



House of Commons
CANADA

Standing Committee on International Trade

CIIT • NUMBER 009 • 1st SESSION • 39th PARLIAMENT

EVIDENCE

Wednesday, June 7, 2006

Chair

Mr. Leon Benoit

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• (1635)

[English]

The Chair (Mr. Leon Benoit (Vegreville—Wainwright, CPC)): We are now starting our ninth meeting of this committee.

We do have our two witnesses here today—Monsieur Paquette, I'll recognize you in just a minute—and they are Peter Clark and Scott Sinclair. Scott Sinclair is from the Canadian Centre for Policy Alternatives and Peter Clark is from Grey, Clark, Shih and Associates Limited.

Peter, I've heard you speak fairly often recently.

Just before we get to your statements, Monsieur Paquette, do you have something you want to say right now?

[Translation]

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

We shall hear our witnesses first, but I want to make sure that we will have enough time to discuss the two motions I have sent to the clerk as there will be a vote around 5:45.

[English]

The Chair: The vote is at 5:45, bells at 5:30.

[Translation]

Mr. Pierre Paquette: A number of us will have to leave at 5:30 and I want to make sure that we will have enough time. So I shall suggest that at 5:15—unfortunately we are already late—we go to those two motions.

[English]

The Chair: If we close this session off at 25 minutes after, we should be able to deal with the issues by 25 minutes to, or something like that. Does that sound reasonable?

Mr. Julian.

Mr. Peter Julian (Burnaby—New Westminster, NDP): I'd suggest we do one round of seven minutes plus the introductory statements. That would allow enough time for Mr. Paquette's motion.

The Chair: So start to deal with motions at maybe 20 minutes after 5? Okay, we'll try for that. Very good.

Gentlemen, first of all, thank you both very much for coming. Do you both have opening statements? Okay, we'll go with the order on the witness list.

Mr. Sinclair, you have up to 10 minutes; shorter would be preferred. Go ahead.

Mr. Scott Sinclair (Senior Research Fellow, Canadian Centre for Policy Alternatives): Thank you very much, and thank you for the invitation to appear.

As you heard, this is a decisive year for the Doha negotiations. The expiry of the U.S. fast track negotiating authority in July 2007 sets an effective deadline of the end of this year, at the latest early next year, for wrapping up the talks. While the impasse over agriculture understandably attracts the most attention, services are also a major component of the Doha agenda. In the GATS negotiations, key *demandeurs* are still pressing for ambitious results, and I'd like to speak to you about some of the implications of that today.

If there is a breakthrough in the agricultural and NAMA negotiations this year, Canada and other countries will be under strong pressure to increase gas coverage and to agree to new rules, currently under negotiation, restricting domestic regulation. In contrast with goods, as Rob Ready alluded to, where the main barriers to international trade are border measures such as tariffs and quotas that are easy to identify and quantifiable, the obstacles to trade in services usually involve more complex issues of national, provincial, and local government regulation.

WTO rules addressing services are fairly recent, since the mid-1990s. They're still largely untested, they're broad in scope, they cover investment in addition to cross-border trade, they apply a tough test of non-discrimination, and they even restrict certain government measures that are non-discriminatory, such as you can't put limits on the number of service providers in committed sectors, and that includes monopolies, like public insurance monopolies and so on.

In my view, Canada should be very cautious about making additional GATS commitments. Canada has commitments today in just over 100 of the 160 service subsectors. Many of the remaining subsectors are among the most sensitive ones. The policy implications even of the existing commitments have not been properly debated. Furthermore, Canada should stop pressuring developing countries into making GATS commitments that many clearly are not comfortable with. That was obvious at Hong Kong. The full policy implications are not understood for them as well.

Developing countries are being pressed hard on a wide range of fronts—environmental services, postal and courier, financial, telecommunications, transportation, distribution, maritime, education, and more. The issues at stake are not mainly about opening markets. Foreign companies, including Canadian companies, already have access to these markets, in most cases, or as much access as foreign companies have, say, to the Canadian market. The issues are really about government measures and policies and the ability of governments to regulate and to shape their own economic development and to take steps to ensure that liberalization benefits their citizens.

I would say that by pressing others too hard, Canada may be even undermining its own interests, and I'll just give a quick example. We joined in one of these plurilateral requests on telecommunications. We were a co-sponsor. Among the demands in that request was that countries allow majority foreign ownership of telecommunications companies, which of course existing Canadian law does not permit. Now, to my mind, either you're applying a double standard or Canada is also a recipient of this request, what's called a deemed recipient. Even though it's sponsoring the request, it's also a recipient of the request. So in a sense, the government's negotiating position is undermining our own domestic law. This is one of the reasons I think parliamentarians need to have a careful look at some of the details of these negotiating positions.

Many Canadians are concerned about the encroachment of these services, trade treaty rules, into public services. The exemptions for public services in the GATS are highly qualified and they are untested in dispute settlement. I can go into that if you want.

•(1640)

There are legitimate concerns that the agreement will lock in commercialization of public services, where they occur, and make it much more difficult to expand services, or to reverse commercialization or privatization, where it occurs. There's an ebb and flow in democratic governments that has to be respected.

The federal government has pledged that it will take no commitments in health, social services, and public education—which would leave open the door to private education—during the current round. It has also, so far, resisted demands to cover audio-visual and culturally related services, pending the negotiation of an international instrument to protect cultural diversity.

To give credit where credit is due, Canada has also pledged and has not made requests of other countries in these sectors, which it would have been free to do. You could make requests even in areas where you're not prepared to make commitments, but they've taken what I think is a good position, a principled position, not to make

requests in areas where they're not prepared to make commitments, with the exception of these plurilaterals, which I just referred to.

But few Canadians, and I wonder how many parliamentarians, are aware that Canada already has, in the last round, covered health insurance and automobile insurance under the GATS. Once a country schedules a commitment, the market access rule of the GATS prevents governments at all levels—provincial and federal—from operating monopolies. So the existing system of public health insurance and provincial auto insurance in four provinces was excluded. It was exempted in the 1990s. But for another province, the one I come from—Prince Edward Island—or New Brunswick or others, or if Quebec were to expand its current system, which is a mixed system, that would become a WTO-litigated issue. To me, again, this is a good example of how these treaties have overreached and are infringing on what is the proper domain of elected governments.

Another important area in the current negotiations is for new disciplines on explicitly non-discriminatory domestic regulation. These rules are under negotiation today. Right now, as we speak, there's a commitment to come up with these rules, which would discipline non-discriminatory regulation affecting standards and affecting licensing of services. That could be facilities licensing, if you want to set up a toxic waste dump. It could be professional licensing. Standards could be everything from the quality of an educational service to pipeline safety, things like that. This is very sensitive stuff.

A majority of developing countries, in a very recent development, have come out strongly against the application on the necessity test. That happened at a meeting in early May. The United States has also spoken strongly. But at that meeting, anyway, Canada was silent, and that concerns me. Again, I think there is a role for Parliament in pressing the Canadian government and Canadian negotiators to explain the issues, their position, and why they are not moving now to put an end to what could be rules that we would regret if they're developed.

In closing, because services rules are novel and deal with regulatory issues that go to the heart of democratic decision-making, I believe it's particularly important that parliamentarians, and this committee in particular, play an active role in overseeing these negotiations. I hope you will dig deeper than indisputable claims that services comprise the largest share of developed economies, that services trade is growing strongly, and that Canadian service providers need to be active in the international markets.

All that is true, but Canada and other governments still need to proceed cautiously. The new services trade treaty regime raises many questions about public services, about public interest regulation of private services, and especially in underdeveloped countries and regions, including some regions of Canada, about the role of governments in ensuring that services liberalization benefits the broader community.

Thank you.

•(1645)

The Chair: Thank you, Mr. Sinclair.

Mr. Clark, you have up to 10 minutes for introductory statements, and then we'll get to questions.

Mr. Peter Clark (President, Grey, Clark, Shih and Associates Limited): Thank you, Mr. Chairman. I think I'll make a few comments on the negotiations and then go into questions.

From time to time, I send a number of you commentaries on the state of play of the negotiations. I'd like to assure Ms. Guergis that I do believe the WTO is important, and if the reports are negative, they're just accurate reports on the state of play.

I think it's important, and I think that while we should be moving faster towards covering our own position on negotiating bilateral and regional agreements, we can't forget about the WTO. We have to put as much pressure on it as we can to try to reach a reasonable conclusion.

The negotiations about agriculture are stuck. They're also very important for us, because in the Uruguay Round we signed a bit of a blank cheque. We really didn't get paid for it, and our grains and oilseeds sectors are suffering for that now. They're suffering because the European Union and the United States have agricultural policies that are based on subsidizing their grains and oilseeds sectors so that they don't have to subsidize the livestock and other downstream sectors. Unless that sticks, we're going to be in a position where we're continuing to play catch-up, where we're going to be forced to provide emergency support to grains and oilseeds producers if we're going to keep them on the farm.

These subsidies are very important in the United States. There are 800,000 to one million farm families that depend on them. Don't expect them to go away; they're just going to put them in another box. They'll put them in the blue box and they'll put caps on the blue box, but anybody here who has farmed understands that the cap is meaningless, because you have crop rotation anyway and you have only a certain number of products that will benefit.

Decoupling is a myth. We're coming out with a paper on that within the next week or so, talking about how decoupling really is not the answer to avoid production- and trade-distorting subsidies. We have to take a very, very hard look at it, but we have to go to bat for our livestock producers, for our beef producers, for our hog producers, and get them the markets they expected they'd have before.

We were looking at a minimum 5% access. We don't have a minimum 5% access; we have two-tenths of 1% access for pork in the European Union. We don't have an awful lot more in Japan, and the systems are rigged. We have to get into those markets. If we can't sell our grain, we have to upgrade it.

The best way to upgrade it is that you put it through an animal, and you slaughter it and you export meat. If we're not on the same footing as the other people who are doing that, we're going to lose the biggest natural advantage in the world for producing agricultural products that we're sitting on top of because we're not collecting what we should be collecting. If we can't get it through negotiation, I think we're going to have to get it through challenging.

I'm not as concerned about services, because I know from discussions with the government that they're not going to put these

sensitive sectors on the trading block. It has been a consistent government position.

There are always suspicions of government. I think this consultation process has been pretty transparent, and people can make their views known. That's why Mr. Sinclair is here today making his views known. He has valid concerns. I'm not as concerned about them, but his concerns are valid.

When we get into NAMA, what nobody is talking about is the 800-pound gorilla that's sitting in the room. The 800-pound gorilla is China. Nobody wants to cut their non-agricultural tariffs with China.

I just got back from China. These 40- and 60-storey skyscrapers are going up in Beijing like mushrooms. The Chinese laugh and say their national bird is the building crane. The place is booming. People are moving there to produce things. Who wants to drop their tariffs for the Chinese to take over?

If Brazil or India is negotiating with you on a tariff, the real beneficiary is probably going to be China. And tariffs you're looking to bring down in many areas, as the Chinese progress in technology, are also going to benefit the Chinese. It doesn't mean that you shouldn't do anything, but you should recognize that there are a lot of people who are happy in Geneva to see the negotiations hung up on agriculture or other issues, because in fact they don't want to move on NAMA.

• (1650)

There's a lot of pressure to go to more formula cuts on NAMA. It's not as big a deal for us because we've already adjusted to the United States. But when you go out there and you see countries where we're trying to get in over 20% and 30% tariffs, trying to cut them by 60%, that's a big cut for them to look at with respect to China, particularly as long as China is benefiting from the same cheap dollar that the United States is by riding on its coattails.

I think if I'm saying anything to you, it's that the WTO is not dead, but if we don't get a fair amount of movement between now and that ministerial meeting in June, effectively it is. I'm not concerned about the trade promotion authority in the United States. The trade promotion authority is only a mechanism for the United States to extract more concessions, because their administration can't carry an agreement without Congress. If the deal is worthwhile, they'll extend the TPA. If they don't like the deal, they won't pass it.

I'm happy to answer any questions.

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

We'll go to the questioning now, and for the first round, the official opposition, Mr. Maloney.

Mr. John Maloney (Welland, Lib.): The Doha Round appears to be stalemated. What are the implications if it in fact fails? As the clock ticks down, is there more pressure that we may get a breakthrough? I think Mr. Sinclair made that reference—if we get a breakthrough—but if we don't, what are the implications?

Mr. Peter Clark: The timing is bad, with elections in a number of places, including the United States, Brazil, and Europe. It might be a better time if you waited a couple of years, but if it does crash, that's going to force people to act.

It does need reforms inside the system. You can't really negotiate with 148 countries. A different way has to be found to do it. It's all the countries with their different interests that are hanging it up, and the developing countries are really, for the first time, playing a very, very significant role. They've gone into groups. They have power. The steering group has changed. There are different interests, and they're going through growing pains. But if the thing does crash, you'd have to reinvent it very, very quickly, because we'd have chaos.

The Chair: Mr. Sinclair, do you have an answer as well?

Mr. Scott Sinclair: I don't agree that we would have chaos. The WTO treaties would still be in effect. The dispute settlement system would continue to work.

There's a sense of the bicycle theory, that you have to keep ever expanding trade treaty rules, that if the bicycle stops, it will fall over. That dynamic is part of what has pushed trade treaty rules I think beyond their core competency, into more and more of these regulatory issues.

I'd also like to make the point that when this round was launched, whether this was genuine or cynical, it was called the Doha development agenda, as has been referred to. It was a development round. It has become basically just another market access round. I think it's true that a large majority of developing countries are very disappointed and nervous about the direction this has taken, and I think many of them would welcome a hiatus, but they are not in the driver's seat.

It is a slightly enlarged group of big players. It's no longer the Europeans and the United States. Now Brazil and India—and China is taking a quieter role—are the key players who will broker a deal that pretty much everyone else, if they get one, will have to accept.

I don't accept that a hiatus would be a disaster. It might be a blow to the stature of the WTO. It would be disappointing to negotiators. But the system will continue to function.

• (1655)

Mr. John Maloney: If there is a desire for this hiatus, is this also contributing to the lack of progress in various negotiations?

Mr. Peter Clark: I would have to say that having been a negotiator and having been in trade policy, you do try to keep these negotiations going, because they provide a discipline on policy-makers. They provide a discipline on domestic industry.

If you don't think we're going to have problems, you should all read Representative English's Trade Law Reform Act of 2006, which he tabled yesterday or is tabling today. That's the type of legislation we're going to see, and that's the type of legislation we don't need in Canada, because it plugs up what they call "all the holes" in the WTO. All those holes are the only things that are saving us from continuous harassment.

I think people are really not looking for the hiatus; it's just very difficult to put together a total single package right now in the political environments we're dealing with.

The Chair: Go ahead, Mr. Maloney.

Mr. John Maloney: I gather from your remarks, Mr. Clark, that you think there is a linkage between lack of progress on NAMA and lack of progress on agricultural subsidies.

Mr. Peter Clark: It's a question of where the incentive is. There are a number of groups that have linked issues; for example, the United States and the European Union have made it quite clear they're linking what they're prepared to do on agricultural support to movement on market access and NAMA.

The reluctance to move in NAMA is largely coming from the developing countries at the present time, but overall, there's a very big concern in NAMA that when people got into this, they didn't fully appreciate the competitive pressures that would be coming from China and, to a lesser extent, from some of the new tigers in Asia and South America. But China seems to be on a lot of minds.

If you talk to the negotiators, they say it's one thing to reduce a tariff if you're dealing with Canada or Japan or even with Korea, but reducing the tariffs to deal with China, where they're paid \$60 to \$80 a month for 60-hour weeks, is a lot more difficult to cope with. That's why you have all of the pressure right now in the WTO, consultations on auto parts and on access to the market, and the concerns being expressed by automotive and auto parts industries around the world about improved access.

Mr. Scott Sinclair: Just in response to that, I think it's very clear that the United States, and particularly the Europeans, have linked movement in agriculture to movement in NAMA and services. In fact, the Europeans have called for a meeting on services exclusively by a core group of ministers to occur before more ministers come at the end of June. They've made it very clear that they want to be paid in both services and substantial reductions in industrial tariffs for the movement they're going to make in agriculture.

Mr. John Maloney: Canadian farmers are constantly saying that if there's a level playing field, we can compete—and they particularly target the United States. Was the U.S. offer to start a gradual reduction of tariffs smoke and mirrors or fluff, or do you think there is real substance to it, and will we get to that level playing field some day?

Mr. Peter Clark: We don't have any tariffs going into the United States; we're in a free trade area. The problem is the domestic support there and in Europe and other areas, which contributes to low world prices, particularly for grains and oilseeds. Until we get that sorted out, our farmers are going to be at a disadvantage, because we're price-takers. We're going to take that price; we can't make the prices. If prices are below the cost of production in Canada and you have to wait six months or nine months or 15 months to get emergency support...whereas farmers in the United States or Europe know what their direct payments are going to be and are in a much different situation. Our people can't plan; they're under continuous stress and frustration.

We have to take a different look at how to do it.

• (1700)

The Chair: Thank you, Mr. Maloney.

Monsieur Paquette, for seven minutes.

[Translation]

Mr. Pierre Paquette: Mr. Chairman, I would like you to signal me when I shall have only two minutes left, because my friend Guy André would also like to ask a question.

Mr. Sinclair, I would like to know what are your thoughts about an issue that doesn't seem to be taken into account at the present time.

Mr. Pettigrew was been very clear when he was minister. He said that health and public education would not be open to negotiations at WTO. However, as concerns private education, he was never able to make a firm commitment. He even said that Canada was an expert in the field of education and training and that it would be nice if we could export that expertise. Considering that there are more and more private schools at least in Quebec, that our universities are mostly private and that Americans might probably be interested, shouldn't we stipulate that the whole education sector should not be part of WTO negotiations towards liberalization of services?

A social economy is developing. Let us take, for instance, child care centres in Quebec. They are not private companies in the traditional meaning because they are non-profit. However, they are private inasmuch as they do not offer public services as such. They are autonomous and financed in a large part by the State, but also by users.

When we talk about public services, this sector of the social economy is not taken into account. It worries me a lot because child care services and home care services allowing functionally dependent people to stay at home, for instance, represent a market that will develop enormously in the next few years. Those sectors are not really identified as sensitive.

Have you started to reflect on those issues? Perhaps you already have a few ideas about it.

[English]

Mr. Scott Sinclair: That qualifier, that the government will not make commitments in public education, concerns me, because commitments covering private education would certainly affect the public system. Educational providers such as universities offer training courses in competition with private providers, so commitments covering private education would certainly have implications for public providers in the public system.

Over the years, certainly at the start of this round, the government and negotiators expressed a strong interest in getting Canadian stakeholders onside, because Canadians export—even Canadian universities export—educational services abroad and train foreign students here.

They were completely unable to get the stakeholders onside. Universities and others felt that the GATS would not help them, and that the risks—for example, private suppliers demanding access to public subsidies, or demanding certification in the same way as universities—were just too high. I think it's somewhat encouraging that in the case of this plurilateral request on education, Canada not only did not sponsor it but was not targeted as a recipient. I take some comfort from that.

I think the issues you raise on child care are very important issues, and really important for understanding how the trade treaties work. It's often not enough to simply say that public services are excluded.

On the specific issue of child care, I don't feel it's at risk in this round right now—not under direct threat. The Canadian government has made it clear that it will not make commitments covering social services, including child care...unless there is some change in the negotiating mandate. We have a new government; that does create some uncertainty.

[Translation]

Mr. Guy André (Berthier—Maskinongé, BQ): Mr. Sinclair, you have said that one of our goals is to improve market access for our hog and grain producers. At the present time, our access to the export market is only two tenths of 1 per cent. We would like to increase that number to 5 per cent. Protection of supply management is essential to the survival of our agriculture.

What compromises do you think our agriculture industry should make to improve its access to the American and European markets, particularly through a reduction of subsidies in those countries?

● (1705)

[English]

Mr. Peter Clark: Mr. André, the proposals put out by the United States and by the European Union regarding subsidies are interesting in terms of the numbers, but there is a lot of water in the numbers they're starting from, because the base is very high. There is some question as to whether or not they would even have to reduce their support. The European Union has undertaken a CAP reform under which they decoupled their support, and they would do more of it as they go through their reform. But it's our view that the decoupling has not made their support less production-distorting or trade-distorting. In fact, we feel they'll still have to continue dairy export subsidies beyond 2013, because they just can't get rid of what they're producing.

The United States has indicated that they're going to move more and more of their support into the blue box, but they want to move counter-cyclical payments into the blue box, which are trade-distorting. They want to put caps on them, but the caps are meaningless.

I think the more important issue in agricultural support and agricultural subsidies is defining the subsidies and doing a realistic analysis of what is distorting. We haven't done that yet. We're doing one paper, which we'll be releasing at the end of the week, on decoupling, and another one, probably early in July, about the state of play of negotiations after this ministerial, if it happens, to show how far short we are of where we need things to be for Canada.

The problem we have is that if we don't sort that out, we're going to have to support our own farmers at the grains and oilseeds level for \$4 billion or \$5 billion a year.

The Chair: Thank you, Mr. Clark.

Ms. Guergis.

Ms. Helena Guergis (Simcoe—Grey, CPC): Thank you, Mr. Chair. I'll be sharing my time with Mr. Menzies.

I'd like to thank our witnesses for being here today.

I do want to say at the beginning that I do agree with the comments both of you have made that members of Parliament should be spending a great deal more time talking about the WTO negotiations, and I have expressed that to my colleagues around the table. I think we do need to spend some substantial time around this table talking about WTO. So I'll just leave that as a comment.

My question is for Mr. Sinclair.

I was hoping you could clarify this for me. You made some comments suggesting that the negotiators, or some of the agreements, were perhaps infringing upon provincial jurisdiction with respect to auto insurance. I was going to ask you to clarify that for me, and perhaps if you can't in the time we have today, is there something you could pass, through the clerk, to the committee members?

Mr. Scott Sinclair: Yes, there is a paper and some material I will pass to the clerk.

In 1995, and later in an addendum to the GATS in 1997, Canada covered a whole range of financial services, including insurance. In the case of auto insurance, they took a country-specific exemption—it's called a limitation—for the existing public auto insurance systems, in four provinces, I think.

If another province, such as the one I come from, Prince Edward Island, or the maritime provinces, where this is under discussion, wanted to put in place a public auto insurance system, Canada would have to go back and renegotiate its WTO-GATS schedule.

I think that's inappropriate. It's not really a trade issue. I think it discourages, and it may have been a factor in discouraging New Brunswick from proceeding with a public auto insurance system, even though it was recommended by an all-party committee.

I will leave some material that clarifies this further.

The Chair: Mr. Menzies, go ahead.

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

And thanks to both of you for your comments.

Mr. Clark, I believe we have you on record in the not too recent past, at a breakfast I attended, saying that the WTO was dead—I remember that comment. Now you're saying it's not quite dead. Is it on life support, and is there hope for it yet?

I would like to expand on that. I won't just leave you with that question, which you can answer in one or two words. It's a voluntary membership. There are 149 members right now. We're not going down in membership; we're going up. So everybody wants to be part of this group of nations. Obviously, most countries recognize the benefits to it.

What happens if we lose it? Can you share with this committee what we need to do, as a country, to prepare for the potential outcome of not getting an agreement? Have we got enough bilaterals in place to offset a failure at the multilateral level?

• (1710)

Mr. Peter Clark: Mr. Menzies, I may well have said it was dead at a breakfast, but it's like a cat—it keeps coming back.

We've got Mr. Lamy around here. He has brought his dog-and-pony show to Ottawa or Kanata, or wherever he is this afternoon. He's trying to get people interested in it again, and he's a very energetic guy. He's a very bright guy. Everybody wants to be in because they really should be in.

You have to differentiate between the WTO as an organization and this round, which has run into problems. There are an awful lot of problems. They're hard to overcome.

What can Canada do? Canada can stick to the line, keep pushing, be there with ideas. Our people are working, they're lobbying, they're trying to get things moving. We have influence. Maybe we should be trying to spread it a little bit further and see if we can help, but we're not going to be the people who drive it. Those people are in Washington and Brussels right now.

Mr. Ted Menzies: Who are we partnering with now that we might gain some leverage with? There is talk of this G-12. Maybe it's not a G-12, but we're part of a group of 12. Does that leverage our strength to offset some of these larger nations?

Mr. Peter Clark: When I talked at the breakfast, we were part of G-1. G-12 is a big improvement.

We are doing better, but we were bumped out of the quad, where we had an important role. We're a bit slow getting into our broader relationships. We're doing better now.

I think the more we're able to get ministers involved—we have two very good ministers on the key issues—the more face time we get them with their colleagues, but not in the context of inevitable failures. It's all these failures that are causing people despair and discouragement. I think we have to try to get some successes, and hopefully we can do some of that, to get it back on track, anyway, in June, even if it's to set a more reasonable timeframe for doing things.

The Chair: You have a minute and a half, Mr. Menzies.

Mr. Ted Menzies: Going back to the trade promotion authority in the U.S., you commented that you're not that concerned about it expiring.

Mr. Peter Clark: Let me explain. The trade promotion authority just means Congress will vote up or down on the deal: if they like it, they'll buy it, and they won't amend it. If they don't like it, they'll can it. That's the way it is.

They're shaping it through the process, so they can buy it. If the trade promotion authority expires, as it has in the past, all they do is look at it again and use it to try to leverage more concessions. If it looks as if they're going to get a deal sometime about the time it's going to expire, they'll find a way to extend it, but they'll try to extract more concessions, or put more conditions on it.

It's just a vehicle they use, because the President can't deliver without them. We found in the Tokyo Round in particular they would agree to things; for example, they agreed to something on a customs valuation in the Kennedy Round and Congress didn't deliver on it, so the next round they went into this trade promotion authority thing that said Congress wouldn't try to amend the deal once it was put to them. So that's what it's all about.

The Chair: Your time is up, Mr. Menzies.

Go ahead, Mr. Sinclair, if you'd like to add a short comment.

Mr. Scott Sinclair: A short comment on that. It's always possible the trade promotion authority or fast track could be extended, but I think in the current political climate in the United States that is not very likely, and I don't believe anyone will want to negotiate seriously with the United States if the President does not have trade promotion or fast track authority. Prediction is a mug's game, but I think it would be very difficult in the current highly politicized context for the administration to get an extension of trade promotion authority.

• (1715)

The Chair: Mr. Julian, you can take up to seven minutes.

Mr. Peter Julian: Thank you, Mr. Chair.

Thank you, Mr. Clark, and thank you, Mr. Sinclair, for coming here today.

Mr. Clark, I haven't read the material Ms. Guergis takes such objection to, but I'm sure it's well worth reading, so I hope to be on your e-mail list in future.

Mr. Sinclair, I appreciate your being here today because I've read some of the books you've written on this subject. You probably know more about trade policy and the WTO than virtually any other Canadian I can think of, so we appreciate your being here today.

I'd like to direct my questions to Mr. Sinclair first, because the previous witnesses at the meeting from 3:30 to 4:30 seemed quite confident that the exclusion on government authority of services such as health care and education was satisfactory, to make sure there was no negative impact on those service sectors. From your opening comments, my sense was that you have some very broad concerns about how the service sector is being negotiated. So I wanted to get a sense from you of the implications to the service sector.

Second, you referred very specifically to two examples: one, the issue of health insurance and auto insurance under GATS, that existing provinces might be excluded, but if the voters, the citizens, of Prince Edward Island decided they wanted to have an auto insurance plan from the public sector, they might not be able to. I'd like to know the concrete implications of that. Does it mean ongoing litigation and millions of dollars for citizens to have the right to public auto insurance, or does it mean the WTO would say because we have made this agreement, no, you can't do that, the citizens can't have public auto insurance?

You also mentioned telecommunications and doing away with the majority Canadian ownership we have in telecommunications. What are the implications there? Again, if public policy...if Canadians decide they want to have a domestically owned sector, is it litigation that results from that, which costs Canadian taxpayers millions of dollars, or is it a question of it simply not being allowed?

I'd like to know the implications of that.

Mr. Scott Sinclair: To address the issue of the adequacy of the governmental authority exclusion in the GATS, article I(3)(c), I don't believe—and this view is shared by many—that this is an effective

exemption. It's certainly not a full exemption for public services. It states that services provided in the exercise of governmental authority are excluded from the treaty, but it goes on to further define that as services that are provided neither on a commercial nor a competitive basis, nor in competition with one or more service suppliers.

Most of what we call public service systems, as Monsieur Paquette was alluding to in the day care or child care area, are mixed systems, and the boundary between public and private is changing all the time. Often public service providers, such as universities, compete with private service providers, and they have advantages that are not extended to private service providers because they have responsibilities and obligations to provide services, which private service providers do not have. So the exclusion itself is not that comforting.

Despite being pushed on this, many governments, particularly from the developed countries, who are trying to push the expansion of the GATS, are reluctant to define the meaning of that more carefully. They prefer to leave it vague. In other words, it will be decided in dispute settlement at some point in the future, which I don't think is satisfactory.

On the specific issue of what happens if a provincial government, which doesn't have the benefit of exclusion, decides to proceed with public auto insurance, no, it doesn't mean that they absolutely cannot do it, but it does create a serious problem. Canada would have to go back to the WTO to invoke an article of the GATS to basically change its schedule and provide adjustment, which would mean, in the WTO context, that you have to commit equivalent sectors under the treaty. This is a significant deterrent, and if you look at WTO documents, sometimes they call commitments effectively irreversible for that reason. If you can't negotiate a satisfactory arrangement, you could face trade sanctions, and those could come in areas other than services.

Finally, on telecommunications, right now our foreign ownership provisions—restrictions—are excluded in our GATS schedule. As long as that doesn't change, they would provide effective protection. Those of us who support those provisions have to be vigilant that they're not changed, because once they are, they're gone virtually forever in that case.

• (1720)

Mr. Peter Julian: How much time do we have? Less than a minute.

I want to come back to that, because if what you're saying is that the decisions are virtually irreversible, then you've also mentioned the issue of vigilance. Have you seen more openness around what's happening at the WTO and Canada's position with the change in government? Is it easier to find out where we're going, what our negotiating principles are, and is there more consultation?

Mr. Scott Sinclair: No, I haven't seen an enormous change. My understanding is that the mandate has not changed, and I don't know if that's because Canada hasn't gotten to it or they've endorsed the position of the former government in a serious way.

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

Gentlemen, Mr. Sinclair and Mr. Clark, I thank you very much for being here again, and we may see you in the future. All the best.

We'll go straight through the motions.

Mr. Paquette, you have two motions. We received proper notice, so if you'd like to introduce them, make some short comments and we'll take it from there.

[Translation]

Mr. Pierre Paquette: I think that the list of people who have asked to appear truly justifies an additional meeting on the Canada-U.S. Framework Agreement on softwood lumber. This is my first motion before summer recess. We can count on at least four days, the 12th, the 14th, the 19th and the 21st of June. We might also—

[English]

The Chair: Just to be clear, you are now speaking to which motion?

[Translation]

Mr. Pierre Paquette: It is the first. They are not numbered.

[English]

The Chair: Just read that motion.

[Translation]

Mr. Pierre Paquette: My first motion reads as follows:

That the Committee on International Trade hold a supplementary session to hear witnesses on the Canada-U.S. Softwood Lumber Framework Agreement.

Of course, this meeting would take place before summer recess. We are expecting to sit until the 20th or the 21st of June. This leaves us at least three days in which we could either extend our meeting or change our work agenda.

Here is the text of my second motion:

That the Committee on International Trade prepare a report including recommendations to the government regarding the Canada-U.S. Softwood Lumber Framework Agreement based on the testimony it has heard and table this report in the House.

There has already been two meetings—

[English]

The Chair: We'll just take the one motion at a time.

Mr. Paquette, if you have a few short comments on the first motion—you've made some already—we'll have a discussion on it and a vote.

[Translation]

Mr. Pierre Paquette: How many requests to appear has the clerk received?

• (1725)

The Clerk of the Committee (Mr. Richard Dupuis): About eight.

Mr. Pierre Paquette: We have received eight additional requests to appear. There is even a day for which there is nothing on the agenda. We might then have that meeting on June 16.

[English]

The Chair: The one that is open now is the 19th, just for your information.

Mr. Julian.

Mr. Peter Julian: I'd like to offer a small amendment, Mr. Chair, that we change “hold a supplementary session” to “hold supplementary sessions”. I'll speak to that.

I agree with the principle of Mr. Paquette's proposal. Obviously we're learning a great deal about the softwood agreement from what we've had so far from witnesses. Though we're looking at eight, I believe there are a number of mayors who have indicated they would like to speak to this issue as well.

I found it was a difficult format to have the nine industry representatives around this table. I don't think we had the time to really question them fully, and there would have been a lot more information forthcoming had we had a smaller number here.

I would like to suggest that we're looking at probably a couple of sessions. One is probably already available, I believe, over the next two weeks. We'd have to do an evening session too, but I'm certainly willing to work in an evening session, because this is a very important issue.

I think Mr. Paquette's motion is an excellent one.

The Chair: Is there any other discussion on the amendment, or should we go directly to a vote?

Is this on the amendment, Mr. Menzies?

Mr. Ted Menzies: It's on the amendment and the motion.

The Chair: No, it's the amendment we're on right now.

Mr. Julian has proposed an amendment, just changing “supplementary session” to “supplementary sessions”, plural.

Ms. Helena Guergis: What if we don't agree with the motion to begin with?

The Chair: We'll be debating the motion after we have a vote on the amendment.

Mr. LeBlanc.

Hon. Dominic LeBlanc (Beauséjour, Lib.): Mr. Chair, we've had a brief discussion, we Liberal colleagues at the table. We support both of Mr. Paquette's motions. We're very comfortable with Mr. Julian's amendment, on the understanding that it's one more session.

I'm conscious of the clock and I'd like to dispose of these motions now. We'll be supporting them. I just want to make sure we don't redo the whole schedule your subcommittee has worked on. If he does believe we need a supplementary session, as in one more—perhaps it could be an evening session or something.... We don't want to redo the whole schedule of the committee. We just recognize that it's a very valid point. We'll support the amendment, and I would suggest we try to be brief and move to a vote.

The Chair: Let's have a quick vote on the amendment, to make it “sessions” rather than “session”.

(Amendment agreed to)

The Chair: The motion we're dealing with now is then for "supplementary sessions"; however, the proposal said not to modify the agenda. There's only one spot open, I believe, right now, till the forecast end—assuming we're done by June 23.

We're back to the motion as amended.

Mr. Menzies, and then Mr. Cannan, I believe.

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

I don't mean to diminish the importance of softwood lumber, but we just had presentations from a number of individuals on all the issues at the WTO that affect all of this country and an awful lot more dollar value in this country.... We haven't even addressed that; we've just touched the surface of the issues that we have at WTO. Those are very, very critical discussions going on, and very time-sensitive discussions. We have our ministers leaving in three weeks to go to the WTO negotiations.

I would far sooner see that spare day put to discussing WTO issues and how we can help our ministers get a deal to help our constituents.

• (1730)

The Chair: Okay, thank you, Mr. Menzies.

I believe it's Mr. Cannan next, and then Ms. Guergis.

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

I concur with my colleague, in the sense that we've heard from over a dozen different industry representatives already. There isn't a consensus: we know there are still some issues to be worked on; negotiations are ongoing; and industry representatives are being consulted—our minister is working with industry and different associations. I just think it's so repetitive to have a whole parade of people coming here and telling us their concerns. We know there are concerns, and they're being addressed.

I don't think it's an effective use of our time. I agree there are other issues. This is a serious matter, but hearing it at this table isn't going to make this agreement be signed any quicker.

The Chair: Thank you, Mr. Cannan.

Mr. Eyking, and then Ms. Guergis.

Hon. Mark Eyking (Sydney—Victoria, Lib.): The two negotiation issues are totally different. Softwood lumber is totally different from WTO; softwood lumber is a bilateral negotiation that we're having. We're right at the final stages. It's so critical, and there are so many witnesses who have grave concerns. It's different from the WTO altogether, where we don't have this big push-back from many of the people. There's concern, but there's not a big push-back on what's happening in Geneva. So there is quite a bit of difference, and I think there's more at stake with the softwood lumber right now.

I would like to call the question.

The Chair: One more speaker.

Ms. Guergis.

Mr. Peter Julian: Mr. Chairman, I have a point of order. The question has been called.

The Chair: It doesn't mean....

This individual has asked to speak on it and she'll be allowed to speak.

Go ahead, Ms. Guergis.

Ms. Helena Guergis: Maybe I'll start with you, Mr. Julian, and your comments to Mr. Clark, which I'm bringing up because they were specific to WTO. He was actually agreeing with me that WTO is important and that we should be talking about it. So maybe you should do your research before you decide to try to slam someone across this table, because you made a fool of yourself.

I would like to say that it is very irresponsible for this committee not to take WTO negotiations, and a good conversation about them, seriously. We will have ample time in the House; the minister and the Prime Minister have been very clear that we will be debating the softwood lumber deal in the House. So we will have more time then, and I look forward to hearing what you have to say there, but I really just do want to share my disappointment with this committee and the fact that we're not giving ample time to WTO negotiations. And I'd like to point out that contrary to what some of my colleagues have said around this table, the majority of the industry do support the softwood lumber deal.

The Chair: Thank you, Ms. Guergis.

Seeing no other comments, now to the question on Mr. Paquette's motion.

(Motion as amended agreed to [See *Minutes of Proceedings*])

The Chair: Mr. Paquette.

[Translation]

Mr. Pierre Paquette: Mr. Chairman, as the bells are ringing, I shall ask you to defer my second motion to the beginning of our next meeting which is next Monday unless everybody is ready to vote immediately.

[English]

The Chair: We can probably deal with it now.

Mr. Ted Menzies: It is inappropriate to be voting after the bells have begun.

[Translation]

Mr. Pierre Paquette: Is it a new rule, Mr. Clerk?

[English]

The Chair: You feel very pressured to run, do you, right this minute?

Some hon. members: Oh, oh!

The Chair: Just a minute, the meeting has not been adjourned.

[Translation]

Mr. Pierre Paquette: Mr. Chairman, I want it to be clear that it will be the first issue on our agenda next Monday.

[English]

The Chair: Mr. Paquette, we will deal with it at the next meeting.

The meeting is adjourned.

Published under the authority of the Speaker of the House of Commons

Publié en conformité de l'autorité du Président de la Chambre des communes

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