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Chair

Mr. Leon Benoit

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• (0910)

[English]

The Chair (Mr. Leon Benoit (Vegreville—Wainwright, CPC)):
Good morning, everyone.

I hope all the members had a good out week. Hopefully, you're catching up on some rest from the out week this week, although I doubt that very much.

Today we are continuing with our study, under Standing Order 108(2), of Canada's trade policy.

We had officials from the department in our first meeting. In the second meeting we had representatives from various business groups, or groups representing business organizations. We decided, to help direct us in where we go in our study of what Canada's new trade policy might be, to go to some countries that have done a lot of work in this area in the past few years and discuss the issue with them.

So today we're very pleased to have, from the Australian High Commission, William Fisher, High Commissioner. Welcome, Your Excellency. We're also very pleased to have Tony Huber, Deputy High Commissioner.

We have, from the New Zealand High Commission, Kate Lackey, High Commissioner. Welcome, Your Excellency. We also have Elizabeth Dixon, second secretary.

We have, from the Embassy of Switzerland, Claude Wild, Minister-Counsellor and Deputy Head of Mission. Thank you very much for being here.

We'll have the presentations in that order, all of the presentations together before we go to questions.

We'll start, if we could, with the Australian High Commission. Speak as you wish, and the other can feel free, of course, to chip in when they like, when it comes to questions or with the presentation.

Please go ahead.

Mr. William Fisher (High Commissioner, Australian High Commission): Thank you very much, Mr. Chairman. I'm the Australian High Commissioner. My name is Bill Fisher.

I just wanted to say how much we appreciate, first, coming before this committee. Australia and Canada have worked very closely in a number of international forums on international trade matters. And of course we are, together, members of the Cairns Group of pro-reform agriculture exporting countries. In that forum, I think we have, together, played an influential part in world trade negotiations.

We have always felt that Australia's and Canada's interests and activities in international forums are things where we have had so much in common. We work very well together.

In Australia's case, of course, we are a trading nation. In our position in the world, we've had to establish a forward-looking trade policy to try to overcome some of the tyrannies of distance that we work with. I suppose the basis of Australian trade policy is to work from a low tariff basis. We have a country that, 30 years ago, was a fairly closed economy. We had high barriers. We had lots of barriers to trade. We had a lot of closed practices within the Australian economy.

From about 1983-84 onwards, we've undertaken a really substantial effort to open up the Australian economy to the world. This has had an enormously beneficial effect. I think now that we've looked back over the last 20 or so years of reform, we can see the benefits that open and free trade have brought to us, even at the time.... Some of the reforms are not easy to undertake, and it produces a lot of domestic resistance. A lot of people had to be reformed against their better will at the time. But when the results are in, it has to be said that the price of reform is well worth paying, and I think the strength of the Australian economy today is witness to that.

What we thought we might do this morning, Mr. Chairman, is give you a rundown of some of the policies that have driven us over the last few years and that continue to drive Australian trade policy today. I'm going to ask my deputy, Mr. Huber, who has prepared a more comprehensive paper on this, to speak to you.

The Chair: Go ahead, Mr. Huber.

Mr. Tony Huber (Deputy High Commissioner, Australian High Commission): Thank you.

Bill has mentioned the brief rundown on what Australia did over the last 20 years, so I might skip that opening part covered in my paper. I'll cut to the chase and get straight to Australia's trade policy approach.

We've been supporting our exporters with the most ambitious trade policy agenda in Australia's history for the last 10 to 15 years. We're seeking to free up trade through the Doha Round of negotiations in the WTO. We want to free up industrial goods, services, and most importantly agriculture, which we see as the most distorted sector of world trade.

On average, agriculture tariffs are more than three times higher than tariffs on non-agricultural goods. Furthermore, prices that our exporters are receiving are depressed by the farm support programs run by many developed countries. Primary producers in the United States, for example, receive 16% of their income from government support. In the European Community they receive 33%. A good outcome for the WTO round would increase the value of our major agricultural exports by 15% in 2011, compared to the value of the existing trade barriers if they were to continue. It would also lift 32 million people in the developing world out of poverty.

As you know, the negotiations on the round are suspended at the moment because they broke down in agriculture in July. Australia's goal over the coming months will be to encourage the major players to get back to the negotiating table. This appears to be happening, with the director general lifting the suspension on technical discussions just this week, so we're quite optimistic about this.

Bill also mentioned the Cairns Group. We see that as a remarkable achievement over the past 20 years. It has really lifted an area of the trade negotiations out of the shadows and right into the spotlight. Agriculture never had rules until 1994. We're now hoping to expand the rules that apply to all other sectors and have those covered. The Cairns Group will continue to be very active in that respect, and its contribution on the technical discussions, as your negotiators know, is without peer. They will continue to play quite a major role in that.

I'll now speak about bilateral and regional free trade agreements. In addition to our multilateral trade efforts, we're also looking for results through bilateral and regional agreements. These can often get faster commercial results than the multilateral process, which tends to focus on rules rather than some of the major reductions in protection. They can also address non-tariff barriers like government procurement, competition, intellectual property, and investment controls, so we see that as an additional avenue.

We have successfully negotiated FTAs with Singapore, the U.S., and Thailand. We also have a closer economic agreement with New Zealand. When the U.S. free trade agreement came into effect, two-thirds of America's tariffs on our agricultural products immediately fell to zero. Our lamb exports have increased over the last couple of years by 19%, and dairy exports are expanding as well. We had an expansion of our cheese exports by 103% in the first year alone.

The FTA has also boosted our services exports. The Thai FTA has delivered benefits across the board, and last year exports to Thailand increased by 35%. Most of the tariffs faced by our fruit and vegetable exporters will be phased down to zero over the next four years in Thailand, and the tariffs on steel and copper products were immediately halved or eliminated altogether.

Our free trade agreement with Singapore has led to considerable gains for exporters of services such as education, and in 2005 our services exports to Singapore increased by 11.6%.

On our current free trade negotiations, we're focused on negotiating an FTA with Malaysia, the ASEAN countries in conjunction with New Zealand, and of course with China. One of the most important events at this time is China's major and rapid development. It's already the world's third largest trading nation after

the United States and Germany. It is the third largest exporter to Canada, and I think it's about to become the second largest.

• (0915)

We're seeking commitments from China to remove its tariff and non-tariff barriers on Australian exports, including addressing its tariff rate quotas on our exports of wool, wheat, cotton, rice, and sugar. It's very much an agricultural focus. We wouldn't walk away from that.

We've also told China that negotiations on services and investment market access must start before the end of 2006, which China agreed to. China additionally agreed to include investment in government procurement. It's an immensely large task. Both areas are of significant commercial importance to Australia, but are very sensitive in China, as you would know.

We have a long way to go and the negotiations are difficult, but we will take as long as is necessary to achieve a commercially valuable outcome for Australian industry. Of course, as with all our free trade agreements, we expect that the one with China will be comprehensive. It will need to be completed as a single package, and we'll need to maintain the integrity of our manufacturing industry plans.

We're also carrying out feasibility studies into a possible FTA with Japan and analyzing the implications of an FTA with the Gulf Cooperation Council, which consists of the United Arab Emirates, Bahrain, Kuwait, Oman, Qatar, and Saudi Arabia.

The third area I wanted to emphasize, apart from the WTO and our regional approach, is APEC. As you know, Australia will host APEC in 2007. The Australian government will soon begin outlining our plans on how we'll be building on the good work achieved in Vietnam. As many of you will be aware, in 1989 APEC was commenced. Australia is a founding member, and in fact we like to take credit for the idea of APEC. It involves all of the dynamic economies of Southeast Asia and the Pacific, which encapsulates 68% of our trade and I think 61% of the world's gross domestic product.

At last year's meeting in Korea, a road map was agreed on for APEC that will take the organization forward and promote new areas of work. One of the key elements we'll be stressing next year, which you would recall if any of you had gone to Vietnam—I don't see anyone here who I think has been, but I might not have looked at the back of the room—is support for the WTO multilateral trading system. You would have witnessed that there was a fairly strong statement that came out supporting the Doha Round, and that was cited by Lamy when he restarted technical negotiations this week.

The second aspect is the promotion of high-quality regional trade agreements and FTAs. We're doing this through our efforts, as I outlined, and Australia is carefully considering the future possibilities here.

Last but not least, in fact most importantly, is the engagement of business. In 2007 we'll be doing everything we can to assist business and we're having a high-quality 2007 business summit. We look forward to seeing everyone in APEC next year.

If there's anything I'd like to underline, Bill mentioned at the outset that we had a tyranny of distance. We've managed to overcome that through our reform efforts and through becoming competitive. We, like Canada and like New Zealand, left the Commonwealth preferences system in 1970 after the U.K. joined the European Community. Since that time the reform efforts and the pain that we put our economy through has really borne fruit. This is our 15th year of straight economic expansion. We've moved from 15th to 8th in terms in world competitiveness, and I think it's fair to say that we've really cut a course with many countries. So we're quite proud of our efforts.

I'll leave it there. Thank you.

• (0920)

The Chair: Thank you very much to both of you from the Australian High Commission.

We'll go now to the New Zealand High Commission.

Ms. Lackey, or Ms. Dixon, as you wish. Go ahead, please.

Ms. Kate Lackey (High Commissioner, New Zealand High Commission to Canada): Thank you, Mr. Chairman. I'll go first and leave my colleague to answer any difficult questions at the end.

As you know, this morning I will be talking about the broad basis of New Zealand's trade and economic policies. For a country like Canada, which is so dependent on trade, our trade policy is highly integrated with our wider economic policies.

New Zealand's recent economic performance has been pretty strong. In fact, we've enjoyed the longest run of economic growth for a very long time. Unemployment currently sits at about 3.8%, which puts us at about the lowest level of unemployment in the OECD.

In terms of economic fundamentals, our economic policy settings are consistent with international best practice. New Zealand has strong foundation policies, such as an open economy, macro-economic stability, broad-based tax policy, flexible regulatory settings, and low compliance costs. This is supported by the World Bank's ease of doing business survey, where New Zealand ranked number two in the world.

Mainstream economic thinking in recent years has placed a heavy emphasis on governments getting the economic fundamentals right and then leaving it up to the market to get on with the business of wealth creation. New Zealand has followed this policy approach for the last 20 years, an approach that has put New Zealand on a sustained growth path. But when all is said and done, we're dependent on trade.

Exports of goods and services account for around 30% of our GDP, and agriculture plays a very significant role in our economy.

Agriculture accounts for roughly 18% of our GDP and over 10% of jobs in New Zealand. Agriculture comprises well over half our exports by value. We export over 90% of our production. We're the world's number one dairy exporter, number one sheep meat exporter, and number two wool exporter.

While agriculture has been the cornerstone of our economy for over 50 years, the emergence of new industries such as tourism, creative industries, and technology is transforming our economy. The New Zealand export sector survives today on market orientation and responsiveness to market signals.

Being a long way from our key markets, we've had to be innovative, competitive, and diversified in our trade policy approach. But as some of you may be aware, New Zealand's current approach to trade policy and macro-economic fundamentals is the result of major and wide-ranging reforms some time ago.

Many people would say that New Zealand learned the hard way. If we go back to the 1950s, New Zealand enjoyed one of the highest living standards in the OECD. To sustain that standard of living when we were threatened by external shocks like the oil crises and the U.K.'s entry into the EEC, successive governments in New Zealand embarked on systematic government borrowing, introduced policies to protect our domestic manufacturing sectors, and established subsidies in our agriculture sector to stimulate production. In short, these policies simply didn't work for us.

Looking at the most important part of our economy, agriculture, the introduction of significant levels of support or subsidization had a dramatic effect. With near guaranteed incomes and high levels of government support, our farmers became isolated from market signals. Efficiencies on the farm declined, innovation and entrepreneurialism were stifled, and resources were misallocated. Our farmers started to lose their competitiveness on the international market, and as you can imagine, that's pretty devastating for a trade-dependent economy.

Our domestic manufacturing fared no better. Import quotas and tariff walls were introduced to protect the domestic market. The rationale was that domestic industry could only develop if protected from international competition. In reality, this led to a manufacturing base that was increasingly inefficient and non-competitive. This also affected our consumers, who paid much more for goods. Overall, the cost to the New Zealand taxpayer was very high.

By the early 1980s, we were in financial crisis. Borrowing on international markets to finance government programs had led to huge government indebtedness. We experienced persistent current account deficits, inflationary pressures were significant, unemployment was growing, and overall, our economic performance was abysmal.

● (0925)

There was wide acceptance in New Zealand that a change in direction was required, with an emphasis on transparency, policy predictability, the market mechanism, and competition, and in 1984 a new government was elected on a platform of change. Its economic goal was to maximize sustainable medium-term growth. The belief was that market-driven competition was the best means for achieving economic growth, so we began immediately a liberalization of the New Zealand economy by removing many of the controls and regulations that had prevented competition.

Now, I don't have time to go through the entire reform process, but suffice it to say that after 1984, the direction of economic policy in New Zealand turned away from intervention towards the elimination of many forms of government assistance, leaving the private sector to deliver the things it could deliver better.

Our experience has shaped our current approach to both domestic economic policy and our overseas trade policy. These two aspects—domestic and international—are for us inextricably connected. Common themes to both include liberalization, comparative advantage, competitiveness, and private sector leadership.

Like Australia, New Zealand is a strong supporter of a liberal world trade regime, where countries produce and sell on the international market based on comparative advantage rather than having production decisions distorted through subsidies and other trade-distorting practices. Having ourselves been through the change process, however, we are mindful of how emotive and politically charged such reforms can be. And the last thing we want to do in telling our story is to advocate how other countries should manage their affairs. But we can offer some insights about doing away with protection in agriculture based on our own experience. And what our experience has shown is that farmers and the business of farming can flourish when left to their own devices, that openness to international competition stimulates productivity and innovation, and that there is, as our farmers say, life after subsidies.

Today, farming in New Zealand is highly profitable, with increasing productivity and higher returns to farmers. Fears about the removal of subsidies did not eventuate. Our farmers now see farming as a business as well as a way of life.

I'll just now touch on our trade policy strategy. In New Zealand over the years there's been a high level of continuity. Like Australia, we operate on a number of tracks, but again like Australia, we have traditionally given top priority to multilateral trade rules and liberalization under GATT and now the World Trade Organization.

Of course the suspension of the WTO negotiations was of concern to New Zealand. Why does it matter so much to us? There are strong economic reasons. The previous round, the Uruguay Round, was worth about 1% of GDP to New Zealand, and we would expect returns of a similar order from a successful Doha Round. We are very pleased to comment that we are delighted to see that the round now seems to be back on track with discussions getting under way in Geneva.

In addition to the WTO, which remains for us the first, best option, New Zealand has also pursued FTAs—free trade agreements—which are either bilateral deals or wider regional groupings,

and that's always been a key plank in New Zealand's strategy. We believe that complementary to the multilateral track, bilateral or regional deals can yield tangible results. Moreover, the opportunity costs of being left out are significant. We simply cannot forgo opportunities to improve market access for New Zealand exporters.

My Australian colleagues have mentioned the CER agreement between Australia and New Zealand. That's been a key focus of our trade policy for over 20 years, and it is still regarded by the WTO as one of the best, most open, most comprehensive trade agreements in the world.

But we've also looked elsewhere for wider opportunities. We've concluded FTAs with Singapore, Thailand, and Chile. We have a close economic partnership with Chile, New Zealand, Singapore, and Brunei that spans the Pacific to link Latin America, Oceania, and Southeast Asia, and we think this will set a new standard in plurilateral deals.

● (0930)

Like Australia, we're negotiating with China and with Malaysia, and together with Australia, we're negotiating with ASEAN. Australia and New Zealand are very close. We do a lot of things in parallel or together. Also, like Australia, we're negotiating with the Gulf Cooperation Council.

But perhaps a new element on the trade agenda is the emphasis now going into plurilateral regional arrangements. These aren't new. New Zealand has long been committed to APEC. Again, we're very happy to acknowledge Australian paternity of that grouping, and we're very supportive of APEC's goal of trade liberalization. Within APEC, we're also following very closely the encouraging discussion on an idea that's been around for several years, that of a free trade deal amongst all members of APEC, that of a free trade area of Asia and the Pacific.

We're also looking at other subregional deals, including ASEAN. One possibility being talked about is ASEAN plus the three dialogue partners, meaning China, Japan, and Korea. But there are another three countries that now work together with ASEAN under the East Asia summit process, and they include New Zealand, Australia, and India. We're always on the lookout for new partners for FTAs, and we recognize the gains we would get from better access to the major economies in Asia-Pacific, including, of course, Canada and the United States.

Just very briefly, because I'm probably just about out of time, I want to talk about our unilateral track, our domestic policies that help develop international linkages and support our trade strategy. While we've had continuity in our trade policy, from time to time you have to stop and check your assumptions to make sure you stay up with changes in the international business environment. For New Zealand's part, this has meant that we've had to ask ourselves what globalization means for our policies. Part of this review has required us to take a broader view of trade, beyond the old paradigm of shipping product off to foreign markets. We now have to find opportunities in a much wider range over international economic linkages.

In our view, today's trade centres on the development of global supply chains, where the value and profit increasingly lie in design, marketing, branding, and distribution of product, rather than just its manufacture. Specialization, outsourcing, and offshoring are increasingly part of this puzzle. What that means for trade policy is that the distinction between the domestic and the external is increasingly artificial. To prosper, we have to be able to work effectively in a dynamic and competitive global market. For New Zealand's part, as part of that, we also have to lift our export performance.

To address the internal part of this puzzle, the New Zealand economic side, just two weeks ago the New Zealand government announced its new economic transformation agenda, which builds on policies already in place. It has a number of key themes, including growing globally competitive firms, developing first-world-class agriculture, developing innovative and productive workplaces, and enhancing environmental sustainability.

It's acknowledged that economic transformation will necessarily require sustained effort over time and a uniquely New Zealand approach, with policies tailored to our particular circumstances, our environment, our location, and our size, but also taking advantage of our natural strengths and resources, our innovative talents, and our can-do attitude.

The government has also called on the private sector to own and drive the innovation and internationalization process required to improve New Zealand's productivity. Next year we embark on Export Year in New Zealand as a way of focusing government, the private sector, and the public on the need to build the capacity and capabilities of New Zealand's exporters.

Perhaps I can conclude on a forward-looking note. We know we'll need to work hard in the WTO, acknowledging that it remains the foundation stone of the global trading system. With our FTA agenda, again, we'll look hard to find new opportunities to negotiate new economic partnerships.

• (0935)

Working on a number of tracks—the multilateral, the bilateral, the regional—has a cost in terms of demands on a country's negotiating resources, but there are good reasons for it. Each track offers potential gains, and we simply don't have the powers of prediction that would allow us to concentrate our efforts more narrowly for New Zealand. We have to spread our risks.

At the core of all our external economic policies, including our trade negotiation effort, is the need to signal as clearly as we can that New Zealand's orientation is outward, open, and welcoming, and that we see our future emphatically as being deeply integrated into the global economy.

Thank you.

The Chair: Thank you very much, Excellency.

We will now go to Mr. Wild, from the Embassy of Switzerland. Go ahead, please.

[*Translation*]

Mr. Claude Wild (Minister-Counsellor & Deputy Head of Mission, Embassy of Switzerland): Thank you, Mr. Chair.

Mr. Chair, honourable members of the committee, colleagues from Australia and New Zealand, ladies and gentlemen, I would first like to thank you for inviting me here today and for your interest in Switzerland's foreign policy.

Since Switzerland and Canada both share French as one of their official languages, I will speak primarily in French, although I will of course reply in English to any questions I am asked in English.

Mr. Chair, your committee is currently examining the future of Canada's trade policy. We did just that two years ago. We wanted to establish a strategy in order to position ourselves, the people of Switzerland, in this globalized world, especially since we are so dependent on the rest of the world.

I am here today to briefly present to you the key points of that strategy, but let me first quickly review the main characteristics of the Swiss economy.

As you know, Switzerland is a neutral country located in the heart of Europe, surrounded by a giant—the European Union—of which Switzerland is not a political member. It is a multilingual federal state comprised of 26 mainly autonomous federated entities: the cantons. This structure shares many similarities with Canada, and with the large neighbour to the south.

Switzerland has some 7.5 million inhabitants, approximately the same population as the province of Quebec, although it is 41 times smaller than that province, and 240 times smaller than Canada.

Switzerland's economy is 70% service based. The remaining 30% are shared between secondary sector at 26% and agriculture at just 4%, which is nonetheless staunchly protected in my country. Unlike Canada, we have no raw materials. We export pharmaceutical, chemical and manufactured products, as well as services. One out of every two francs is earned outside of Switzerland, which is why it is so important for us to be well positioned in this globalized world. The importance of Switzerland as a financial centre is well known. Our banks manage one third of all private financial assets in the world.

Switzerland is also an administrative centre for many large multinationals, because our country is very attractive to investors. However, the true economic fabric of my country is, in fact, based on a network of a multitude of small- and medium-sized businesses that produce high value added products for export. Our strategy is to ensure that these products, which are expensive, find their niche in as many markets around the world as possible.

This leads me to the strategy. We defined the following three dimensions for the strategic direction of Switzerland's foreign economic policy: promoting exports, improving access to imports and integrating into global economies in as many other countries as possible. These three dimensions are all considered equally important to our positioning on the world market.

I will now discuss the first dimension, which is promoting exports. The first means we have to achieve this is to actively participate in the strengthening of the international economic system. Switzerland is more than just the home of the World Trade Organization, headquartered in Geneva, but it is also actively committed to facilitating trade within the WTO. Even though the Doha round is currently suspended, the WTO remains the most promising framework to fully liberalize world trade in a way that is fair. Thus, this is our main concern. But while we are waiting for this to happen, naturally, there are other dimensions that must be pursued and given equal priority.

A second objective that we have defined to help promote our exports is improving our access to European Union markets. The European Union is to us what the United States are to you: an umbilical cord that is vital to the economic success of our country. We must have access to that market and we are not a political member of the European Union club. Our ongoing challenge, therefore, is to pursue this market and ensure that we are practically integrated, almost as though we were a member.

● (0940)

To date, we have been relatively successful, which also affects how attractive we are to foreign investors. Why? Because in our country, companies, especially North American companies, can access the European market thanks to the network of agreements we have created, without the drawbacks of the high tax rates of the European Union.

We therefore have a niche there that we can exploit because we are not a member of the European Union. Sixty per cent of our exports go to the European Union and 80% of our imports come from the European Union, which is why this connection is so important.

The third objective in promoting our exports is to open foreign markets to all economic categories. Facilitating access to foreign markets is generally achieved by concluding bilateral or multilateral free trade agreements. This is one of our most important tools for everything that happens outside the European Union.

We try to establish free trade agreements wherever we can, but not just any agreement. We believe that free trade agreements must, to the extent possible, apply to all economic categories and not be limited to the traditional trade of goods. We need agreements that include services, investments and horizontal policies such as competition, taxation and corporate law. We currently have a

network of more than 20 free trade agreements and, as you know, we are in the midst of negotiating an agreement with Canada.

The fourth objective in promoting our exports is to improve access to foreign markets for all of Switzerland's businesses, no matter their size. Our country has primarily small and medium sized businesses. Foreign markets must be accessible for these small businesses, which do not have the same clout as large companies such as Nestlé and Novartis in the agri-food and pharmaceutical industries.

Once an agreement is signed, the government must help the economic stakeholders benefit from it. It is not enough to simply sign an agreement. We then have to make sure that businesses know about the agreement and show them all the advantages that go along with it, to ensure that it is fully exploited.

Also to help our businesses, our network of agreements for the promotion and protection of investments is one of the most intricate networks in the world.

I will now discuss the second dimension, improving access to imports through reforms to Switzerland's domestic market. It may seem strange to think that opening our country to imports might help our exports, but that is precisely the case. The purpose of the reforms made to Switzerland's domestic market is to encourage greater competition in this part of the economy, which remains quite protected. The most effective way to achieve this is by opening this market to foreign competition.

The competitiveness of the domestic economy is a determining factor in the economic success of the country and this is what we must make clear to our domestic economic stakeholders who promote the protectionist lobby. We must make them understand that it is in the country's best interest to become more open to imports, because it encourages competition and pushes our economic sectors to perform better. In this regard, the Swiss government understands that exports and foreign investments are not the only factors in the growth of the economy. Imports and foreign investments in our country are equally important.

We set three objectives to try to make the most of this dimension. We are in the process of reviewing our legislation on the domestic market to facilitate the movement of people and the recognition of diplomas, which still poses a problem between the cantons in Switzerland. We are also in the process of changing our policy on agriculture, which is still very protected.

● (0945)

By 2011, we hope to remove export subsidies, reduce production subsidies and simplify direct payments. This is obviously a major undertaking because, in Europe in general, and particularly in Switzerland, agriculture has historical significance and is practically sacred. We must find some sort of middle ground to ensure that this sector does not simply die when faced with international competition, especially since some countries have other means that we simply do not have.

The third objective, with regard to the domestic market, is to continue to attract direct investments from foreign markets by creating frameworks that are appealing in terms of taxation, education and the proximity of authorities in relation to the investors.

Before I conclude, I will discuss the third dimension. It is very important for us to integrate into as many countries as we can in the world economy. How are we doing this? Through voluntary contributions that we make to the economic development of partner countries. Switzerland is making a concerted effort to help our partners to develop their national conditions through economic cooperation for development. This assistance is more than just an act of solidarity, it is an act of political interest.

Indeed, the integration of countries in the global economy is important to the Swiss economy because, in the long term, this will create new opportunities and new investment and acquisition possibilities. Therefore, it is absolutely crucial that we also work towards the long term.

Consider the following example. In one week, the Swiss will vote on a government plan to give 1 billion Swiss francs in voluntary aid to 10 new countries—mainly in Eastern Europe—who recently joined the European Union, so that those countries may catch up to the rest of Europe quicker.

We are convinced that this voluntary act, this payment of 1 billion Swiss francs to help the economic development of those countries, is genuinely in our best interest. These economies have the potential for enormous growth and are extremely promising. Naturally, such a policy is very controversial among certain groups. As you know, we vote on nearly everything in my country. Certain citizens found this gift far too generous and called for a national referendum. Which is why, in one week's time, Switzerland will be voting to determine whether this proposal put forward by the Swiss government will be acted on, or if we will simply scrap it.

In closing, I would like to remind the committee that, owing to its considerable dependence on international trade, Switzerland must create, both inside and outside its borders, the best possible frameworks for its economy in general and particularly its export industry. The key words to remember are: integration; avoid discrimination; diversification of markets; protection of the Swiss quality label; competition; education; attractive tax rates; support for small and medium sized businesses; and economic promotion.

So far, this economic foreign policy has served my country's interests well in a globalized world. I hope this continues well into the future.

Thank you.

• (0950)

[English]

The Chair: Thank you very much, Mr. Wild, and thank you all for your presentations.

We'll go right to the questions now. We don't have as much time as I would like for questions, but we have a little bit over an hour, so let's get right to it.

Mr. Eyking, go ahead, please, for seven minutes.

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

To the representatives from the countries, I thank you for coming here this morning and giving us your insight on how important trade

is to your economies. As you know, trade is very important to the Canadian economy also.

We're also very disappointed that the WTO did not succeed in its mandate. We tried our best to continue on the talks. The reality is that agriculture always seems to be one of the stumbling blocks in dealing with trade issues. The U.S. and European subsidies especially seem to be at the forefront of the problems.

Our agriculture here is very similar to that of New Zealand and Australia in that we do not subsidize very much here. My first question is for Australia.

At the present time, with a new government here, there is a move afoot to water down or diminish the role of our Wheat Board, our grain board marketing system on the world trade scene. My question to you people in Australia—I know you've gone through changes with your grain board over the last many years—is what changes you have gone through and how they have impacted your growers. What is the difference between your grain board and ours, and is it still existing?

Mr. Tony Huber: I'll give you a bit of a rundown on what has happened in Australia.

The Australian Wheat Board has undergone a process of corporatization. Among other changes, it has lost its domestic marketing monopoly. It still retains the single-desk external selling monopoly, so to that extent the Canadian Wheat Board and the Australian Wheat Board remain similar.

The Australian Wheat Board also lost its direct support from the government. The underpinning of credits has been removed and there is now a commercially applied business risk process. So we have gone through a process of realigning the Australian Wheat Board to the point where it is most effective in managing the vagaries of the international market, but still retains the benefits of pooling, while removing all the elements we stand against and have not been supportive of. We've been principled in the approach of dealing with the Australian Wheat Board. We have worked with farmers in making those changes. The farmer population has been very much involved. Some sort of farmer plebiscite was involved at some point.

That said, as it stands, political issues aside, the Australian Wheat Board has been, and continues to be, very successful as an operating entity for exports. However, some issues were seen domestically and are gradually being addressed. In terms of exports, in 2010, the single-desk monopoly for the Australian Wheat Board will be reviewed. That's been in the cards, and there has been a transparent process, a road map if you like, laid out for the reform of Australian grain marketing.

The fundamental difference I would note about the Australian Wheat Board and the Canadian Wheat Board is that the Australian Wheat Board applied to the entire country, and the Canadian Wheat Board is only applied to certain parts. As the change takes place, we'll see, but I think our exports have stood up, I think our prices have stood up, and I don't think there are any negative aspects to the commercialization process.

• (0955)

Hon. Mark Eyking: Do I have a few more minutes?

The second question is to the gentleman, Mr. Wild, from Switzerland. I visited your country a few times and I also visited Norway, and there are a lot of similarities to your challenges in growing products. You have unique products, and I commend how you're keeping agriculture a part of your economy.

We are very proud of our domestic marketing boards. We call it the SM5 for poultry and for dairy products. They're not subsidized by the government and they're not trade distorting. It's a domestic issue, and consumers are getting a fair price and a reliable product. Our marketing boards are often attacked at WTO, but I think they should be a model for other countries, especially because they're not subsidized.

My question to you, Mr. Wild, is this. If you're familiar with our marketing boards, would you see them as a model for other countries, especially countries challenged in food production that want to retain their identity as an agricultural nation?

Mr. Claude Wild: For sure, agriculture is a big challenge to Switzerland, because basically you don't grow much on mountains. But it's more than just agricultural policy. For a long time in Switzerland—and that's maybe how you can explain why we put so much money in a sector that yielded so few results—it was part of our defence policy, and it's also part of keeping the valleys, the rural regions, alive. Yes, we are looking for new models, because up to now and coming out of the Second World War, agriculture was equal to production.

In the 1960s, we were still quite rich in Switzerland. We're still quite rich, but not compared with the 1960s. We can't afford today the agricultural policy we had in the 1960s, where we simply subsidized production that wasn't efficient. Today, what do we want? We still want to have agriculture, but agriculture that doesn't ruin the state and that can find a niche in the market. So we want to subsidize not production but new ways of green agriculture, and we also want to tell farmers that they have to look for ways where they can....

They used to be like civil servants, but simply on the farms. They would get their paycheck at the end of month for just being there and producing part of what was eaten in Switzerland, as national production, having in mind that if a new war were to come, we would be able to produce our own agriculture.

Today we can't afford that policy. And yes, we are looking for new models. I told you already we have a project, Agricultural Policy 2011, where we want to get away from subsidizing the way we do today. But you know, in Switzerland you vote on everything. Try to do something radical in agriculture. It's the best lobby in the country. You will have a tough battle and you will have a referendum, and as government you will be defeated. Because agriculture is so close to the history of our country, you really have to go step by step. You can't just make agricultural policy a cabinet policy, where you decide. It can always be challenged by a referendum.

•(1000)

The Chair: Thank you very much. That was very interesting.

I will now go to Monsieur André for seven minutes.

[*Translation*]

Mr. Guy André (Berthier—Maskinongé, BQ): Hello. I am very pleased that you are all with us here today to answer our questions

and present to us the trade situation in your respective countries, which, in passing, are all very beautiful.

I have three main questions. The first concerns agriculture. I was in Geneva, Switzerland, last July. The Doha round currently blocks agricultural subsidies. Yet, the European Community heavily subsidizes its agriculture.

My question is for all the witnesses. How do you think we can reverse the Doha round and encourage the European Community to reduce its subsidies?

My second question has to do with the importance of protecting supply management for Quebec and Canada, especially for our dairy and poultry producers, for instance. Some countries are wondering about our desire to protect these areas of activity, which we consider fragile sectors of our agricultural industry. I would like to know what you think about this. Our farmers feel threatened. We have some major players in the agricultural field and we want to protect certain cultures that are not subsidized. As you know, we have a quota system.

Some 20 years ago, Australia, and particularly New Zealand, shifted more to the right, if I may say so. You significantly restructured your social programs and health care policies. The phenomenon of globalization is growing and some statistics show that free trade and other such policies have increased poverty around the world. As they say, the rich are getting richer as the poor get poorer.

Is globalization having the same impact in New Zealand? Do you have any statistics in this area? What changes have you made to your social programs? Have these changes improved access to services for the entire population? Is the quality of life the same? Has the phenomenon of exclusion become more pronounced?

I will let you each answer these questions individually.

•(1005)

[*English*]

Ms. Kate Lackey: Perhaps I could lead off on that one. Thank you for those questions.

The Chair: Thank you.

Ms. Kate Lackey: Can I just touch on each element?

When you referred to the WTO, we had a huge worry about the breakdown over agricultural issues. You were in Geneva in the summer, so you will know much more about the atmospherics and what the issues were than perhaps I do.

New Zealand certainly hasn't been in the blame game in terms of pointing the finger at either the EU over market access, or the United States over domestic support. Our position is very much that there will have to be concessions by all of the major players. When we talk about major players, we obviously include the leaders of the G-20 group, Brazil and India.

There also needs to be movement on non-agricultural market access, but we are delighted that the talks now seem to have been taken off ice and revived. As Canada, Australia, and Switzerland, we will be fighting as hard as we can for a successful outcome.

Sir, may I also comment briefly on supply management. That is a domestic issue in Canada, and not one that as a guest in your country, I ought to be commenting on too much. But I do need to say that it does pose some philosophical and commercial difficulties for New Zealand.

I've explained how we now farm without subsidies. Our farmers are open to international competition; they have to adjust to market signals. But our dairy farmers, for example, face tariffs of over 300% in terms of trying to bring dairy products into Canada, and that is a very high tariff wall to get over. We think that Canadian consumers ought to have a free choice to buy on the basis of quality and price, and I'm not entirely convinced that that choice is there.

When we talk about globalization, there are so many elements that get put into that big pot of issues. New Zealand's view is that we may have different thoughts about globalization, but we can't deny that it's happening. In fact it's already happened. China and India aren't just upcoming economies, they're already huge and booming ahead at a pace that we find hard to understand.

So I know there are issues. A number of NGOs have issues about whether globalization increases poverty. I think the most reputable studies show that if world trade was freed up so that the poorer countries were able to sell what they make for a fair price on international markets, that would be the single greatest thing to do to alleviate world poverty. Of course we know that the Doha Round is the development round. All developed countries have committed to trying to lift the living standards in the developing world.

In New Zealand, yes, we have always had a social security safety net of social provisions. That remains in place. It's very much a part of the core fabric of New Zealand and what it means to be a New Zealander. We believe in fairness and in protecting people who, through no fault of their own, suffer hardship. So we are very strong believers in active and innovative social programs.

The Chair: Mr. Wild, go ahead.

[*Translation*]

Mr. Claude Wild: I am going to respond to your first question about what we can do to urge the European Union to reduce its subsidies. We are not a member of the European Union, but our positions, as a net importer that wants to protect its agriculture, are rather similar to those of the European Union. I think that efforts must not be unilateral. Your large neighbour to the south, the United States, must also make an effort with respect to the domestic situation.

Half of the European Union's budget is allocated to agriculture. Thus, it is a very important sector, and all the governments are bound by that. The agricultural sectors of the 25 European countries, along with the new countries that just joined the EU such as Poland, cannot be reformed in two or three years and must have opportunities in the European Union. The European Union also represents these interests at the WTO. We have to be realistic. This will not be achieved quickly or drastically. This could happen, but on this side of the

Atlantic, the United States must demonstrate that they want to do something about domestic support. Otherwise, there will be no compromise. That is our analysis of the situation.

But, obviously, it is more than just agricultural products. As Madame High Commissioner stated, progress must be made on market access for non-agricultural products such as industrial products. This factor must not be overlooked. We cannot focus solely on agriculture. We must find a way to move forward without jeopardizing the rest of the negotiations.

Canada's position on supply management is somewhat paradoxical. Your country is fighting for the opening of European markets, including the Swiss, and criticizing European protectionism. Yet, you also have systems to protect your domestic market. You are calling for total openness, yet you yourselves protect your sectors. Canada needs to be aware of how it is perceived when it presents its negotiating position. There is somewhat of a paradox there, but agriculture is so political and complex that our agricultural positions all have their paradoxes.

As for world poverty, it is indeed unfortunate that, despite the progress of humanity, we cannot wipe out poverty. This matter is one that goes beyond trade. This poses a challenge to the entire world. Given that developing nations are the majority at the WTO, it is likely in that context that the best solutions will be found. I see no alternative. A WTO that is unable to accomplish anything would be a return to the rampant bilateralism at the same time, but it would also be the return of those who are stronger, those who would gain from it. Developing nations would only lose even more.

In my view, we have no other choice but to ensure that the WTO works properly and overcomes the current crisis. That is the best way to guarantee trade that is fair and as global as possible.

• (1010)

[*English*]

The Chair: Thank you.

Monsieur André, you're out of time, but I would like to get an answer from Australia if I could, from either of you gentlemen or both.

Mr. William Fisher: Mr. Chairman, just quickly on the three questions, reducing EU subsidizations is obviously one of the questions at the heart of the current negotiations, or what we hope will be continuing negotiations. The European Community, as my two colleagues have said, has a high level of protection. I think it's over 30% of support—30% of the income of European farmers comes from state subsidies. In the United States the figure is lower, but still too high. It's about 18%, I think. This is one of the fundamental questions to get the Doha Round off and going again. We hope that in the next few weeks there will be some movement on both sides, because without movement on both sides, there would be no agreement, and that would be a very great shame to all of us, to every single consumer, producer, and taxpayer around the world.

On the question of protected zones internally, the question of supply and management, I have to struggle to be polite here. I do agree with what my Swiss colleague has said about this. It is a Canadian paradox. That's certainly true. We have gone through, in Australia, this question of protected sectors, and I guess there's no sector that would not like to be protected. In Australia we decided we would balance the desires of particular groups in the community to be protected against the greater need of the community. When I say "the community", I mean taxpayers who subsidize, consumers whose choices are limited, and the producers themselves, who we found were just sucked into an endless round of needing greater support year after year after year, and there's no end to it. We took the initiative in the sectors concerned.

Of course, I think in any country dairy is the hardest sector to reform, and it was particularly true in Australia. We did bite that bullet and we did go through a very sustained period of reform, and the result is that our dairy sector, from being a protected and inefficient and inward-looking one, is now a dynamic, growing exporting sector that is much stronger and much better than it was when it was protected.

Your third point was on *mondialisation*, globalization, and there I think I must disagree with you too. I think that globalization has been a terrific thing around the world. Hundreds of millions of people are better off now because of globalization. Look at the hundreds of millions of Chinese and Indians who have benefited from the effect of globalization. Had they been stuck in domestic markets, where would they be now? It is the benefits of globalization that have lifted hundreds of millions of people out of poverty. In Australia, we think that perhaps we are now 20% better off in terms of levels of income as a result of international competition and globalization than we would have been without it. This is, after all, the intellectual dynamism behind the World Trade Organization and the push for international competitiveness that we all benefit from.

So I'm afraid I don't think that the poor have got poorer. The rich have got richer, yes, that's certainly true, but the poor have got richer too. Just look at the statistics of growth in India, China, and in well-managed countries around the world, and you see these results. Some countries have fallen behind and there are some people who have not kept pace, but the great benefit of globalization, I think, is absolutely without argument.

• (1015)

The Chair: Thank you, Mr. André. I've given you considerable extra time. We may have to compensate for that later.

Mr. Menzies, for seven minutes, please.

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

The Chair: Well, probably more.

Mr. Ted Menzies: Thank you very much to all of the witnesses representing the three different countries. This has been most enlightening.

I would like to bring it back to the reason why we invited you and many other guests to appear before this committee. We wanted to see some examples from other countries that Canada could use to help industries within our country.

I was most encouraged to hear your comment, Ms. Lackey, that you actually do consult with your businesses before you talk about free trade agreements. I find that most encouraging.

I was happy to hear all three countries comment about the fact that you recognize that protectionism has to stop. Countries can't out-protect each other. We can't outspend in protectionism. To remind you of the number that I'm sure you're all aware of, \$360 billion every year goes to protect farmers. The sad reflection on that is that less than \$60 billion goes out in foreign aid. That's a number that has to change, and I was encouraged to hear you all talk about that.

There are lots of agricultural issues, I know, and those seem to be the largest stumbling blocks we find in any negotiation. To whoever wishes to speak on behalf of each country, I'd like to ask what criteria you use when you're looking at a free trade agreement. Yes, we all hope that the WTO gets back on track again in the next few weeks, and I do hold out a great deal of hope for that, but what plans do you have here? You've talked about some of your FTAs, but when you're looking at future ones, how much emphasis do you place on labour negotiations or labour inequities between these other countries? We've talked about some here in Canada, and we seem to run into a lot of problems with international labour standards. Is that critical or will that balance itself? Do you wait for your small and medium enterprises to ask your government to initiate FTAs? Or what criteria do you base those on?

I would ask all three countries to comment on that.

• (1020)

The Chair: Go ahead, Mr. Fisher.

Mr. William Fisher: Perhaps I might go first, and maybe my colleague, who's been involved in the negotiations of these, will come to my assistance.

I think the first requirement when you are negotiating FTAs is to find a willing partner. That's not a given. There are not all that many countries around the world interested in FTAs, so when you find a valid partner, pursue it.

In Australia, we have negotiated FTAs successfully now. Obviously we have a bedrock one with New Zealand, which is in a class of its own. But we have FTAs with Singapore, with Thailand, and with the United States, vastly different countries. We now have FTAs under negotiation with China, with the Gulf Cooperation Council, and possibly shortly with Japan.

In the case of very big economies, obviously the opportunities offered are considerable, particularly where there are barriers to be reduced. Often the barriers to be reduced are asymmetrical in that, for example, with Singapore, not a country that exports much in the way of agriculture, but it did have a lot of interest for us in services. So we were interested in an asymmetrical series of openings of our markets with Singapore on that basis. Similarly, in the case of China, its interest in Australia is probably more on the commodities side, and our interest there is very much as well on the services side. So we need to maintain action on both things.

Say we were to open negotiations with Chile, one of the countries we are considering at the moment. There is not a great volume of trade, but there are lots of opportunities. We're considering an agreement with Brunei, again a very limited content of trade, but when you look at the opportunities that are opened in various sectors, it becomes something that is quite possible.

Essentially, I think, rather than try to draw up a strategic list, we've reacted and sought out partners who we feel have governments that are interested in pursuing FTAs. I think it's political will that is the most important issue, because sometimes the industries concerned are enthusiastic about this and sometimes less so. What does have to be done, though, once you have negotiated an FTA, as our colleague from Switzerland was saying earlier, is to assist and direct your industry to the benefits and to take advantage of it.

Mr. Tony Huber: To add to what Bill said, we obviously go through a few checks and balances to make sure that our dance partner is the right one. We scope out the commercial process. We make sure there is comprehensiveness of scope when we go to the negotiating table, and we always choose partners that we assess we can close with. For example, before any negotiations commence, we have a study or an analysis of the FTA partner to see where it will go. That helps us to prioritize, and then we move on from there with a process of negotiation.

Ted, I think you asked about labour and equities. I'm not sure what you mean by "equities", but labour definitely...in our consultation process we do involve NGOs, we do involve business groups and partners. I think the commercial imperative is number one, though.

•(1025)

The Chair: Ms. Lackey.

Ms. Kate Lackey: Thank you, Mr. Chair.

Let me first of all touch on the element of Mr. Menzies' question about criteria for looking at FTAs. This is beginning to sound a bit like a dance studio, but like Australia we look at a variety of possible partners. One of the key things we look at is long-term potential, and not just short-term gain. You have to be thinking ahead.

We've also taken a strategic approach when we've looked at FTAs. One example of that is one I mentioned, this P4 agreement we have between Chile, New Zealand, Singapore, and Brunei. That might seem rather an odd grouping, but what it does is provide a bridge from Latin America across to the Asia-Pacific region. One of our big concerns about the new emerging architecture in Asia-Pacific is that a line might be drawn down the Pacific that would exclude those countries in the Americas with a Pacific coast.

Beyond that, we insist that our FTAs be comprehensive, and they need to be transparent and open for others to accede to.

We, like Australia, are currently negotiating with China. That is very tough, because the Chinese initially had a whole bunch of issues they said they wanted to take off the table. We, like Australia, had to say, everything stays on the table; this is a negotiation.

Finally, on labour and environment, we always bring labour and environment objectives into our trade policy approach. It obviously poses complications when you're negotiating with, for example, a country like China, but labour protection and sustainable environmental issues are fundamental to New Zealanders' beliefs about themselves. These, again, are always on the table when we begin a negotiation.

The Chair: Thank you.

Mr. Wild.

Mr. Claude Wild: Thank you.

First of all, how is it initiated in Switzerland? Consultation with the industry is very close. I mean, nothing is made in cabinet only. From the very beginning, representatives of the industry often have brainstorming meetings with the unit of the government, preparing the strategy for a free trade agreement. We are basically at the service of the industry and are not imposing some bureaucratic plan on the industry.

The federal state is quite weak in Switzerland. We are a provider of services. Most things are done at the provincial level, but foreign economic policy is clearly a federal competence.

We work with the industry simply because if we have an agreement that goes against significant interests in the country, those interests would trigger a referendum and it would be challenged on a popular vote. They have more money than the state, and they would win the vote. We would have lost four years. We as a government have a built-in interest from the start to take our partners from the industry on board and to take the provinces on board. Those are often the most difficult negotiations. Once we have a position, then we stick to it.

Why do we need free trade agreements? As I said before, the ideal world would be the when the World Trade Organization and the Doha Round are actually working. It's not happening now.

In the meantime, you have to be present worldwide. As for Switzerland, if you are not ready to conclude free trade agreements openly, with as many partners as possible, others will conclude these agreements, resulting in the creation of a preferential zone where our industry will be discriminated against. Our mission here as a state is to watch, anywhere in the world where we can, that our industry has the best possible access.

Then again, how do we want these free trade agreements? We want them to be comprehensive, as I said before in my presentation, not only for exchanges of goods but for services and horizontal issues, competition, fiscality, and *droit des sociétés*, as pluridimensional as possible, with the problem always being agriculture because that's something special.

I take the case we have now in the negotiations with Canada. Canada actually wanted a free trade agreement with EFTA, the European Free Trade Association, which Switzerland is a part of. They initiated the negotiation in 1998. It was almost concluded, and it was blocked because of one chapter. Shipbuilding was a very big issue in the Maritimes. It was not an issue at all for Switzerland, of course. But here, we have to be loyal to our EFTA partner. It's an industry in Norway that was perceived as being threatening for some industries in the Maritimes.

This chapter only blocked the negotiation for four years. Luckily, we have been back on track since this autumn and negotiations have started again. We are really close to succeeding, and we hope we can finally yield results with Canada in the coming months.

But here again, you see that agriculture is creeping in. Canada is now trying to bring an agricultural dimension to this mostly industrial free trade agreement, and that's fair enough. As long as it's maple syrup, horse meat, and blueberries, we have no problem. But if Canada comes to us with sugar beets or potatoes, it will be a problem for Norway and Switzerland. We are willing to have some agricultural aspect in this agreement where it does not challenge our agriculture at all.

• (1030)

The Chair: Thank you, Mr. Menzies.

Thank you all very much for your answers.

Mr. Julian, for seven minutes.

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

Thank you very much for coming here today. We may agree with some of your comments and disagree with others, but the presentations were uniformly excellent. We appreciate the time you're taking.

Let me get back to the issue of overall benefits. What we've seen in Canada since we started the free trade regime in 1989 is that 80% of Canadian families, the bottom 80%, have actually seen their income go down. In terms of real income it has declined for 80% of Canadian families, and the phenomenon we've seen in Canada is that incomes in the top 20% of income levels have skyrocketed. Overall, folks may say that average income has increased, but what we've actually seen is an increasing gap between the very wealthy and the rest of Canadians.

My first question is, in your countries is that a concern? Have you seen, for the lowest 20% or the second lowest 20% of the population, real income decline? This took place in Canada at the same time as overtime increased by more than 33%. What we're seeing is that most Canadians are working longer hours and are actually getting less back.

The question around good jobs is an important one. Have you seen that same dynamic in each of your countries? If so, what kinds of mechanisms have you put in place to try to adjust for it, or to put in place a safety net?

[Translation]

My second question arises from Mr. Wild's comments on the concentration of Swiss exports to the European Community. You said that 60% of your exports go to the European Union. The dynamic is the same for Canada: 86% of our exports go to the American market. Yet, this market is often closed to exports, for instance, in softwood lumber and other sectors.

My question is for all the witnesses. Have you developed strategies to diversify your current exports, to avoid putting all your eggs in one basket?

• (1035)

[English]

The Chair: Mr. Julian, could you relate your first question to trade in some fashion? I didn't get the connection, but if there was one, could you just state it so that we're on topic?

Mr. Peter Julian: It was very clear, Mr. Chair. It's a question of good jobs. How do you assure that you have good jobs for middle- and working-class people in each of those countries?

The Chair: Okay, we'll go ahead. Who would like to start?

Mr. Fisher.

Mr. William Fisher: Thank you, Mr. Chairman.

I confess that I don't have at my fingertips the exact figures on who has benefited most from free trade, but I'm happy to provide them. I'll dig out statistics and send them to you. My very strong impression is that everybody in Australia, with very few exceptions, has benefited from the reforms in free trade.

I know we always talk about the rising tide lifting all ships, and I think that has very much been the case in Australia. The average income has gone up. Income levels at the top have gone up dramatically, but incomes at the bottom have gone up considerably too. I recall seeing in the press recently some figures to support that.

And that's what you'd expect too, I must say. If you move people out of uneconomic areas into competitive and economic areas, then they're going to do better. They may not be doing better in the same sector, but they will move to areas that are doing better because they're economic areas.

I think that has been the benefit of free trade to us. It's not just that you get better access internationally, but that the focus of economic production within your own country goes to the more efficient sectors, and the more efficient sectors pay better. I recall seeing several studies about people who moved out of the dairy industry, for example. After a short period—and it may be a short period of two or three years—they moved to another sector and are doing better, which is what you'd expect because they're in a more efficient sector.

So we would have no doubts about the benefits, right throughout the economy, of efficiency and globalization and better allocation of resources. This is just economics 101.

You asked secondly about strategy to diversify exports. Of course, like Canada, we are a free market economy, so I'm a bit reluctant to talk about government strategies in one sense. But in the other sense, I suppose it's true to say that if you allow market forces to operate, your industry and your exports will diversify according to the market. In Canada every now and then, bless you, you drink the odd bottle of Australian wine, and good for you. This is itself a function of the diversification of the Australian economy. It has only been a few years since we've been exporting wine, and the reason we're exporting wine is that people have moved from other sectors that were less efficient and into wine production, which has been more efficient.

We used to have a very extensive citrus industry a few years ago, but it was nowhere near as efficient as the Brazilian citrus industry, so it failed and the citrus producers moved into other areas. One of the areas they moved into was olive oil production, and we now have a very dynamic, efficient, and beneficial olive oil industry.

So the diversification of Australian exports has really come as a result of free trade and a result of globalization, because they have been obliged to move into areas that are dynamic and naturally efficient.

Mr. Tony Huber: I'd just like to add that our GEP has risen from fifteenth in 1995 to eighth this year. I think that says what we believe in: that we're happy with our performance.

Thanks.

• (1040)

The Chair: Mr. Wild.

Mr. Claude Wild: Thank you.

On your first question, there is a consensus in Switzerland for an open economy. We have a socialist party in Switzerland that is the biggest in terms of votes in the population. They do not challenge this open and free trade economy we have, because they can see the benefit. But they also participate in shaping our open economy. They have helped to build a lot of safety networks into that policy to make sure their fundamental beliefs are not threatened.

Swiss open policy is not the wild west, where only 2% get.... Switzerland is a country that is really based on the middle class. We have a few who are extremely rich, but they are usually foreigners. We have a few poor people, that's true, but it's really a middle class society. It is shown in all the diversity of our policies, and this consensus really exists.

How do we make sure we can sustain this policy? One important thing is that with globalization you see shifts in work. Today the working population of Switzerland is not the same as it was 50 years ago. Now the big emphasis is on education innovation. That's our motto.

We know that the producing part will be done somewhere else, where labour costs are lower. But as long as we can produce a good education system, we have guarantees that our industries, if they are not taxed too much, will be able to innovate. As soon as they are able to innovate they will create jobs, and if people have the level of education needed they will get these jobs.

So there is a consensus in the way we are doing it now, from left to right, in the population.

[*Translation*]

As for our diversification strategy, I would like to point out a slight nuance concerning your dependence on the United States compared to our dependence on the European Union. The European Union is not a country. It happens to be 27 countries—27 as of January 1—that form a market, but as third states, they can all take a different position.

Officially, we speak three languages in Switzerland. This gives us an enormous advantage in terms of opening up different markets. If we lose a few markets in Ireland, we can make them up in Poland, because the dynamics are different. It is a market with standardized regulations, but implemented differently by each country. We obviously benefit from these advantages. Our dependence is therefore not completely analogous with your dependence on the United States.

Another policy we use to ensure our presence in the world is of course to create free trade conditions wherever we can and to offer development assistance to our partners. If we invest in Ukraine, that costs us money now, but in the future, we will do business there. The history of global economics has proven it. Korea today is not the same Korea of 45 years ago. We can all do business in Korea today because that country was able to develop and reach a certain level, which we can all benefit from today.

[*English*]

The Chair: Ms. Lackey.

Ms. Kate Lackey: Mr. Chair, just briefly, on the question of income distribution, I mentioned in my presentation that New Zealand currently has 3.8% unemployment, which is effectively full employment, because there will always be a number of people who, for one reason or another, can't or don't want to work. That means that anyone who wants a job in New Zealand gets one. Employers are desperately looking for extra labour. Indeed, we rely quite heavily on young overseas backpackers to do a lot of work in horticulture or whatever.

I think, also, one would note that opening up our economy has brought benefits to all consumers. On average, New Zealanders are now spending \$1,000 a year less on clothing than they were before we opened our markets. Our workers are also moving up the value chain, as that's where we focus increasingly on economic endeavours. Workers are becoming more skilled. They command a higher premium. Unskilled labour, as I say, is done largely by foreign visitors who come in and have working holidays. Working holidays work wonderfully in New Zealand, because there's tonnes of work. Meanwhile, New Zealand workers are making good money.

On diversification, I'd just like to support the comments of my colleagues. Business people in the private sector, and not government, diversify markets. If you're producing products of the right quality and at the right price and you get on a plane or on a bike or whatever and go out and sell them, that's how you diversify. Have quality and price, and people will buy.

Thank you.

• (1045)

The Chair: Thank you very much.

Now we'll go to Mr. Maloney for a short period of time. You have maybe three minutes or so, Mr. Maloney.

Mr. John Maloney (Welland, Lib.): Thank you, Mr. Chair.

I would like to deal briefly with the supply management system that we have in Canada. Our supply-managed commodities are about the only part of our agricultural sector that is not in distress. Most of the other commodities are; sometimes it's cyclical, up and down. I have yet to be convinced.... They're protectionist, but there's a good stable supply of high-quality product. As I say, they are the only ones who are not coming to government with their hands out.

I appreciate the position of those who would like to enter Canadian markets, and gradually they can with a reduction in tariffication, but I have yet to be convinced to abolish supply management.

Taking another tack, I'd be very interested in knowing about your trading infrastructure. Is there federal assistance for your rails, your roads, or your ports, and if so, to what extent?

In conjunction with this, we also have trade missions, which are really part of your trading infrastructure as well. For all these areas for which you've talked about bilateral free trade agreements, do you have many trade missions in these countries? Do you have additional ones here in Canada that would be interesting to know about, as well?

Particularly to Mr. Fisher, when your citrus farmers transitioned to olive oil, was there federal assistance to assist them in doing so?

The Chair: Mr. Fisher.

Mr. William Fisher: Thank you, Mr. Chairman.

Firstly, on the bilateral issue, like Canada, we have an export promotion arm of government whose job is—on a fee-for-service basis, I might say—to assist companies looking for markets overseas. It's very much the same system, I think, as you have in Canada. They can be contacted by a company and can arrange visiting company representatives to have a program in another

country. We have tended to focus those missions in places where it's difficult to do business as a foreigner, in countries where English is not spoken. Obviously in a place like Canada, where doing business is very much like in Australia, you don't need much government assistance. But wherever you do get government assistance, you're going to pay for it. That's the basis of our trade promotion effort.

You asked about railroads and ports. I'm not entirely sure what the question is, but obviously the government is involved in building railroads and ports, sometimes on a purely governmental basis and sometimes in what in Australia we call a 3P—private-public partnership. There's a Canadian word for it; I think it's P3. You've been experimenting with that...well, not experimenting, because you have a very successful enterprise in Vancouver now with the Sea-to-Sky Highway, which is done with an Australian company. The 417 Highway around Toronto was also done with an Australian company. I don't think the position is much different between Australia and Canada on rail or roads, and God knows we need to work harder on ports, which has also been a hard sector to reform. We are about halfway down that track.

You were talking about sectors in distress. As I mentioned, we have had sectors in distress, and very often when sectors are in distress, they ask for protection. For a long time in Australia we gave protection to sectors in distress, and we found by the mid-1970s that the result of that policy—and I think my New Zealand colleague spoke very eloquently about this—was a gradual decline down the economic ladder. The worst thing about this is that it's very gradual. We found we were just gradually sinking down on the list of OECD countries in terms of per capita income, and we realized it was a dead end—in Australia's case. I'm not making any suggestion about Canada, but in Australia's case we realized it was a dead end. As my colleague has mentioned, the process of reform has reversed that trend, and we have now, for the last 15 or so years, been climbing up the list of countries in terms of income per head, and that is clearly directly related to the economic reforms we have undertaken.

Finally, you asked about transition for the olive oil sector. I'll have to get you statistics on that; I'm afraid I don't know offhand. But we have had a number of areas.... Motor vehicles is one where it was very highly protected, a sector that fought quite strongly against being opened up. It was opened up and still is in the process of being opened up, and the result has been that we now have a dynamic and very successful export of motor vehicles throughout the Middle East. Ten years ago, I would have been the first to say that this would be impossible, but in fact, one of the results of bringing international competitiveness to bear in that sector was to open it up and send it outwards.

•(1050)

People in Canada have often talked to me about the success of your own wine industry, something that I appreciate very much as a great buyer and enthusiastic promoter of Canadian wines myself. I know that the NAFTA effect, I'm told here, had the effect of greatly stimulating your own wine sector and sending it into new markets very admirably. I can tell you in my household there's one of those markets too.

The Chair: Thank you for that, Mr. Fisher, and thank you for your answer.

We only have about six minutes left. Monsieur Cardin, do you have a short question? Yes, go ahead.

[*Translation*]

Mr. Serge Cardin (Sherbrooke, BQ): Thank you, Mr. Chair.

Ladies and gentlemen, it is a pleasure to meet you here today.

In the context of globalization and international trade, everyone wants to do the best they can, because we know very well that economic growth depends on trade. Everyone aims for trade surpluses. Mr. Wild talked about fairness. We also talked about not exploiting the work force and respecting the environment. In my view, we need to talk more about fair globalization so that everyone can play by the same rules in the context of globalization.

Mass production is concentrated for the most part in Asia, specifically in China. However, I believe that the economy of the future will be based more and more on a knowledge based economy, on innovation, the modernization of production and the choice of specific niches that others cannot fulfill.

We could discuss a number of topics, but I would like to come back to agriculture because it is perhaps the sector that is the exception to the rule when it comes to the opening of markets. There is a risk involved in the agricultural sector. What country does not want to manage its agriculture autonomously? If agriculture is liberalized, certain non-competitive sectors would most likely be completely eliminated in our territory. Foreign countries would control our agriculture. However, as we all know, agriculture is essential to the population, to our people.

What do you think of the possible safeguarding of the food sovereignty of countries? In other words, should we deal with agriculture differently than we do other sectors?

•(1055)

[*English*]

The Chair: We only have about a minute for an answer on that, so perhaps you can give a really quick answer. Ms. Guergis has a question as well.

Go ahead, please. I think that was directed to Mr. Wild. A very brief answer, please.

[*Translation*]

Mr. Claude Wild: Indeed, agriculture is not exactly a service like the others, nor should it be. Your country is fighting to have its agricultural surpluses enter other markets. Thus, Canada is perceived as a country that wants to open the markets, but at the same time,

Canada protects some of its own sectors. It is completely understandable, and we all do it, but it is a paradox, nonetheless.

When Canada asks one of its partners to open a market—and this is where the argument of the Canadian Wheat Board comes into play, although it poses no problem—it will come back to Canada to see what you are doing and to challenge Canada.

As a final point, I would say that fairness is the biggest challenge. I see no alternative to the WTO. Everyone here today can dream of a perfect future, but the WTO, where developing nations are the majority, is the tool that can help us find solutions. It is not a perfect system, but it is the only one we have. It is up to us to work to make it as fair as possible.

[*English*]

The Chair: Thank you, Mr. Wild.

Ms. Guergis, one short question with a short answer.

I would like to, right now, thank you all. It's been fascinating. I wish we had more time. We have people waiting for the room, so we simply have to finish on time. Would you be prepared to answer some questions if they were sent to you in writing? I'd appreciate that very much. I know we did need more time for this meeting.

Ms. Guergis, short question, and short answer.

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

In the interest of time, I will limit it to the one question. I want to thank all the presenters for the excellent information you have provided today.

Mr. Wild, I can appreciate your comments and that the decisions with respect to trade negotiations and deals are not made by cabinet alone. You said today you are very inclusive of industry and stakeholders, and that is absolutely important. That is the approach we take here in Canada. Some examples are some of the FTAs that we're negotiating with our automotive industry. We have separate working groups for the automotive industry that travel alongside our negotiators to ensure all their interests are heard, and they're at the table so we can get the best possible deal that includes them. We also consult our provinces very regularly to ensure they are part of the process.

Does your process include debate in your House? I'm going to sound a little bit political in this question, but some people around the table suggest Canada and our government should be disclosing all our draft texts when we're negotiating. I have some problems with that. Do you yourselves open up and put all your cards on the table? Surely this must not be the case. It probably would prevent you from receiving the best possible deal.

Can you clarify for us how far you do go?

Mr. Claude Wild: Thank you for the question.

I myself lived through it when we were negotiating with the European Union. The relation with Parliament is such that when we negotiate we consult and inform the Parliament, not in the plenum but in the committee that is relevant to the agreement. We submit to them the mandate of negotiation we receive from government before the government approves. Then the committee has all the documents except the things we really want to keep secret, that are not to be released to the other side, because there is always a risk of leakage in an open society, and that can really pose a problem when you negotiate with a partner.

So they will get approximately 80% of our negotiating mandates. They will see them and they will make a recommendation. They will even vote in committee on what they think about it. And then the government is not obliged if they reject it, because it's the competence of the government, foreign affairs. But of course, it

would be foolish for the government, when they get a signal from the committee that it has major problems, not to take that into account.

Yes, they are taken along, they are informed. They get 80% of the mandate, and we take their advice. But then we decide, as a government, and go on.

•(1100)

The Chair: Thank you very much.

We have to end our meeting now. We do have another committee starting right now, so perhaps we can clear the table as quickly as possible.

Again, thank you all very much for coming today. We do appreciate your input.

This meeting is adjourned.

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