you to get directly to questions on the interests of most direct concern to you. However, if you want us to give an overview of the three subjects that are the focus of your meeting this afternoon, we can do so. We leave it in your hands.

**The Chair:** We'll just go directly to questions, but if you'd give a little bit of background each, then that would be just perfect.

**Mr. Terry Collins-Williams:** All right.

I'm Terry Collins-Williams, director general, multilateral trade policy bureau in DFAIT. Within the WTO negotiations I'm the deputy chief negotiator and the lead negotiator for NAMA.

**Mr. Robert Ready (Director, Services Trade Policy Division, Department of Foreign Affairs and International Trade (International Trade)):** My name is Rob Ready. I'm director, services trade policy. I'm the services negotiator for Canada in the Doha round.

**Mr. Graham Barr (Director, Multilateral Trade Policy Division, Department of Agriculture and Agri-Food):** My name's Graham Barr. I'm the director of the multilateral trade policy division

at Agriculture and Agri-Food Canada, and I'm responsible for the division that provides the analytical and operational support to Canada's chief agriculture negotiator.

**The Chair:** I'd like to comment that in your hands as advisers or negotiators there's a great deal of responsibility. For the sectors that you represent, what happens at the WTO is extremely important, obviously. So I'd like to thank you for the work you've done and for your continued work in that area. We certainly recognize the importance of that.

We'll go now to the questioning, seven minutes, starting with the official opposition, the Liberal Party, the Honourable Mark Eyking.

• (1535)

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

I'd like to thank the witnesses for coming here today.

Brought up in the House quite a few times today was the whole situation of what's happening in Geneva and the challenge we have sometimes of making sure both sectors of our agriculture are protected here, whether it's supply management or the non-supply-management. It sometimes is a tightrope.

Right now one of the biggest issues we have is trying to make sure that our supply-management products get into the sensitive box with other countries with their products. How do you see that? That's my first question. What do you see as the likelihood of our getting it into that box? Personally, I think that's one of our best ways of protecting supply management down the road so other countries will not throw it against us.

**Mr. Graham Barr:** Thanks.

The issue you're referring to is called the selection of sensitive products, so how many tariff lines can countries designate as belonging to sensitive products. You're right, this is one of the key issues that negotiators are talking about in Geneva.

Obviously, Canada's position is that for us our sensitive products are the supply-managed products, and we're pushing hard to ensure that we can include our supply-managed products into the sensitive products category. Obviously, other countries, such as the United States and even the European Union, have different positions, and they want to see the sensitive products category, if you will, smaller. This is something that's under active negotiation right now.

So we are pushing, and that's our position, to get all of the supply-managed products into the sensitive products category. But as I say, other countries have different views, and the negotiations will continue.

**Hon. Mark Eyking:** So right now they're in the midst of negotiations over there, mostly at a bureaucratic level, if I have it right, and the ministers are going to come in at the end—that's my sense—and kind of give the final okay on it.

What is the sense over there now among the Americans and Europeans on subsidies? Is there a sense of them having much give on what our position is right now?

**Mr. Graham Barr:** You're raising the other key issue in the agriculture negotiations, which is the reduction of subsidies, particularly those that distort trade the most. This has been a key issue and objective for Canada, getting those trade-distorting subsidies down, particularly those in the United States, because they're our neighbour and because of our large trade dependence on them.

We're very pleased that currently the negotiations are structured around the countries that provide the highest subsidies being the ones that will have to make the largest percentage reductions, meaning the European Union and the United States. We're very pleased about that, because that will harmonize the levels of subsidies that countries can provide and will lead toward this more level playing field we've been talking about for several years as our primary objective in the negotiations.

Developing countries are obviously also looking very keenly to reduce the levels of subsidies in the European Union and also in the United States, so we're certainly not alone in pushing for that. The U. S. and the European Union have put proposals on the table that would see their trade-distorting subsidies reduced by 60%, 70%, or 75%. We think—we know—that they have room to go a bit further, and again, this is under active negotiation. We and other countries will be pushing them to go further. We'll have to see. Obviously in the United States there's a political dynamic. They have their own domestic context in which they have to play, but Canada and other countries are still pushing very hard to get those subsidies down.

**Hon. Mark Eyking:** Do I have more time?

**The Chair:** You have three minutes.

**Hon. Mark Eyking:** Is there a sense that our negotiation position has changed over the last year because of the change of government here?

• (1540)

**Mr. Graham Barr:** Since the beginning of the agriculture negotiations in 2000, Canada has been pushing for a more level playing field. We've always been pushing for the elimination of export subsidies, a substantial reduction in trade-distorting domestic support, and real and significant improvements in market access. What has happened, though, is that as the years have gone by, the negotiations have gotten more detailed, so we've obviously moved from broader objectives to putting more specific ideas on the table.

**Hon. Mark Eyking:** My question was whether the mandate given by the government to the negotiators has changed much in the last four months. Has it changed at all?

**Mr. Graham Barr:** The government has been reviewing Canada's negotiating position to make sure it's still appropriate to the context of the negotiations. As I say, as it gets more detailed, we obviously have to adjust in the direction of having more detailed instruction, but the overriding principle of getting a more level playing field remains the same.

**Hon. Mark Eyking:** And of course, our strong stance on maintaining supply management has remained the same.

**Mr. Graham Barr:** That's right: taking a hard line on the issue of the importance of supply management hasn't changed.

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

We'll go to Mr. Paquette for seven minutes.

[*Translation*]

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

Thank you for being here. If my memory serves me, the Doha Round essentially concerns four matters: agriculture, services, market access and non-agricultural goods.

How are the mandates developed? Does the government give our WTO negotiators mandates in those areas? Are these mandates public? Could the committee have access to them?

Agricultural stakeholders often tell us that the negotiator's mandate will be renewed on a given date. We're not hearing about it. Maybe it's an urban or rural legend.

I'd like you to explain to us how the mandates of our negotiators to the WTO are developed and relations with the ministers and the Prime Minister's office.

**Mr. Terry Collins-Williams:** Thank you. Allow me to answer in English because I'm more comfortable with the key words and technical terms in English.

[*English*]

Concerning the formulation of the government's position, the government's objectives in the negotiation are in the public domain. They are set out in papers that are published on a WTO website at DFAIT, and the AFC also has a website directly relating to the WTO. They have been provided on the occasion of important stages of the negotiation such as the Hong Kong ministerial when, for instance, an MPs' kit was circulated explaining the government's objectives then and the state of the negotiations.

Our negotiating positions have been formed on the basis of extensive consultation with provincial and other sub-federal—municipal—governments as well, because there are issues in the negotiation that may be of interest to them, and with the private sector, with non-governmental organizations.

The officials formulate recommendations for our negotiating positions, and these are then, of course, sent up to ministers and cabinet.

I am not in a position to describe in detail the mandate per se. I believe that's a political question you would have to direct to ministers. But the objectives that we're pursuing in the negotiations are, I think, clear.

Mr. Barr referred to our objectives in agriculture; I'm sure Mr. Ready can do so in services. In non-agricultural market access, our objectives are to obtain the greatest reductions in or elimination of tariffs in markets of priority interest to Canadian exporters and the alleviation or reduction of non-tariff barriers.

The other major area of negotiations is trade rules, where we would be looking for improvement in the multilateral system of rules governing anti-dumping subsidies—countervail, and it also covers regional trade agreements—while at the same time ensuring that these instruments are available for legitimate use in Canada.

• (1545)

[Translation]

**Mr. Pierre Paquette:** We've recently learned that the negotiations on services have started. That's a bit surprising because we thought that, until the agriculture issue had progressed further, there wouldn't be a lot of negotiations on services. When I went to Hong Kong, no one was talking about services. From what we were told, stakeholder groups have been created and they're working on preparing documents in that area.

Canada belongs to 11 of the 15 to 20 existing groups. It has made demands concerning the financial, telecommunications and environment sectors as well as mode 4. What will the offers that Canada is submitting in July concern? What will Canada offer to stimulate overtures, one form of liberalization or another, in the those sectors?

**Mr. Robert Ready:** Thank you, Mr. Chairman.

Once again, I'd like to answer in English because the explanations are a bit complex.

[English]

Services negotiations have been under way, frankly, since the year 2000 in the Doha Round. One of the issues is that we always seem to be working under the shadow of agriculture and non-agricultural market access, but we've been pursuing a market access agenda in services negotiations, a rules agenda in the services negotiations, as well as an agenda that seeks to ensure that developing countries are dealt with in appropriate ways in the negotiating context.

What you're referring to, I believe, are plurilateral services requests that were an innovation in the negotiating process agreed on by ministers in Hong Kong. This process and these plurilateral requests are an extension, if you will, of what has been going on for three or four years in services negotiations, which are bilateral market access negotiations and requests. The plurilateral requests and that process were designed to introduce into the negotiation a little more efficiency, perhaps a little more focus. The grid of services sectors on which the negotiations take place is pretty complex and pretty numerous, in terms of the subsectors involved, so this was an attempt to give the process a bit of focus.

Canada is a requester in this plurilateral market access process in nine sectors, we're a recipient in ten, and there's one sector where there is a request but we're neither a requester nor a recipient.

The process we're engaged in, and have been engaged in for some time, is a request-offer process to achieve greater market access. The Hong Kong ministerial conference called for a revised services offer to be put on the table in Geneva at the end of July. We're working

towards that objective, consulting with provinces, territories, non-governmental groups, and other stakeholders.

[Translation]

**Mr. Pierre Paquette:** Would you be prepared to submit them in July, as provided in the process?

[English]

**Mr. Robert Ready:** We certainly intend to meet that objective.

[Translation]

**Mr. Pierre Paquette:** Do I have any time left?

[English]

**The Chair:** Your time is up, Monsieur Paquette.

Now we'll go to the government side, to Ms. Guergis.

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

I'd like to thank the witnesses for being here today. We appreciate your taking the time.

We hear and read a lot of doom and gloom in the papers about the current Doha Round negotiations. Is it really as bad as the papers say? Is there a drop-dead date, or could these negotiations actually go on for some time yet?

• (1550)

**Mr. Terry Collins-Williams:** The negotiations are in a very difficult situation and we have a very short time to reach agreement on some very major items, starting with agriculture and NAMA, because we didn't meet the Hong Kong deadlines for agreement on the modalities that would be the basis on which those negotiations could be concluded in detail—the formula reductions, and the terms of export subsidy elimination, in the case of agriculture.

So we have been, and still are, in a period of intensive and continuous negotiation in those two areas, which will continue through next week, at which time the chairs of those two negotiating groups are to submit texts, taking the decisions on modalities as far as they can. It is expected, and the director general of the WTO has suggested, that a group of ministers should gather informally in Geneva at the end of June to finalize the decisions on modalities in agriculture and NAMA.

Then we really have only one more month to put together a package based on the modalities in those two areas and the progress in all of the other areas—services rules, trade facilitation, and the interests of developing countries under special and differential treatment—and have that package on the table by the end of July. If we can't do that, it would be impossible to meet the Hong Kong timeline to conclude the negotiations by the end of 2006.

There's a tremendous amount of technical work that will have to be done in the fall by every member of the 149 members of the organization to schedule all of their commitments in all of those negotiations, and then for all of the members to verify one another's commitments. One of the lessons we learned from the results of the Uruguay Round was that by not having sufficient time to verify the commitments made to live up to the obligations of the negotiation, a lot of questions were left unanswered or a lot of issues arose, which then had to be resolved, either through dispute settlement or further negotiation. We would want to avoid that again.

So we're really up against tight deadlines.

**Ms. Helena Guergis:** What non-agricultural market access sectors in Canada would benefit most from a successful negotiation at WTO?

**Mr. Terry Collins-Williams:** NAMA includes industrial products, and also fish and forest products. We believe that all Canadian exporters in the non-agriculture sector would stand to benefit and that we, as an economy, as well as individual exporters, would stand to benefit by having the opportunity to diversify exports to the markets beyond the United States where we don't enjoy preferential access and where we still face very high tariffs.

**Ms. Helena Guergis:** Do you have some examples of products?

**Mr. Terry Collins-Williams:** Examples in the European and Japanese markets would be forest products, fish products, non-ferrous metals; in the major developing countries, examples would include many manufactured industrial products, such as aircraft, automotive parts, and pharmaceuticals. There are lots of examples and lots of opportunities for Canadian exporters to enhance access in a whole range of markets.

**Ms. Helena Guergis:** It sometimes seems as though the exporters are versus the supply management operators when you're talking about negotiations. Is it really like that? Are the two against...?

• (1555)

**Mr. Graham Barr:** In Canada, as in most other countries, especially those that have a large and wide-ranging agriculture sector, it's natural to have subsectors with different interests. I think that's what you're seeing playing out.

**Ms. Helena Guergis:** Do you think there has to be a loser here, or can we still have a strong supply management system in Canada for those who wish to operate under it, while at the same time exporting more of our non-supply-management products? Do you really think we can manage this?

**Mr. Graham Barr:** Certainly the objective is to ensure that we get the market access our export-oriented sectors need and that we get the trade-distorting subsidies down in the United States and the E.U. That will help not just our exporters but our domestically oriented industries as well, because of the impact it could have on world prices. The elimination of export subsidies obviously would very much help our export-oriented sectors, because they'd be able to operate in a marketplace that's fairer.

So there are a lot of benefits out there for the export-oriented sectors in the agriculture negotiations. For many of them, that's where the negotiations are actually heading, and Canada and other countries continue to push it there.

**The Chair:** You have thirty seconds left.

**Mr. Ted Menzies (Macleod, CPC):** Thirty seconds? I can hardly get anything done in thirty seconds, but I will try.

I've harped on this before: we tend to forget the fact that this is a development round. The only gain we got in Hong Kong was to reach a 97% quota-free, tariff-free level for least developed countries. Have we improved that? Why didn't we get to 100%, or is there any hope of getting to 100% to help these developing countries?

**Mr. Terry Collins-Williams:** In the market access opportunities for least developed countries, which is the initiative you're referring to you that was agreed in Hong Kong, 97% was the number insisted on by two of our trading partners, the United States and Japan. That was as far as they could go in offering duty-free, quota-free access to least developed members.

For developing members as a whole, we believe the greatest gains to developing countries, aside from the least developed, are going to come from the core negotiations: agriculture, non-agriculture market access, services, trade facilitation and rules. And we believe they will realize benefits from enhanced access to both developed and other developing markets, because 70% of the trade among developing countries is with other developing countries, and they face very significant barriers in developing trade-developing measures.

The extent to which those barriers are brought down is going to be significant, but the extent of their access to developed markets is going to be very significant, if we get ambitious that it come into this round.

**The Chair:** Thank you very much.

The last questioner in the seven-minute round will be Mr. Julian.

Before we go to him I want to mention that we are having two meetings today. This meeting will end at 4:30. We'll have a two-minute break and go to the next meeting. We also have a couple of motions to deal with, but we'll deal with those at the end of the meeting, so please don't leave.

Mr. Julian, you have seven minutes.

**Mr. Peter Julian (Burnaby—New Westminster, NDP):** Thank you, Mr. Chair.

I'd like to come back to the issue of supply management and the Canadian Wheat Board. It hasn't been at all clear to me exactly where we're going, particularly with supply management. As you know it's critically important to the maintenance of family farms across the country.

Last year we met with the chief negotiator, who said essentially that Canada was looking at about 12% of our agricultural receipts coming from the supply-managed sector, that the U.S. was pushing to reduce the level to 1%, and that the agreement would be somewhere between the two—which, if you extrapolate, would mean half the sector could be given up on the table.

Today in the House of Commons in question period, the Minister of Agriculture in response to Mr. Bellavance, when he asked if the minister could confirm that Canada will not give up one inch, said, "I think I've just said that."

We have here a contradiction between what the chief negotiator has said and what the Minister of Agriculture has said. I would like to have, for my own mind, a very clear sense of where we're going.

Do you have explicit instructions not to sign any deal that would impact on the supply-managed sector in any way?

• (1600)

**Mr. Graham Barr:** Your question is similar to the question that was posed earlier about the selection of sensitive products and the 12%, 1%. That's not a percentage of farm cash receipts or revenues, but it's actually a percentage of the tariff lines.

So how large, if you will, would the sensitive products box be? As I said earlier, there is obviously a variance in the size of that box that countries want to see, and yes, the U.S. did have a proposal on the table that only 1% of a country's tariff lines could fit into the sensitive products category. As I've said, we've obviously been pushing to ensure that the box is large enough to fit all of our tariff lines for sensitive products. There are countries that want a larger sensitive products box than we do, and there are countries that want a smaller one. As I said earlier, there hasn't been a final decision on that yet. It's still under negotiation, the size of that box.

**Mr. Peter Julian:** Yes, but my question is still a valid one: are the instructions to not sign a deal that would imperil any part of the supply-managed sector?

**Mr. Graham Barr:** The government has taken a very hard line in defence of the issues that are important to supply management. At this point, we have no intention of changing that position.

**Mr. Peter Julian:** Yes, but my question is still: are there explicit instructions not to sign a deal that would do that? You see, there's a difference between approaching the negotiations with the sense that you're going to give up part of a sector and approaching the negotiations with an absolute hard line that we won't sign the deal if it impacts on supply management.

**Mr. Graham Barr:** The government and the ministers have been very clear that we're going to stay at the table in the negotiations and not walk away from the WTO. I think you've heard that from the ministers, and our minister has certainly said that also.

**Mr. Peter Julian:** Okay. So the answer is no, that you do not have—no heckling please—explicit instructions not to sign a deal that might give away a portion of that sector.

**Ms. Helena Guergis:** Would the witness actually be signing the deal himself?

**A witness:** No.

**Ms. Helena Guergis:** Thank you.

**The Chair:** Is this a point of order?

**Ms. Helena Guergis:** Yes, a point of order.

In regard to Mr. Barr, I would like to clarify that he is not the person who would actually be signing.

**The Chair:** That's not a point of order, it's a point of debate. Mr. Barr is quite capable of answering the questions put to him.

Mr. Julian.

**Mr. Peter Julian:** I think we have our answer, that there aren't explicit instructions, so I appreciate that. That's important, and I understand—

**The Chair:** Mr. Williams, did you want to add to that?

**Mr. Terry Collins-Williams:** Yes.

I think we're impinging on an area where we're being asked what is the bottom line of our negotiating instruction when we're in the middle of negotiations. I don't think officials are in a position to say in a public forum what our bottom line is going to be. The negotiations evolve, and ministers will have to be consulted constantly, and ultimately it will be a ministerial decision—it won't be an official's decision—as to what we accept or what we put on the table at the end of the day. I think that's the best answer we can give you.

**The Chair:** Mr. Collins-Williams, thank you for that answer. I appreciate that. It's good to clarify that.

Mr. Julian, you still have a couple of minutes.

**Mr. Peter Julian:** I'd like to move on to sanitary and phytosanitary rules, because of course that has an impact on health and safety regulations and rules.

I'd like to know, for the NAMA negotiating group, what is the method by which Canada participates in that? What's your sense of what is on the table in that particular area of discussion—what some people refer to as non-tariff barriers—and what consultations the ministry would be doing as we work through that process?

**Mr. Terry Collins-Williams:** As relates to phytosanitary and sanitary issues, the Doha mandate does not include SPS or technical barriers to trade agreements that are WTO agreements. Not every subject within the realm of the WTO, or every agreement from the Uruguay Round outcome of the WTO, is a part of the mandate of the Doha Round negotiations. SPS and TBT are explicitly not part of the Doha mandate, so they are not being negotiated.

I could tell you more generally how the NTB negotiations are proceeding in the NAMA context. We went through a long period of issue identification, of members identifying NTBs they wanted to see addressed. Many of these NTBs fell into other negotiating areas within the mandate, such as rules, because many of them were related to anti-dumping and countervail determination. So they would be appropriately referred to that negotiating group.

Similarly, many of them had to do with border measures, such as restrictions at the border, which are being dealt with in the trade facilitation negotiation.

There were TBT and SPS and some other measures that were identified as falling outside the negotiating mandate, and they would be referred to the regular ongoing committee work of the WTO. So there is a forum for dealing with them; it's just not a negotiating forum.

Those issues, which in some sense didn't have a home but were felt to be serious non-tariff barriers by some members, are being addressed in the NAMA negotiations. Depending on the nature of the measure and how many members' interests are involved, they might be negotiated bilaterally or plurilaterally, and then brought back to the NAMA negotiations, so that the results can be multilateralized.

Or they might be dealt with by horizontal proposals. For instance, there are proposals on export taxes and restrictions. There's a proposal from the EC for a horizontal mechanism to be an ongoing alternative to dispute settlement for dealing with NTBs.

So there are a variety of issues and of ways they're being approached. As I say, some are in negotiation, some not.

• (1605)

**The Chair:** Thank you, Mr. Collins-Williams.

Now to the five-minute round. If we stick to our time, all parties should get five minutes.

Mr. Temelkovski.

**Mr. Lui Temelkovski (Oak Ridges—Markham, Lib.):** Thank you very much, Mr. Chair.

Thank you to the witnesses.

We've discussed this somewhat already in terms of quotas and the supply management sector. There's that appetite and desire to maintain existing tariff quotas across major farm products. It has come under criticism in Canada by different groups, especially when we have smaller or other trading countries diminish those tariffs within their own countries, such as New Zealand and Australia. How will that be impacting our negotiations, when we see other countries give up all their tariffs on these issues?

**Mr. Graham Barr:** In the agriculture negotiations, it's not really about giving up all your tariffs. I believe what you're referring to is the issue of reductions in our over-quota tariffs for our supply-managed products. The tariff reductions issue is still under negotiation.

There is a category in the market access discussions called sensitive products, which we've talked a bit about here today. And as I said, our goal is to ensure that our supply-managed products can fit inside that sensitive products category, where there will be flexibility for how members provide market access improvements for those products.

Certainly for other countries, they will choose other types of products as their sensitives. For example, in the European Union they may choose some meat products to be their sensitive products. In other countries it could be grains, oilseeds, or products that are of great interest to our exporters here.

The whole issue of sensitive products, how many you can choose, and by how much do you reduce the tariffs or expand the quotas, is

one of the very key issues in the negotiations. It is not yet resolved, although there has been some progress. But there needs to be a lot more progress before we can agree on the specific rules and start implementing them.

• (1610)

**Mr. Lui Temelkovski:** In your view, has the 1% rule for sensitive products been adopted? Are you looking at that seriously? When I think of the sensitive products box, with a limitation of 1% or so, it would indicate to me that to put something into the box, you must take something out of the box.

What are some of the previously sensitive issues we will be able to take out of that sensitive box in order to put something else into the box?

**Mr. Graham Barr:** The sensitive products box, as we're calling it, is a new concept. There's nothing in it now because it doesn't exist. Where the 1% comes from is in October 2005 the United States tabled a proposal that talked about the size of the sensitive products category and how that would be 1% of a country's tariff lines. That was just a proposal.

Most countries reacted rather swiftly and said "That's way too small; that's not on." But it's a negotiation. So countries start out with certain proposals, and then you move to a different number. As we've said today, exactly where that lands has not yet been decided.

**Mr. Lui Temelkovski:** What would be some of the Canadian sensitive items that would go in such a box? Would they fall within, let's say, even 1.5% of our trade?

**Mr. Graham Barr:** The products we would likely see in our sensitive products category are our dairy products, our poultry products, and our egg products. Altogether, their tariff lines constitute somewhere between 7% and 8% of Canada's tariff lines.

**Mr. Lui Temelkovski:** We're fairly liberal here, I think, on this side. Let's go with 2% of what has been proposed by the Americans' sensitive box. Would that eliminate maybe two of the three items you just mentioned?

**Mr. Graham Barr:** As I said, we're not there yet, as far as what the actual number will be. But obviously there are some tariff lines that would not be able to.... If I'm saying 7% to 8% of our tariff lines are those products, and then you're saying, how would that fit in 2%, there would have to be some sort of adjustment.

We're certainly not there yet. As I said, the reaction by almost every other country to the U.S. proposal of 1% was that it's not practical. We certainly don't expect the number to be that low, by any stretch.

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

Now to the Bloc, to Monsieur André for five minutes.

[Translation]

**Mr. Guy André (Berthier—Maskinongé, BQ):** Good afternoon. This appeared in the media this morning:

The time for talk is coming to an end at the World Trade Organization, the organization's Director General, Pascal Lamy, said yesterday. The time has come, for Canada and for the other countries, to agree to make efforts to come to an agreement or else the multilateral route will fail and might is right will win out.

Generally, when you talk about might being right, it's not about Canada or goods in relation to supply management. We don't want to wind up with an agreement like the softwood lumber agreement and be on the losing end once again.

Here we're talking about sensitive products, and I'd like to know, in the context of the negotiations, what percentage of those products is protected under supply management. I believe it's 12% or 13%. Is that correct?

[English]

**Mr. Graham Barr:** Just to be clear, in the sensitive products category, what people are talking about is the percentage of our tariff lines. It's not related to the production or income, or anything like that. As I said earlier, the way our tariff schedule currently is, our supply-managed products comprise, I think, 7.5% of our tariff lines.

• (1615)

[Translation]

**Mr. Guy André:** You're currently in full negotiation mode. According to the media, this is a culminating point. I imagine that compromises have to be made in order to achieve cuts to U.S. and European subsidies. That at least is what the head of the WTO appears to be saying.

I'd like to know what those concessions might consist of and what the negotiations on the needs of pork, beef and grain producers are about. They're apparently insisting strongly that subsidies be cut so that they can export more. They're also talking about protecting supply management. In addition, the Doha Round is going to end.

The fact is I don't really know where we stand in all these areas. So I'd like more details on the actual issues involved.

[English]

**Mr. Graham Barr:** As Mr. Collins-Williams said earlier, right now we have our position and what we're working to achieve. As to what will happen in the future, when it comes to issues of making concessions, those will be decisions for ministers, and that's certainly not something we can answer today.

We can just reiterate what we are currently seeking to achieve in the negotiations and areas where we are having success and where those ideas are picking up steam and have been adopted by other countries and appear in negotiating texts, for example, put forward by the chair. At the present time, I think we've all explained in our negotiating areas that these are the objectives we're seeking, this is what we're doing in Geneva. Absolutely, the negotiations could evolve, and at that point it will be up to the ministers to determine.

**The Chair:** Thank you, Mr. André.

On the government side now, Mr. Menzies, for five minutes.

**Mr. Ted Menzies:** Thank you, Mr. Chair.

We all heard about the U.S. offer and how enthused they were about how wonderful an offer it was, to reduce their domestic support. I'm still very skeptical about how sincere they were about that.

Has that offer changed? Did the Europeans match it? I sense that there's also a lot of holdback there. We're hearing of some manipulative programs in the United States, and I don't know if

there is any fact to that. For example, in Montana, if you buy a new air drill you get a \$40-an-acre environmental subsidy for reduced greenhouse gas emissions, soil conservation, moisture conservation. They don't call it a subsidy as far as their commitments to reducing their domestic support are concerned, but it gets rolled into an environmental subsidy. It's still a subsidy. That's rumour.

I don't know if it's fact—so Barry Wilson, be very careful if you quote me on that one—but we're hearing some pretty solid support that this is what's happening.

How do we combat those sorts of things when the Americans are saying they've put everything on the table, they're reducing their domestic support, it's going to be a wonderful thing for the rest of the WTO? How do we address those sorts of things, and has their offer changed?

**Mr. Graham Barr:** I can neither confirm nor refute the air drill example, but you've hit on a key dynamic in the negotiations, which is the desire of other countries for the United States to go further in its offer on reducing its own domestic support. The difficulty for the United States is that in order to sell that back at home, they need to see greatly improved offers on market access in agriculture, particularly from the European Union.

Certainly the proposal that the United States put on the table in October 2005 still stands, although, as with all countries, you signal some movement in various areas. As I said earlier, we believe, and other countries do too, that the United States certainly could go a lot further. What we're talking about here in the negotiations on trade-distorting domestic support are reductions from your limits, from what you're able to spend. So right now the United States' limit is \$19.1 billion. They haven't been spending all of that, so when we hear about reductions of 60% or 70% to that, it sounds a lot, and reductions like that would have a small impact on their current level of spending, but as I said, we think they could go a lot further.

As far as the European Union matching the offer is concerned, as I mentioned earlier, the negotiations and subsidies are right now structured around the idea of the biggest subsidizers having to take the biggest reductions, and in fact, because the European Union has a much higher limit than the Americans, they will be actually taking a larger cut than the Americans. But their sensitivity is market access and being able to improve on the offer that they themselves put on the table back in October.

You may have seen in the press that they have signalled very recently that they can in fact go a bit further, so in this sort of dynamic, that's put the pressure back on the United States to improve their offer on domestic support. As I said earlier, they have their political context with upcoming elections and the renewal of the Farm Bill, so it gets rather complicated.

• (1620)

**The Chair:** Yes, Mr. Cannan.

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

Just a quick clarification: what's the difference between plurilateral and multilateral agreements?

**Mr. Terry Collins-Williams:** A multilateral agreement would be an agreement among all the members of the WTO, all 149 members. A plurilateral agreement would be an agreement among a number of members, but less than all of the membership of the WTO. There are agreements within the WTO that are plurilateral, such as on government procurement, which only some members of the WTO have signed on to. Plurilateral agreements could also refer to agreements outside the WTO.

**Mr. Ron Cannan:** That's not my real question. I just wanted to clarify that. In our briefing note, it says that "Canada has presented its requests (of other countries) to seek greater access in other countries and was the first to table a revised services offer..."

Can you explain in a little more detail what our revised services offer entails?

**Mr. Robert Ready:** Thank you.

We've tabled revised services offers in the course of the negotiation. Essentially they involve making commitments related to market access to, or national treatment for, individual service sectors and subsectors, and they indicate whether there are any restrictions that apply to those sectors in a national treatment context or a market access context. It's a very detailed national schedule that indicates, in effect, the regulatory measures that apply or don't apply in services trade terms.

So the offer that is presented by Canada is a listing of those regulatory commitments that Canada, at the federal, provincial and territorial levels, is prepared to make.

**Mr. Ron Cannan:** Thank you.

**The Chair:** Thank you.

And to Mr. Julian for five minutes.

[Translation]

**Mr. Peter Julian:** Thank you very much, Mr. Chairman.

Mr. Barr, I didn't understand the question of definitions. In agriculture, more specifically as regards supply management, Mr. Dorrell referred to 12% of sales, but I believe that was more about volume. Today, you're saying very clearly that this sector will be 7.5% of the tariff lines. I want to understand the difference between the two definitions.

[English]

**Mr. Graham Barr:** By the way you're explaining it and explained it earlier, it sounds right. It matches in my mind what the statistics are—that our supply-managed sectors account for exactly 12% of Canada's total farm cash receipts, which is different from how many tariff lines.... Basically—

[Translation]

**Mr. Peter Julian:** All right, but in both cases, when you refer to a 1% limit on the U.S. share, you're talking about the same figures.

[English]

**Mr. Graham Barr:** The 1% that the United States put on the table referred to the percentage of tariff lines; it did not refer to the percentage of farm cash receipts.

[Translation]

**Mr. Peter Julian:** Thank you.

I'd like to go back to the service sector, more specifically education and health.

I'd like to know what measures are being taken to exclude health and public education from the negotiations. How do you draw the line between public education, which is important, and private education, which is growing? Is it correct to say that public education could be threatened?

• (1625)

[English]

**Mr. Robert Ready:** Thank you.

The government's position throughout the negotiations is that sectors such as health and public education aren't things we're going to negotiate in the services negotiations.

First of all, the GATT is a very flexible agreement, but there are two essential protections. There is an exclusion in the treaty for services provided in the exercise of government authority. That's the first broad protection. The second is the fact that whether or not you take commitments has a bearing on the kinds of obligations that might apply. Canada is also not taking commitments in those sectors.

So from our perspective, there is very clear protection for both of those broad sectors in the negotiation.

**The Chair:** You have two minutes, Mr. Julian, if you'd like to use them. I have a couple of questions too that I'd like to ask.

[Translation]

**Mr. Peter Julian:** How do you define social services and culture? There's some question of excluding them from the negotiations in the case of Canada.

[English]

**Mr. Robert Ready:** The mechanics of the negotiation are such that there's a services classification list; it's an extensive document that subdivides services into a whole range of sub-sectors.

It's a UN classification system that the negotiation turns on. Sectors are described in that list, and the sectors I've referred to aren't sectors we're negotiating.

I should also add, because you raised the question of education, that as I mentioned earlier there was a plurilateral request in which Canada was neither a co-sponsor nor a recipient. That is the education services plurilateral request. It's not a sector we're engaged in at all on that basis.

[Translation]

**Mr. Peter Julian:** I know it's a long list, but I'd nevertheless like you to give the committee an example of the fact that, in the case of Canada, social services and culture are not included in the negotiations on services.

[English]

**Mr. Robert Ready:** I would have to refer to the list, but clearly the audiovisual sector is a cultural sector in the services area, where we're not negotiating; similarly, day care services, I suppose, would be an example in a social services setting.

I would be happy to share with the clerk what the UNCPC describes as some of those sectors.

**The Chair:** Thank you very much, Mr. Julian. Your time is up.

A couple of members have asked questions on your prediction about how the talks are going. I'm not going to ask you for that exactly, but Mr. Collins-Williams, you indicated you were around through the Uruguay Round of the GATT, or part of it at least. I don't know if either of the other gentlemen here was, or even through some of the bilateral talks, but have you ever been involved in a round of trade talks where the players are saying that things are going really well and we're moving along wonderfully, or is this the normal tone, the brinkmanship and the negative kind of tone that comes out of trade talks—or is it neither of the above? I'm looking for the tone of these talks compared with your experiences particularly in the Uruguay Round of GATT.

**Mr. Terry Collins-Williams:** I would say there are considerable similarities between where we are in the Doha Round now and where we were in the Uruguay Round in 1991, when we went to Brussels for a ministerial conference that was supposed to lead to the conclusion of that negotiation. In fact the negotiations broke off, and

there was a two-year hiatus before we could return in 1993, when some major agricultural issues were settled. Then the negotiation could be wrapped up in a matter of about six months.

So this isn't unusual. As you say, negotiation is brinkmanship. There are 149 members of this organization, and it's a very complex agenda. It's taken more time than it should, but we're at a point now where we can see the outcome; whether we can get there or not politically remains to be seen.

• (1630)

**The Chair:** Thank you very much. I appreciate that. For some of the younger members, the experience some have can be valuable at a time like this.

Thank you all very much. I really appreciate your coming today, and we may well look to have you at some time in the future. And the best of luck with the talks; they're important to all of us.

Thank you. We'll take a break and then resume with the next two witnesses.

The meeting is adjourned.

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