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—
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Mr. Leon Benoit

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• (1115)

[English]

The Chair (Mr. Leon Benoit (Vegreville—Wainwright, CPC)): Good morning, everyone. We're here today to continue our study dealing with Canada's trade policy.

As special guests today, we have a delegation from the European Free Trade Association.

I'd like to start by welcoming you here and say that we're delighted that we could arrange for you to be here today. Thank you very much for allowing that to happen. We do appreciate it, and we're looking forward to the meeting with you very much.

I will invite the head of the delegation, Mr. Gudlaugur Thordarson, to introduce his delegates.

If you'd like to start with your own name, that might be helpful for the rest of us.

Some hon. members: Oh, oh!

The Chair: Could you please introduce the members of your delegation first, and then I'll continue with the meeting from there.

Mr. Gudlaugur Thordarson (Chairman, Member of Parliament, Parliament of Iceland, European Free Trade Association): Thank you, Mr. Chairman and committee members.

You said it was a difficult thing for you guys; I hope the rest of the meeting will be easier, because it's not a very international name. It's Gudlaugur Thordarson, and if some of you could say it, you would be the first foreigner to do so.

Some hon. members: Oh, oh!

Mr. Gudlaugur Thordarson: You would like me to introduce my group to the committee before we start. I think it would be best if they do it themselves. I'll start with my Norwegian colleague.

Mr. Svein Hansen (Member of Parliament, Parliament of Norway, European Free Trade Association): Thank you, Mr. Chairman.

My name is Svein Roald Hansen. I think it's a little easier than an Icelandic name. I represent the Labour Party in the Norwegian Parliament, and in Norway I represent Østfold County.

I just met Peter Julian, one of my colleagues here from Fredrikstad, my home town, so that was very nice.

Ms. Laila Davoy (Member of Parliament, Parliament of Norway, European Free Trade Association): My name is Laila

Davoy. I am a parliamentarian in Norway too, and I represent the Christian Democratic Party. I come from the western part of Norway, the beautiful town of Bergen.

Mr. Mario Fehr (Member of Parliament, Parliament of Switzerland, European Free Trade Association): My name is Mario Fehr. I'm an MP from Switzerland, coming from the German-speaking part of Switzerland, the area of Thüringen. I'm a Social Democrat.

Mr. Henrik Caduff (Member of Parliament, Parliament of Liechtenstein, European Free Trade Association): My name is Henrik Caduff. I'm an MP in Liechtenstein. As Liechtenstein is quite small, it doesn't matter whether you come from, north or south.

Some hon. members: Oh, oh!

Mr. Franz Heeb (Member of Parliament, Parliament of Liechtenstein, European Free Trade Association): My name is Franz Heeb. I'm a member of the Liechtenstein Parliament, and I'm from the north side of Liechtenstein.

Some hon. members: Oh, oh!

Mr. Jón Gunnarsson (Member of Parliament, Althingi, Icelandic Parliament, European Free Trade Association): My name is Jón Gunnarsson. I'm a parliamentarian from Iceland, and I represent the Social Democratic Alliance.

Mr. Eugen David (Member of Parliament, Parliament of Switzerland, European Free Trade Association): My name is Eugen David. I come from the eastern part of Switzerland. I'm a member of the Christian Democratic Party and a member of the senate in the Swiss Parliament.

Mr. Hans Ulrich Mathys (Member of Parliament, Parliament of Switzerland, European Free Trade Association): My name is Hans Ulrich Mathys. I'm a member of the Swiss Parliament and a member of the Swiss People's Party.

[Translation]

Mr. René Vaudroz (Member of Parliament, Parliament of Switzerland, European Free Trade Association): My name is René Vaudroz, and I am a member of the National Council of Switzerland. I am from the French-speaking area of our country and I live near Geneva. I am a member of the radical democratic party.

[English]

The Chair: Thank you all. Welcome today.

I know there are other members of your delegation not seated at the table. Welcome to all of you, and we will chat with you at the short break afterwards, if you would like to take some time to do that.

Now, this is not the norm, but I would like each member of our committee to introduce themselves.

I'll just explain a bit that we have members of all four parties in the House represented on this committee. There is the government side—and in this case, a government chair—the official opposition, and then the other two opposition parties.

Could you please each introduce yourselves. Don't talk about how beautiful your constituency is, because we know that they're all the most beautiful in the country. Just say your name, position, and where you're from, please.

Mr. Pierre Lemieux (Glengarry—Prescott—Russell, CPC): Good afternoon. I'm Pierre Lemieux. I'm the MP for a riding right beside Ottawa.

Mr. Dean Allison (Niagara West—Glanbrook, CPC): Hi. My name is Dean Allison, and I'm the MP for the riding of Niagara West—Glanbrook. I also chair the human resources committee.

Mr. Ron Cannan (Kelowna—Lake Country, CPC): Welcome. My name is Ron Cannan. I'm the member of Parliament for Kelowna—Lake Country on the west coast of...I was going to say beautiful British Columbia.

Some hon. members: Oh, oh!

Mr. Ted Menzies (Macleod, CPC): My name is Ted Menzies, and we've already met; I've met this entire delegation. It's wonderful to have you here, and I'm looking forward to this discussion.

The Chair: I'm Leon Benoit, chair of the committee and a member of Parliament from Alberta.

[*Translation*]

Hon. Dominic LeBlanc (Beauséjour, Lib.): My name is Dominic LeBlanc, and I am a Liberal member—

[*English*]

from the province of New Brunswick on the east coast of Canada.

Mr. John Maloney (Welland, Lib.): I'm John Maloney, a member of Parliament from Ontario for the riding of Welland, which is in the Niagara Peninsula.

Hon. Navdeep Bains (Mississauga—Brampton South, Lib.): My name is Navdeep Singh Bains, and I'm the member of Parliament for Mississauga—Brampton South. It's just west of Toronto.

Mr. Lui Temelkovski (Oak Ridges—Markham, Lib.): My name is Lui Temelkovski. I'm the member of Parliament for Oak Ridges—Markham on the north side of Toronto. I was born in Macedonia, a part of the world you come from.

[*Translation*]

Mr. Serge Cardin (Sherbrooke, BQ): Good morning, ladies and gentlemen. I am Serge Cardin and I am the member for the riding of Sherbrooke, which is located between Montreal and Quebec City. I am a member of the Bloc Québécois, the sovereignist party in Ottawa which represents the majority of Quebeckers.

Mr. Guy André (Berthier—Maskinongé, BQ): My name is Guy André, a member of the Bloc Québécois for the riding of Berthier—Maskinongé.

[*English*]

Mr. Peter Julian (Burnaby—New Westminster, NDP): I'm Peter Julian. I'm a member of the NDP from British Columbia, representing the riding of Burnaby—New Westminster.

[*Translation*]

My party, the NDP, is a member of the international association of social democrat and labour parties.

[*English*]

The Chair: Thank you all very much.

I will explain the role of this committee and a bit about how we operate. We usually meet twice a week. Sometimes we'll have a meeting of the subcommittee on agenda. Some committees have subcommittees operating as well, but ours doesn't at this time.

The committee studies and reports to the House on all issues that the committee members together decide they want to study. We study those and then report to the House. The report will be tabled in the House as a recommendation to government. That is, of course, on any issue dealing with international trade, in the case of this committee.

The committee is currently doing a study of Canada's trade policy. We're looking to others from other countries to help us determine, from their own experience, what has worked in improving trade in their countries. We'd certainly welcome any of that advice from you today as you speak to us, answer the questions, and make your presentation.

The committee, as you know, is made up of members from all parties in the House, divided roughly according to their percentage of members of Parliament in the House of Commons.

I want to introduce the staff here at the committee as well. There is Michael Holden, Peter Berg, and Elizabeth isn't here today. We have as well the clerk of the committee, Norm Radford. He's the person who did the work in setting things up with you so that you could be here today. The researchers provide expert advice, and we appreciate it very much.

This is a regular meeting of the committee. We will be breaking for lunch sometime shortly after noon for about ten minutes to get some sandwiches. You can bring them back to the table, and we'll carry on with the meeting. We only have roughly an hour and three-quarters left and we want to use that time to best advantage.

Having said that, we'll get right to our presentation. I understand just one member of the delegation is making the presentation. If you would go ahead and do that, we're looking forward to it.

• (1120)

Mr. Gudlaugur Thordarson: Thank you, Mr. Chairman and committee members.

I would also like to introduce our staff. We have the secretary of the delegation, Mr. Andri Luthersson, and also Céline Nerny and Stigur Stefansson.

My constituency, because I forgot to mention it, is Reykjavik, the capital of Iceland. And my party is the Independence Party, which is a conservative libertarian party. I know that may seem strange, but that's more the European view.

But allow me, first of all, to thank you for your warm hospitality here in Ottawa. My committee has for a long time been looking forward to this visit, and to being able to exchange views with the honourable members of the Parliament of Canada. In fact, the EFTA parliamentary committee has, ever since free trade negotiations between EFTA and Canada were launched in 1998, sought to visit Ottawa and thereby add its weight to a successful conclusion of negotiations.

As you may know, for many years negotiations were not producing any results, as they were de facto stalled. However, last year things moved quickly in the right direction, and without being privy to information on the actual status of the negotiations, I hope that Canada and EFTA will be able to conclude a free trade agreement very soon. Of course we, the members of the EFTA parliamentary committee, like to think that negotiations have been stepped up after the word got out that we were planning this visit. Whether or not this was the case, I am sure that all of us gathered around the table can agree that a free trade agreement between EFTA and Canada would be a hugely important step that would bring benefits to all parties involved.

Before giving the floor to my colleagues, both the EFTA countries and Canada are important players in international trade and have a vested interest in seeing the Doha Round come to a successful conclusion. The EFTA countries are committed to a positive outcome of the Doha Round and have stated that this is the first and foremost goal. On the other hand, we cannot overlook the current rush towards bilateral free trade agreements in all parts of the world. The reason is the obvious troubles in which the Doha Round finds itself. This rush, which has by many been labelled as a global race for FTAs, entails a growing potential of discrimination for economic operators. EFTA, for its part, views bilateral trade agreements as complementary and not as a substitute to the multilateral trading system.

These days, the free trade arena is a highly competitive one. EFTA's main competitor on the trade scene is the European Union, of which none of the EFTA countries is a member. Since the early 1990s, EFTA has sought to gain access to the same markets as the EU and has by and large followed the same goals as the union. EFTA has established an extensive network of contractual free trade relations in central and eastern Europe—now mostly part of the EEA—as well as in the Mediterranean region.

● (1125)

Free trade agreements with Mexico and Chile, with Singapore and Korea, and with SACU extend the network across the Atlantic into Asia and Africa. At present, the EFTA network consists of 15 free trade agreements and nine declarations and cooperations. Lately, however, EFTA has taken on a more proactive role on this, in many instances one step ahead of the EU in its efforts. EFTA has recently concluded free trade agreements with Egypt, the South African Customs Union, and Korea, and several more agreements are currently under negotiation or preparation.

We, the parliamentary committee, are very supportive of EFTA's third-country policy and have done our utmost to encourage the EFTA Council to embark upon an ambitious trade strategy that would include the up-and-coming players such as India, Russia, China, and Japan. This seems to have borne fruit, since EFTA and India recently launched a joint feasibility study that could lead to a comprehensive economic agreement soon. As for the other nations I mentioned, EFTA or individual EFTA countries are currently exploring ways of strengthening existing trade relations.

Earlier I spoke of the European Union. It needs to be kept in mind that the EU is our biggest market and that three of the four EFTA countries are participants in the internal market through our membership in the European Economic Area, the EEA. The fourth country, Switzerland, conducts its trade relations with the EU through bilateral agreements. I emphasize this to draw your attention to the fact that although the EU is our main competitor in international trade, as I explained earlier, at the same time the EU constitutes a hugely important market for us, an internal market of which we are full members, and of course the EU is one of our closest friends.

Mr. Chairman and honourable members, our purpose with this visit is to add our weight to a successful conclusion of a free trade agreement between EFTA and Canada, but it is not only that. We are obviously very keen to learn about your views in all respects linked to international trade.

It would be extremely interesting for us, the EFTA parliamentarians, to hear your committee's view on the Doha Round in general. We would also be very interested in hearing your views on NAFTA's current status and future prospects.

Lastly, it would be very beneficial for us to learn about Canada's foreign trade strategy and your committee's views on the current state of play in international trade.

Thank you, Mr. Chairman.

● (1130)

The Chair: Thank you very much for your presentation. We will now go to questioning.

In terms of our views on NAFTA, you will find some differing views, depending on whether you're speaking to members of the government side, the official opposition, or the member of the New Democratic Party, as we've heard at this committee before, but you'll find that out yourselves.

We'll go directly to the questioning now.

Mr. Bains, from the official opposition, will begin the questions. He has seven minutes.

Hon. Navdeep Bains: Thank you very much, Chair.

I'd also like to thank the parliamentarians, the ambassadors, and the chairmen for your presentations. Welcome to Canada. I hope you enjoy our beautiful country.

As you know, Canada is a trading nation. We have a population of 34 million, based on the latest census data. We're an exporting nation and look for markets with which to trade our goods and services. The vast majority of our jobs are linked directly or indirectly to trade. Trade is a very important component of our foreign policy and our foreign strategy. There seems to be a bit of a standstill when it comes to our ability to sign free trade agreements, especially in the past few years. We haven't signed any major free trade agreements with any of the countries or nations we're currently negotiating with.

One of the areas that were discussed at this committee—which I read about, since I recently joined this committee—is the focus on emerging markets. There's been a clear direction for us to focus on emerging markets like China, India, and Brazil. But I think there are opportunities with developed markets, especially Europe, so I'm glad to see you here today.

I know we have trade that amounts to about \$11 billion, and there's close to \$15 billion of foreign direct investment in our country. So I'm encouraged to see that a meeting took place last month, and that this trade agreement with the EFTA is coming along and we're nearing its conclusion.

But there are some major concerns that have been expressed to me by my Atlantic caucus and members who represent major shipbuilders. The area of concern in this free trade agreement is subsidies by countries. The example that has been brought to my attention by my caucus colleagues from Atlantic Canada is subsidies to shipbuilding companies and shipbuilders. We want to know what your views are on the elaborate direct subsidies that are given to shipbuilders. Is that something that has changed or will change, based on these negotiations that are taking place?

The Chair: Go ahead, please.

Mr. Gudlaugur Thordarson: When it comes to free trade agreements, there are always sensitive issues with every country. What you mentioned is a very sensitive issue in your country and at least one of our member countries in EFTA. So it's not as if EFTA has any common views on those things. We know that when we sit down at the table, it doesn't matter what country or economic area we're dealing with, there are always issues that are sensitive to the governments of member nations, such as subsidies and things like that.

Maybe my Norwegian colleague would like to add to that.

• (1135)

Mr. Svein Hansen: Thank you, Chairman.

In Norway, we have faced big changes in the shipbuilding industry over the last 20 years. In my home town of Fredrikstad, two big shipbuilding companies have closed down. I think we have succeeded in specializing some of our shipbuilding industry, which is now doing very well, but there are no subsidies in the shipbuilding industry from the Norwegian state. We think that's how it should be. So I can say that there is no subsidization of our shipbuilding industry.

Hon. Navdeep Bains: Is there any government intervention in the shipbuilding industry that you're aware of, or are you saying there's absolutely no intervention and no subsidies currently?

Mr. Svein Hansen: No intervention. No.

Hon. Navdeep Bains: Okay. Would anyone else like to comment on that?

The second question I had with respect to EFTA is this. One of our major trading partners is the United States. Because of NAFTA—as discussed earlier, people have different opinions—we have a strong trading partner. In terms of international trade agreements, we tend to follow their lead in some areas where they have done a great deal of work ahead of us. South Korea is an example. Are you engaged in any trade deals with the United States, and is that being used as a negotiating tool with our trade deals with you?

Mr. Gudlaugur Thordarson: No. It's easy to answer that. There are none at all. The only member state that has been seriously negotiating with the U.S. is Switzerland. I don't know if my colleague wants to comment on that. But the answer is no.

The Chair: Go ahead, please.

Mr. Eugen David: This government had negotiations for a short time with the United States about the possibility of coming to an agreement, and we stopped these negotiations because we had agricultural issues that were not at the same level of discussion with the United States. But we think that's not the end of the story. We have a very pragmatic attitude toward free trade. We try to do something, and if it's not possible, we'll not say that we've stopped.

In future, we have also some negotiations with other big countries, such as Japan. We have also started, together with our friends from the EFTA states, in India, China, and Indonesia. Therefore, we must try to find common ground in a pragmatic way and then we should have a result. Perhaps it will be a small result and a first small steps, and then we can build on this. Therefore, we will also be very happy if we can find an end to this long discussion with Canada, because it's a first step, and we can build up for further steps here in North America.

Hon. Navdeep Bains: A first step for us in terms of our access to the European Union would be this agreement, whenever it comes to a conclusion. It would also be a benchmark for us to ultimately have free trade discussions with the European Union as well.

I have identified a clear area from a Canadian perspective when it comes to the shipbuilding industry. Are there major concerns you feel from your perspective that we need to be attuned to or we need to be sensitive to when we're talking about free trade between EFTA and us?

• (1140)

Mr. Gudlaugur Thordarson: As I mentioned before, I think it's a little bit different among the member states, but you could say—and I think it's no secret—when it comes to the same problem that we are facing in the Doha Round.... When it comes to Europe, it's usually agriculture, which is the biggest obstacle. But of course it's different among the member states, both of the European Union and EFTA.

The Chair: Thank you very much, Mr. Bains, your time is up.

We go now to the Bloc Québécois, Monsieur Cardin, for seven minutes.

[Translation]

Mr. Serge Cardin: Thank you, Mr. Chair.

Good morning, ladies and gentlemen. It is a pleasure to have you here today, and of course, we hope this meeting will benefit both parties.

Negotiations begun quite a while ago, but the main roadblock has been the naval industry. I heard you say earlier that your naval industry does not get any subsidies. And in your view, Canada could be granting some, directly or indirectly.

Let me take a very concrete example. In Quebec, in last October or November, the Norwegian company Teco Management tried to take over the Davie shipyard. To make this transaction, it needed financial support. The Quebec government granted a 50% guarantee on a \$15.5 million loan, and wrote off \$16.4 million on a debt obligation. This governmental measure helped a Norwegian company in the naval industry.

A free trade agreement sets rules, but this does not necessarily prevent private businesses from having operations in various areas, including the shipbuilding industry.

In your view, what are the factors that should be eliminated or mitigated in the shipbuilding industry in Quebec and Canada?

[English]

Mr. Gudlaugur Thordarson: Mr. Chairman and committee members, when it comes to these details, it's not the role of the parliamentary committee to go through those things. We have people who take care of our negotiations. We have not done those things. We have set some limits, as a parliamentary group, for each sector. That's just not the way we work.

Quite honestly, when you ask me about those details, I can say they haven't been discussed at this table. We are more strategic in terms of what we want to do with EFTA. Of course, when it comes to finalizing the negotiations, each parliament has to accept it, and so on and so forth.

I don't know if my Norwegian colleagues want to comment on this, but when it comes to these details in this and other areas, they are not discussed at this committee.

The Chair: Thank you, Mr. Thordarson.

Mr. Hansen has indicated that he would like to respond.

Of course, this is an issue between a private Norwegian company and the Government of Quebec, so it's very difficult for you to answer, but go ahead, Mr. Hansen.

Mr. Svein Hansen: I just want to say, as my colleague here said, that I have very little or no knowledge of the shipbuilding industry in Canada, so what it takes to do this in Canada I can't say, and I know nothing about this deal in Quebec either.

In the United States, I understand we have one successful takeover, if you can call it that, from a Norwegian company. It was in Philadelphia. As I understand it, this shipbuilding yard is now doing pretty well after Mr. Røkke came in and took over the shipbuilding business.

So there is at least one example of a Norwegian takeover that has been successful—the shipbuilding yard in the United States—but I know nothing about this thing in Quebec, so I can't comment on it.

•(1145)

The Chair: Thank you, Mr. Hansen.

Monsieur Cardin.

[Translation]

Mr. Serge Cardin: I am glad for the company that met with success in the United States, but in the Teco case, in Quebec, it did not work out. Contracts that were guaranteed did not materialize.

You mentioned earlier that member states of the EFTA are not part of the European Union, which is a large market for you. You trade and have agreements with the UE. What is the main reason why none of the EFTA members is part of the UE?

[English]

Mr. Gudlaugur Thordarson: That's an interesting question. First of all, I would like to emphasize that we have very good relations with the European Union, and as I mentioned, we look at them as being among our closest friends. We have three out of four nations that are members of the EEA, European Economic Area, which means that we are part of the internal market in all other areas except agriculture. But it's a political question whether these countries should join or not, and I could go through those things in detail because of course, like most politicians in these countries, I have an opinion.

Of course we differ in each country, but at least the view in those countries has been that it is not in the interest of the country to join in this political union because it's more than a free trade union. The European Union is also a political one at the moment, and I cannot foresee, at least in the near future, the members of EFTA wanting to join. But of course one never knows.

The Chair: Mr. Fehr, would you like to make a comment as well?

Mr. Mario Fehr: I have just a short comment on that.

The question of joining the European Union is very controversial in all of our countries. A lot of us are also in favour of joining the European Union, for instance myself, but there is simply no majority within our population. So we have something in common. All four countries don't have a majority for joining the European Union, but still we always have the goal to have a very close relationship with the European Union, especially on economic questions. The other three countries, without Switzerland, are part of the European Economic Area and we have a lot of bilateral agreements. We have 18 bilateral agreements and we also have free trade agreements with the European Union, because we have to join this huge market. At least two-thirds or even more of our exports, 80% of our exports, go into the European Union and about 60% of our imports come from there. We have all the time the common sense of having a free trade agreement with the European Union, because otherwise we wouldn't survive.

The Chair: Thank you.

Mr. Cardin, your time is up, but Mr. Hansen would like to answer as well.

Go ahead, Mr. Hansen.

Mr. Svein Hansen: [*Inaudible—Editor*]...internal market, except for two areas: fishery policies, fisheries, and agriculture. In all other things we're part of the internal market, as we have been a member. We're playing by the same rules. So for our industry we are a member, so to say, and we also participate in a lot of other programs in the union. In research programs, for example, we participate as a member.

I used to say we are a member without voting rights, but my colleague would disagree on that.

• (1150)

The Chair: Monsieur Cardin, you wanted to make a short comment.

[*Translation*]

Mr. Serge Cardin: Thank you, Mr. Chair.

I just wanted to conclude by saying that I understand very well your will to keep your independence. Some people also try to become sovereign.

[*English*]

The Chair: We'll go to the government side, to Mr. Menzies, now.

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

Thank you once again. As I stated earlier, I had the privilege of meeting with your entire delegation for what was too short a time this morning. It was a most fascinating discussion, and I'm looking forward to joining you for a short time this evening at your dinner. I'm tied up for a lot of the evening, but I would like to join you again for perhaps a sip of aquavit afterwards, if it's available.

I want to clarify what may have been left as a misconception. The Canadian government has been in constant discussion with our shipbuilding industry to make sure that their concerns are heard and looked after. I think that's nothing different from what you, as members of your parliaments, would do.

We don't want to leave you with any misconception that we're not representing our industries here in Canada, but with the overriding principle that a free trade agreement with EFTA would be beneficial for your countries and for ours. That's the most important thing. It would be, as I mentioned this morning, our first transatlantic free trade agreement. I think it would be momentous. I think it's incumbent on all of us here to do whatever we can to push it forward.

I want to follow up on a discussion we had this morning. It fascinated me, and I would like to elaborate on it. The thought processes of you folks on the benefits of free trade seem so similar to ours. In fact, I think we couldn't find much that we disagreed on as to the benefits of free trade: how it can help your economies, how it will help our economies.

Yet I look at the parties you represent—social democrats, radical democrats, vocational unions—and find it fascinating. We have a New Democratic Party in this country that thinks free trade is a bad thing. I guess they want to live in a bubble; I'm not sure. I don't understand this way of thinking; it's far beyond me.

I would like you to elaborate on how you come to this conclusion. I absolutely agree with it, but please explain it to me. I'm having a struggle with it here in Canada.

The Chair: Go ahead, please.

Mr. Gudlaugur Thordarson: Yes, thank you, and thank you for a wonderful meeting this morning. It was a very good meeting and a great start of our visit.

I am an Icelander. We have a small population. I find it strange when you talk about Canada as being small or medium-sized. You have 32 million people, and we have 300,000 people. A good friend of mine, the former prime minister, told me, when a foreigner asked me how many people live in Iceland, to always say fewer than a million; otherwise, you will be in trouble.

Some hon. members: Oh, oh!

Mr. Gudlaugur Thordarson: It's quite simple: we would never survive without free trade. It's just that simple. If I look at the history of our nation, the darkest years were when we didn't have free trade. Then the Icelanders were the poorest nation in Europe, the same as Albania now. Now we are one of the richest, and one of the main reasons is that we can participate in free trade areas and trade freely.

Another thing that I think is important—I think it's not only about trade—is that we have always looked at the Canadians as our friends. In the years from 1874 to 1914, one-fifth of the Icelandic population moved to Canada. So we have always had strong links with Canada. We would like to have stronger links.

There's no question about it: the more free trade and the more cooperation between these nations, between EFTA and Canada, the better, in our view. It's not only about getting our population and your population wealthier; it's also about good connections between nations that are friends.

• (1155)

The Chair: Thank you.

Mr. Hansen, did you want to respond as well?

Mr. Svein Hansen: I'll just add a couple of things. I agree with my colleague about the small countries. We have a lot of oil and gas, and fish also, that we have to sell to others. If you think of it, China some years ago decided they also had to enter into world trade to develop further. It's difficult for any nation to think they could behave on their own.

I think free trade would add something to it, because if you think of the WTO and the FTA agreement, it's also fair trade; it's playing by the rules. I think that's a very important part of it that we shouldn't forget.

The Chair: Mr. David, would you like to give a response as well? Go ahead.

Mr. Eugen David: I had a point about our Swiss view to this question. In our country, it's very important for us to have free trade because of the international investment in our country. If we didn't have this free trade agreement, we wouldn't have this investment that we have from big international companies in our country. That's very important for our labour force, because we are a country that has educated people. If you have those people, you need jobs. That goes over the frontier, and not only in a small population such as we have, at seven million.

You don't find the jobs for all those people if you don't go to the world. Therefore, we need this trade policy that is open to the world. Therefore, we also think we'll have, with modern technologies, a better chance in the future to get this international investment in Switzerland, especially in the health care sector and offices. That's our point of view on this policy.

The Chair: Thank you.

Mr. Allison, you'd like to take the last couple of minutes of Mr. Menzies' time, so go ahead.

Mr. Dean Allison: Thank you, Mr. Chair.

According to the OECD stats, NAFTA has ranked at the top in productivity, competitiveness, and innovation. I know that's one of the things we've fallen behind on as a country in the last ten to thirteen years. What kinds of things have your countries been doing in terms of productivity? What would some of the policies be in order to get you to the top in terms of productivity and competitiveness?

Mr. Gudlaugur Thordarson: Speaking for Iceland, we have changed a lot toward the better in the last fifteen years. There are a few things that we have done.

We have privatized a lot of companies, especially the financials, the banks, and so on and so forth. They used to be subsidized not that many years ago. Now they are at least medium-sized companies in international competition. There are two Icelandic banks now investing and opening up branches in Canada as we speak.

We also have lowered taxes, both on companies and individuals.

Of course, we emphasize a lot, through EFTA, on free trade.

We also invest in education and the health sector. We opened up to competition in the education system without breaking any rules.

We are paying most of the bills from the government because we think it's very important that everyone has a chance to establish themselves in our country.

In brief, this is how we did it.

• (1200)

The Chair: Thank you, Mr. Allison. Your time is up.

We now go to Mr. Julian, from the New Democratic Party, for roughly eight minutes.

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

We appreciate it very much that you have all come before us. I particularly appreciate Mr. Hansen's presence, because he represents

the area that my family originally came from when they came to Canada.

I'm tempted to start by rebutting Mr. Menzies. However, he has complimented you on how you've developed your trade agenda. You have very strong protection for your agricultural sectors and have incorporated social, environmental, and labour standards into your trade, your trade processes and your trade direction. You also have strong consumer protection. If Mr. Menzies admires your approach, maybe he's becoming a social democrat. Who knows?

I would like to start off my questions by asking about your consultation. In each of your countries, in Switzerland, Norway, Iceland, and Liechtenstein, how do you keep your legislators in the loop as these negotiations are going on? How do you keep sensitive industries in the loop? How do you keep the public in the loop? As Mr. Bains and Mr. Cardin mentioned, there are some real concerns around these negotiations with regard to the shipbuilding industry and industrial marine products.

We are not being consulted on the issue of the development of this trade agreement. I would be interested in knowing how, in each of your four countries, you keep legislators, sensitive industries, and the public in the loop on these negotiations.

The Chair: Go ahead.

Mr. Gudlaugur Thordarson: We like to think that we consult with the ones who are interested when it comes to a process like this one. You mentioned, for example, the agriculture sector and others when you were talking about the situation in our countries. It's difficult to say when you are keeping consumers in the loop.

In Iceland, the pressure from the consumer at the moment is that we should open more markets for agricultural products. It's never that everyone agrees on everything, as you know, but we like to keep everyone as involved and informed as possible. It's only sometimes that everyone agrees when it comes to things like that.

Mr. Peter Julian: May I ask you specifically about the negotiations that took place in mid-January? Have you brought that back? Has there been discussion in the Althingi?

Mr. Gudlaugur Thordarson: No, that hasn't been done. As we mentioned, I think I could say the majority of parliamentarians are very much in favour of free trade, although there could be some exceptions. Rather, in the question time in Parliament in the last years it has been questioned why this hasn't been done. That's the pressure we get from Parliament.

Nothing about this has been discussed in Parliament, nothing about free trade negotiations with Canada or other nations, for a long time.

Mr. Peter Julian: I'm talking about the specifics of any potential agreement with Canada. How do you discuss it? How do you vet it? How do you consult? How do you get feedback on the discussions for the negotiations?

Mr. Gudlaugur Thordarson: The negotiation is not on a political level, it's on the foreign ministry or the EFTA secretariat level. I'm not familiar with how they keep people or industries informed. I admit I don't know how that's done. But in Parliament we haven't discussed this. It's very rare that we would discuss these things in specific detail.

•(1205)

The Chair: Thank you.

Also, Mr. Caduff would like to respond. Go ahead, please.

Mr. Henrik Caduff: Thank you very much.

I can only speak for Liechtenstein. I think each country is a little different in the EFTA states. We, as politicians, are not involved. The whole thing is done by the government and the negotiators, not only for the Canada free trade agreement, but for all of them. Most or all of the movement within the negotiations is done without our knowing where it's going. We get the results in Parliament when the negotiations are closed and the free trade agreement is finished. Then we can take part in it or give our points of view. But beforehand, it's more or less a closed door.

I personally think that in general it's a good way. If the information is too open, political discussions will start very early in the process. I'm sure a lot of free trade agreements that have been concluded wouldn't be there if the information had come out too early.

What Liechtenstein discovered from the free trade agreements was that some industries didn't go as well, because you have to go for the market, the extent of the market and the extent of competition. Some didn't do so well, while others did better. But even if we lost jobs, in general we created more with the free trade agreements. We created more jobs than we lost. Certain areas can be tough, while others get along more easily.

In general, for the politicians, politics are not involved in the free trade agreements. It's only at the very end that the politicians can say what they like or don't like about it, or if they like it at all.

The Chair: Thank you.

Mr. Hansen, you wanted to respond as well, and Mr. David too, I believe.

Mr. Svein Hansen: I would like to say it is the same in Norway when it comes to negotiations like the EFTA's with Canada or other countries. It's the EFTA secretariat and the government's cup of tea, so to say. When you talk about the Doha Round WTO negotiations, for example, then the foreign minister and the minister of agriculture were in the Parliament and gave a statement, and it was of some discussion. Of course, the government has contact with the organizations and the industries that are affected. I think they have a pretty good overview of where the problem is. As parliamentarians, we have very little under way in the process.

The Chair: Thank you.

Mr. David.

Mr. Eugen David: As a first remark, we have a consultative committee at the EFTA level, where there are economic organizations from both sides—the business and the labour force. They also discuss these main issues—not the details, but the strategies. Also, in the Swiss Parliament, in the committees, every year we have reports about the policy of the EFTA, and in this report we have the directions, but we don't discuss details of the agreements.

The Chair: Thank you.

Mr. Julian, your time is up.

We'll take a break now for 10 minutes. Lunch is at the back.

Just before we do that, though, gentlemen, there is a formality that unfortunately we have to deal with here, and we have to do it now. There is a motion that I will read, and if you support it, we'll just go ahead quickly: "That the committee host a working lunch for the delegation and that the costs be charged to the committee's hospitality budget and that the total not exceed \$700."

I hate to talk about the cost of lunch before we eat, but we didn't do it in advance, so we have to do it now. Is that agreed?

(Motion agreed to)

•(1210)

Hon. Dominic LeBlanc: That's a cheap lunch.

The Chair: We will suspend the meeting for 10 minutes.

• _____ (Pause) _____

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•(1220)

The Chair: We will reconvene the meeting and go to the second round of questions.

Mr. Maloney.

Mr. John Maloney: Thank you, Mr. Chair.

The commentary this morning has indicated that you are not part of the EU, but you have agreements with EU countries. Correct me if I'm wrong, but I think in those agreements you tend to exclude agriculture and fisheries. Why would that be?

•(1225)

The Chair: Mr. Hansen.

Mr. Svein Hansen: I'll take that first. We in the high north of Norway, together with Iceland and Russia, have succeeded in taking care of the fish stocks very well. All that part of Europe has done so. The Norwegian fishermen were afraid that the EU policy in that area would destroy the fish stocks, to put it simply. In another part of our fishery policy there are also difficulties, compared with the EU's policy in that area. So that summarizes the problems that had to be solved.

Norwegian agriculture is very small-scale, and if we had entered the EU it would have been necessary to go through some changes. Finland succeeded in their changes, and that's very similar to Norwegian agriculture. We have a lot of subsidies in the agriculture sector and we couldn't have kept them on that level, so that was the main problem.

Mr. John Maloney: In an agreement with Canada, would you also want to exclude agriculture and perhaps fisheries?

Mr. Svein Hansen: I'm not familiar with the details in the negotiations between EFTA and Canada, but as far as I know, the fisheries and agriculture present no problems. But others here may know more about that than I do.

The Chair: Mr. Maloney, Mr. Fehr wanted to answer your first question as well.

Go ahead.

Mr. Mario Fehr: In Switzerland we have no fishery problem because we don't fish a lot. When it comes to agriculture we have a problem because we also have a lot of subsidies.

But our government shares the opinion of many of us that we should start to negotiate with the European Free Trade Agreement on agriculture. I am quite sure that within the next one to two years we will start to negotiate such an agreement, especially if the Doha Round goes on for agriculture.

If the Doha Round is successful, we will have to cut a lot of subsidies. Then a better option may be for our farmers to go into negotiations with the European Union. But within our Parliament nowadays, I think you could find the majority are for negotiations on agriculture with the European Union.

The Chair: Thank you.

Mr. Thordarson, you had some comments on the last question, I believe.

Mr. Gudlaugur Thordarson: He was asking about the position of the member states because of fisheries and agriculture—if that would be okay. When it comes to Iceland, we have never gone that far in negotiating with the EU about membership. I think it would be very difficult for a politician in Iceland to persuade the population that the fish and fish stocks would be better controlled by the European Union than by Icelanders. For example, we would like to believe that we have done quite well governing that part in a sustainable way.

When it comes to agriculture, I think we are moving in the right direction, even though we have not made big steps. For the first time there is total free trade between Iceland and the Faeroe Islands in agriculture, and agriculture is becoming less and less important in Iceland's economy.

So I think it's just a question of time when we will open our markets more than we have already to agriculture products from other parts of the world. Maybe it's sensible to do this slower rather than faster, but things have changed very much in the last years.

● (1230)

Mr. John Maloney: The information I have is that of the four countries, 99% of our trade is with Switzerland and Norway. When I hear that the population of Iceland is 300,000, and Liechtenstein has roughly 30,000 people, I can perhaps understand why.

What goods would Iceland and Liechtenstein export, and what goods would they like to import? I'm trying to assess the markets of those two countries.

Mr. Gudlaugur Thordarson: If you like good fish, then we have plenty of it. As you know, fish is good for you, so I would recommend you buy some Icelandic fish. But the Icelandic economy is moving quite rapidly toward service. We export high-tech, and not much of the things we have been discussing today. For example, I doubt that Icelandic boats have ever gone to Canada, but I know that a lot of them have come from Canada to Iceland. So I think there would be some opportunities for you there.

If you come to Iceland, which I hope you will do one day, then you will see that we have a market for a lot of products from North America. I am sure that will not change in the future.

The Chair: Thank you, Mr. Maloney.

We'll go now to the Bloc Québécois and Mr. André.

[*Translation*]

Mr. Guy André: Welcome to all of you. It is a pleasure to be able to meet you today.

As concerns sovereignty, I want to mention that we talk very much in Quebec about countries like Norway and Iceland, because they are small countries, much smaller than Quebec in terms of population, except Switzerland, whose population is similar to ours. These countries took their place on international markets through various agreements. The standard of living and the score of these countries on the human development index are very high and even much higher, for example in Norway and Iceland and other neighbouring countries. I think sovereignty is profitable because you can negotiate your own international agreements. This is the direction Quebec is taking right now.

Mr. Thordarson asked us what was the attitude in Quebec towards the Doha Round, the World Trade Organization, NAFTA, and various other agreements.

My questions to you deal with all your countries. Even if Quebec — which is not a country yet, but nonetheless — and Canada export a great deal, the free trade agreement and the WTO agreements have a impact on certain industries and contribute to the impoverishment of an important segment of our population.

In Quebec, there is a crisis right now in the agricultural industry, and our farmers are burdened with huge debts. Our small traditional family farms could disappear and be replaced by megafarms that are more productive and competitive. This crisis is affecting just about all our rural areas. Personally, I live in a rural area. We have problems with the recruitment of a new generation of farmers and with the heavy debt load. Some agricultural sectors are vulnerable. You may know the supply management regime, a Canadian agricultural model which is now threatened. Quebec has 50% of all dairy farmers in Canada. These are vulnerable sectors we want to protect.

Our manufacturing industry is also threatened by foreign competition and globalization. In some manufacturing industries like textiles, Canada as a whole has lost roughly 50,000 jobs. The furniture sector in Quebec has lost 5,000 jobs over three or four years. So, we have a number of sectors that are in a difficult position. The aircraft manufacturing industry will also have to expand more.

My question to you is on your trade with Quebec. But first, I would like to ask you about the situation of rural areas in your countries, even if they are in a very good economic shape. Are you losing some industries? What do you do about it? How can you manage these losses with the gains you make thanks to various free trade agreements? What is the outlook as far as trade with Quebec and development opportunities are concerned?

● (1235)

[*English*]

Mr. Gudlaugur Thordarson: Well, I think Quebec, even though I don't know it in detail, has tremendous potential. I know there are proud and hard-working people there.

If you look at the Icelandic example, even though I'm from the constituency of Reykjavik, I was brought up in a rural area and I know that quite well. Maybe that's a good example of how things change. If you look at Icelandic agriculture—and I can promise you it's much less competitive than Quebec or Canadian agriculture—what has happened is that there has gotten to be less and less over the past decade or two.

For example, the little town I was brought up in was basically, first and foremost, about agriculture and service towards agriculture. It's very little about agriculture at the moment, but it has still been prosperous because it has taken something over—for example, tourism, and a lot of other things.

Strange as it seems, when you look at what you could call a crisis, very often there are new opportunities that come, and that is what has happened in Iceland.

You mentioned a few sectors. They are not big at all in Iceland. They used to be, maybe a decade or two ago, but they have been changed, transformed into high-tech, into more educated labour, tourism, and more emphasis on education and other opportunities. I think we have been very fortunate going on this path.

You mentioned that of course Quebec could probably be an independent country, but even though we are independent and wouldn't like to have it otherwise, we wouldn't do anything if it wouldn't be a part of a bigger market. Because we are a part of the internal market of the EEA, the EU, and EFTA, that's the reason we have been so prosperous. If we had been protective and put tariffs on those things as we used to do, we wouldn't have the achievement we've had in our economy in the last ten or twenty years.

The Chair: Thank you.

Mr. Hansen, you wanted to respond to that question.

Mr. Svein Hansen: Yes. I have a couple of comments, if I may.

The Norwegian economy also has changed over the last twenty or thirty years. The textile industry is gone, the shoe industry is gone, and so on, and we import more and more of those things that we need in our daily life. We're changing into high-tech; we're changing into service industries, and so on. I think that's part of the globalization, and we have been successful so far.

One of the answers in terms of why is that we succeeded in bringing the women into the workforce. A very high percentage of women are working. It's the same in Iceland, the same in Sweden, and so on.

When it comes to Quebec, it's very dangerous for a foreigner to have a view on that, of course. But if I may be so frank, I think most challenges we meet in the world today have to be met with more cooperation between nations—on the environmental problem, climate change, and so on and so on. Looking from outside, I have to admit that it's very difficult to see what kind of problems you're going to solve better as an independent nation in Quebec, being where you are, with the neighbours you'll want to have, and so on. You may have good answers to that, of course, but we're talking about having to be a sovereign nation, and I think interdependence in the modern world is escalating.

• (1240)

The Chair: Thank you, Mr. Hansen.

Mr. André, your time is up, but Mr. Vaudroz would also like to answer.

Go ahead.

[*Translation*]

Mr. René Vaudroz: Mr. Chair, ladies and gentlemen, I would like to give a short answer to your question as far as Switzerland is concerned. It is a fact that the agricultural problem in our country is extremely important. At this time, it is one of our main concerns. It is more the protection of the landscape that counts, because of the tourism industry and the fact that our country is very small. Our country provides some support through subsidies that are more ecological in nature, I dare say. They are based on the acreage under crop, or on the number of livestock, and not on the production.

The agricultural production will be more and more left aside as the basis of government support, and replaced by the concepts of acreage and landscape. The situation is quite different depending on the location. We have farms in flat plains or in middle or high altitude. The support depends on the location. In the mountains, we do not have any significant production excepts dairy products, but in the lower lands, agriculture can make a difference.

Right now, our farmers wonder what the future will be, in a country that could emphasize more the economy, machine tools, watchmaking and other products that have a rather good added value.

The Chair: Thank you, sir. Thank you, Mr. André.

[*English*]

We now go to the government side, with Mr. Lemieux.

Mr. Pierre Lemieux: Thank you for your presentations this morning.

Certainly free trade is of great concern. It's a very positive thing, particularly for those industries that are very export oriented, both in your countries and in our country. Certainly on the plus side, the industrial sectors that see the opportunities will grow. They will expand. There will be more jobs, more commerce. It's all good. On the downside, of course, there are the industries that are most affected by imports. Oftentimes what you get there is contraction. You get some people being laid off or having to be retrained. Certainly this is a struggle that we face right now: retraining of older workers.

So I have a political question, and I'd like to aim it at the MPs from Norway and from Switzerland. What sort of mechanisms do you put in place as a government? How do you deal with this as a government? One way is just to let the market sort itself out. But oftentimes it's a sensitive issue. I'd like to know what sorts of strategies you put in place, as a government, to deal with these types of issues, as the market transforms due to free trade agreements.

The Chair: Who would like to respond to that?

Mr. Hansen, first, go ahead.

Mr. Svein Hansen: Thank you. I shall make it short.

I think it's one word: education. When people lose their jobs, we try to train them so they can fill other jobs. But of course, in this process, over the years, too many people have been shut out of the workforce also. But we try to train them for the new jobs that develop.

I think that's the short one.

Mr. Pierre Lemieux: So you actually invest in training programs, training opportunities, subsidized training, whatever it takes to train people.

Mr. Svein Hansen: Yes.

Mr. Pierre Lemieux: Okay.

The Chair: Go ahead, Monsieur David.

Mr. Eugen David: It's the same in Switzerland. We don't subsidize industries because of the change in international trade and so on. We think also, if we have trade agreements between industrialized countries, as now between Canada and the EFTA states, it is important for the industries to be competitive. And if we stop this, we have in the end, also in our country, industries that are no longer competitive. But if there are agreements between countries that are in very different situations, such as developing countries, there must be—not for Switzerland, but for these countries—some measures to find the level for an agreement. For example, if we had an OSIS agreement with the EU-CEEC and so on, that's not the same level of discussion. But between industrialized countries there should be competition.

For the labour force, we need education. We need help for job changes and so on, and in our country that's a very big issue for social welfare. We have some insurance for this work, and they do it as well as they can, but there are still people who have problems. That's the case.

• (1245)

The Chair: Mr. Cannan, go ahead, please.

Mr. Ron Cannan: Thank you, Mr. Chair.

Thank you to our guests. I had the opportunity to visit with a few of you during the lunch break. I hope we'll have a chance to learn a little more from each other this evening as well.

I was doing a little research and checking on the website before you came. You have some really good information on the website.

On one of the aspects of trade, we recently had the softwood lumber agreement, which provides some certainty and stability in the forestry sector. We also have the NAFTA agreement, which has provided about 99% dispute-free trade, but the one per cent of dispute needs a mechanism to resolve those issues.

In your past negotiations on trade agreements, what kind of dispute resolution mechanism have you had in place and how successfully has it been working?

Mr. Gudlaugur Thordarson: For the largest agreement, the EEA agreement, you have the EEA court. Individual firms can go to that court with issues and disputes. It has been working quite effectively. We have had to change a lot of things in Iceland because of the ruling of that court. It's the one that is for the biggest area, the free trade area that we are in.

For the other nations, for the other free trade agreements with the third countries, there is no court like that and the mechanism is at a different level.

The court is very effective. Of course people do not always agree with it, and there are some voices that say it rules too much and doesn't rule correctly. But at least it's effective.

Mr. Ron Cannan: The court is composed of what? Is it a panel or individuals? Are they appointed? How is the court composed?

Mr. Gudlaugur Thordarson: They are appointed, one from each country. They are in effect the whole year long. It's quite a big body, which is like another court.

It's something that came out of negotiations with the EFTA countries. When there were more EFTA countries at that time, it meant they established the EEA agreement. At this time, there are those EFTA countries left. But there are others, like Sweden and Finland, that were also members of EEA—but are now members of EU—when that was established.

Mr. Ron Cannan: Thank you.

The Chair: Mr. Menzies, you have a short question.

Mr. Ted Menzies: Very briefly, you had talked about establishing 15 free trade agreements and nine cooperative trade agreements. In the notes here, I see you've successfully negotiated 50 trade network agreements. Can you define the difference?

Is it a goal that Canada should be potentially seeking? Is it a lesser achievement than an actual free trade agreement? Can you define the differences and the advantages?

• (1250)

Mr. Gudlaugur Thordarson: I think Canada should emphasize free trade agreements.

As we have mentioned, we have tried to be as progressive as possible and to find agreements where we can. Sometimes it takes time, as you all know. It's sometimes better to take fewer steps than none at all.

But free trade agreements are definitely something that I think every nation should try to emphasize. One free trade agreement is not the same as another free trade agreement. For example, even though I cannot come up with the details, as you know, I think I can imagine that if we conclude the Canada-EFTA free trade agreement, it will not be as deep as many other free trade agreements that we have. Some have been going on for a long time, so you go to a second step and maybe a third step.

The Chair: Thank you very much.

Now for the last questioner, Mr. Julian, for roughly five minutes.

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

We spoke earlier about the social, environmental, and labour agreements that you've been putting in as part of the EFTA. I would like to stress that we're very appreciative of the example your four countries have set. You have some of the highest standards on the human development index that is put forward by the United Nations of any countries in the world. So you've managed to achieve that balance between economic strategy, trade strategy, and social policy to ensure that the population benefits.

In Canada we can learn from that, because since the first free trade agreement in 1989, we've actually found most Canadian families earning less in real terms now than they were then. So for most of the Canadian population under the free trade regime, without having the other safeguards in place and without having balanced social policy in place, most Canadian families are worse off.

I have three quick questions. The first is for anyone who wants to answer. How do you balance the trade and economic policy with social policy to ensure that the entire population benefits?

Secondly, taking a strong stand on defending your agricultural sector and your rural areas.... In Canada we are under some attack from the United States, wanting to take apart our Canadian Wheat Board and end our supply management practices, and this government unfortunately seems to be conceding in those areas. How do you defend agriculture in a very real way for the benefit of your rural communities?

Finally, to the Norwegian delegates, I would like to mention that in 1996 Alberta's heritage fund and the Norwegian heritage fund from oil revenues were about the same, and six years later Norway's has gone up to over \$100 billion and Alberta's has actually shrunk. How are you ensuring that the benefits from oil exploration and the petroleum industry actually go back to Norwegian citizens?

Mr. Gudlaugur Thordarson: I will skip the oil. We don't have that trouble at home. We have a lot of hot water, but no oil.

When it comes to trade and social affairs, this is something I think you will never...even though we are quite pleased with the performance we have had, Iceland is no heaven. And even though it has only a 1.2% unemployment rate, for example, and the GDP per person has gone up, there are always things that, while I wouldn't call them a struggle, are things you have to be aware of, like helping the poorest and giving them a chance in life.

But it's difficult to measure these things also. We have a discussion now about what I would call the Gini meter. I don't know if you know what that is. But at the moment, for example, what has happened in Iceland—and this has happened before—is that even though everyone has benefited from our economic policy, the richest 5% have got a lot richer—which is not bad for the rest of the people, but that's just what has happened. The poor have also got a lot more. Everyone has got more. But this is something about which you will always have discussion, and about which people do not always agree.

In my view, it's important that everyone has a chance and we can help the ones who have the least, especially children. That's just something I think we always have to bear in mind, and we can never stop working on that.

Then you come to your second one, which is the agriculture sector. At the moment I don't know, I haven't seen any opinion polls, but I would think that 70% of the Icelandic population would be against subsidizing agriculture. And there is a lot of pressure from the consumers—and this has changed a lot in the last decade—to get cheaper imports of agricultural products in our country.

This is something that has been discussed. What has happened is that it's getting less and less important, the agriculture sector, because it's not very competitive, for obvious reasons. And I think

we will see changes in the near future towards more free trade on agriculture, certainly at least in Iceland.

• (1255)

The Chair: Thank you.

Mr. Gunnarsson, you wanted to answer the question as well, and then Mr. Hansen. Go ahead.

Mr. Jón Gunnarsson: Mr. Julian was correct when he mentioned that the EFTA states have one of the highest standards of living in the world and that they also have very strong social policies. I am a social democrat, and in my opinion, these two things go hand in hand. How can you secure a standard of living better than by ensuring that people are getting their consumer goods at the market price? A large market and less strain on businesses mean you get a better price all over, which of course means that people are better off than they would be if they had to buy more or less all their consumer goods in a strained market where a monopoly would make prices...or they would not be able to buy at the competitive prices in the world.

Being a social democrat, I say that free trade and access for people to goods at reasonable prices is one of the cornerstones of being a strong social state.

The Chair: Thank you.

We have Mr. Hansen and then Mr. Fehr. Mr. Hansen, go ahead.

Mr. Svein Hansen: Thank you.

On the first question, I'll make it very short and say it's two things: one, fair distribution; two, a strong public sector.

To the second question, about agriculture, I will say there are two things we do in Norway. We have very high customs rates for imports; we try to have very few imports. Then we have very extensive subsidizing of our own farmers. That's how we protect farming and agriculture.

In Norway, agriculture is not a big part of the economy, but it's an important part of our way of life. We are a big country by European standards, with few people, but we live everywhere over this area. Farming is an important part of that.

On your last question, about the oil fund, as we call it, we decided some years ago—and it was almost unanimous in Parliament, except for one party, which is one of the biggest parties for the time being—that we should put all our income from oil into a fund and that we should use only about 4% of it each year, so that we could have that fund for the generations to come, and so on. In the last four or five years we have used a little more than 4%. This year we are down 4%. Thanks to the rising oil prices over the last two years, I think that in the next years we won't use that much; we should save even more, because the economy is booming and the unemployment rate is very low.

It appears that we have succeeded in saving most of this money for the generations to come and have not let it destroy our industry, because that's the main danger: we use so much of it that our exporting industries are out of competition.

• (1300)

The Chair: Thank you.

Mr. Fehr is next.

Mr. Mario Fehr: I have three remarks.

First of all, you asked how we can finance or manage social policy. I think you can manage social policy if you have a successful economy. As a social democrat, I would say our free trade policy, our open markets, our openness to the world make up one of the bases for our successful economy. Without all these agreements we wouldn't have a successful economy and we wouldn't have the possibility to formulate such a social policy.

Second, I would contradict you a little bit. I think Canada is quite successful. If, for instance, you look at your budget, you don't have a budget deficit; in all our countries, we have huge budget deficits.

Voices: No, no.

Mr. Mario Fehr: No, no, okay; but in Switzerland we have a huge budget deficit. In Canada you don't have one, so you have to have quite a successful economy. I think both of our economies could be even more successful if we had a good and fair and long-standing relationship, especially on the economy.

In my personal view, such a deepened economic relationship would help all of our countries. As a social democrat, I am deeply convinced of that.

The Chair: Thank you.

We are out of time for the meeting. I would like to say that on behalf of the committee, we all appreciate your coming today. It's been very informative for us.

Before we close the meeting, we have a bit of business to do. If you would remain behind in the room, it will take about a minute.

Because of the time constraints, I seek the committee's permission to review the order in council appointment of Eric Siegel as the president and CEO of Export Development Canada. We have a limited amount of time to do that, so could we please do so for about three-quarters of an hour on February 13?

For the rest of the meeting, we will have Stephen Poloz, the senior vice-president, corporate affairs, and chief economist of Export Development Canada. Could we also agree to review that order in council appointment?

Some hon. members: Agreed.

The Chair: Thank you all very much for coming. It is much appreciated.

Yes, Mr. Thordarson.

Mr. Gudlaugur Thordarson: On behalf of the delegation, I thank you very much for a very good meeting.

Mr. Chairman, I would like to give you a little token of gratitude.

Free traders was a saying of the Vikings. They did a bit more than free trade—

Some hon. members: Oh, oh!

Mr. Gudlaugur Thordarson: —but they were free traders, and this is called *Hávamál*. If you need some wisdom, then you can look in this book.

The Chair: Thank you so much.

Some of us can stay around for a while after the meeting, but the meeting is adjourned.

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