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Mr. Lee Richardson

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• (1535)

[English]

The Chair (Mr. Lee Richardson (Calgary Centre, CPC)): Order. We will begin the meeting. We have quorum.

Welcome to the eleventh meeting of this session of the Standing Committee on International Trade. We will continue our debate and discussion and hear witnesses on the proposed Canada-Korea free trade agreement.

Before I introduce our witnesses today, I would like to go back to the agenda for a moment. We had some previous business that was not concluded at the last meeting.

I would like to propose to the committee, and perhaps ask for unanimous consent, that we conduct the questioning of witnesses until 5 o'clock today, and that at 5 o'clock we thank the witnesses and resume consideration of the motion of Monsieur Cardin from the previous day.

Do I have agreement there?

Some hon. members: Agreed.

The Chair: Thank you.

That said, we will go to orders of the day, which is the proposed Canada-Korea free trade agreement.

I'd like to welcome to the committee today the following witnesses: from Canada Pork International, Edouard Asnong and Martin Lavoie; from the Canadian Cattlemen's Association, John Masswohl; from the Canadian Vintners Association, Robert Keyes; and from the Canola Council of Canada, Dave Hickling.

I thank you all. I understand that each group has prepared an opening statement. I would ask that all four of you briefly read those statements into the record, after which the committee members will pose questions to you, jointly and severally.

I would ask Dave Hickling of the Canola Council of Canada to begin.

Mr. Dave Hickling (Vice-President, Canola Utilization, Canola Council of Canada): Thank you, Mr. Chairman, and my thanks to the committee for the invitation to speak today.

The Canola Council of Canada is a national trade association representing all sectors of the industry, including producers, input suppliers, processors and crushers, and marketers of canola and its products. Our mission is to foster a regulatory policy and business climate based on innovation, resilience, and creation of superior

value for a healthier world. Our current goal, which we set this last year, is to help the industry grow to 15 million tonnes of market demand and production by the year 2015. To put that in perspective, our current production is approximately 9 million tonnes.

Korea is currently a market for Canadian canola oil—and I have supplied documentation on that. In the past, especially during the 1990s, Korea was a significant market for canola meal. In the future, we think it will be a continuing market for canola oil, canola meal, and perhaps canola seed.

Canada now supplies approximately 35,000 tonnes of canola oil to the Korean marketplace. At today's prices of \$1,200 to \$1,300 per tonne, that trade is worth approximately \$45 million to the Canadian economy.

Our market for canola in Canada is limited in part by the tariff structure. There are discriminatory tariffs. They've existed for a long time and they are different from those affecting our main competitor products, which are soybeans and soybean oil.

The current tariff structure for canola oil is 8% for crude oil and 10% for refined oil. At today's prices, this tariff is costing approximately \$100 per tonne. Based on sales of 35,000 tonnes, that is about \$3 million to \$4 million in total costs.

At the beginning of 2006, the Korean government reduced the tariff on crude canola oil—from 10% to 8%. At that time, they also lowered the tariff on refined canola oil from 30% to 10%. This has certainly helped our case. As the numbers show, during this time we almost doubled our sales of canola oil to Korea, and we have certainly seen an increase in the amount of refined oil that is sold. As we look towards 2015, we see that Korea has the potential to import between 50,000 and 100,000 tonnes of canola oil.

We are not now supplying any canola meal to Korea, because there are higher-value markets in the United States. With our expected increase in domestic crushing and increased supply in canola meal, however, we see that in future Korea could import as much as 100,000 tonnes of canola meal from Canada.

With regard to canola seed, the infrastructure is currently more suited to crushing soybeans than to crushing canola. But if the market conditions are right, there is the potential to develop a canola seed market in Korea as well.

In our submission to the standing committee, we stated, with regard to the free trade agreement, that we would like to see the elimination of tariffs on canola seed and oil. In the current negotiations, our first priority would be an immediate reduction of canola oil tariffs to 5.4%, which would provide tariff parity with soybean oil. If we could get a deal similar to what the Americans got with their free trade agreement with Korea, it would be a step forward for us.

As for the phase-down from 5.4% to 0%, we would like to see this at the same rate as soybean oil, so that we are not disadvantaged in comparison with our major competing product.

Thank you. I look forward to your questions.

● (1540)

The Chair: Thank you.

Next we will hear from the Canadian Vintners Association, Robert J. Keyes, vice-president, economic and government affairs. Mr. Keyes.

Mr. Robert J. Keyes (Vice-President, Economic and Government Affairs, Canadian Vintners Association): Thank you, Mr. Chairman.

I'm pleased to be here with the committee to talk briefly about the Canada-Korea free trade agreement and its implications for the wine industry.

The CVA is the national association of the wine industry. We represent wineries across Canada and are responsible for more than 90% of Canada's annual wine production. Our members are engaged in the entire range of the value chain, from grape growing, farm management, R and D, grape harvesting, wine production, bottling, and retail sales, to tourism.

This afternoon I will touch very briefly on a little bit of the background of the industry and on three aspects of the Canada-Korea free trade agreement that are important to us in these negotiations.

Many of you are familiar with our industry. It's a growing sector. We now have more than 26,000 acres planted. Grapes are produced by 1,000 grape growers, and we have 325 wineries that are providing 10,000 direct and indirect jobs. We have many more wineries coming on. The industry's thriving, and not only in its traditional centres in B.C. and Ontario; it's expanding in Quebec and Nova Scotia. There are now grape-based wineries operating in six provinces. Our key economic indicators are all positive and are going up.

I also point out that in our industry, the 100% Canadian VQA and blended wines have a multiplier effect of \$4.29 per litre compared with 56¢ per litre generated by imported wines. So we are getting a great return in our industry.

In terms of the benefits of the free trade agreement, it's vital that we seek international markets. As with some other goods and services, it's easier to trade internationally than it is to sell wine across Canada. The issue of our internal trade barriers is a subject for another day, but it's one of the reasons wineries are eager to take advantage of international opportunities.

In terms of Korea, the statistics tell the story of export growth. It was a mere \$3,035 in 2001. Last year, in the first 11 months of 2007, we were up to \$2.6 million. And with knowledge of orders that are going forward, we're looking forward to probably over \$3 million by the end of 2007. Growth was approximately 26% last year, and over the past two years it was 186%.

Wine products entering Korea include both red and white table wines, but 96% of the exports are icewine products, which are, of course, our signature export for which Canada is internationally recognized. Korea is going to figure very prominently in our export target markets for 2008 and 2009, so it's timely that we are talking about the impact of the agreement.

Wines entering Korea currently face a 15% import tariff, which is a significant impediment to trade. Elimination of this tariff would clearly provide a significant impetus for increased exports to the growing Korean market. The most recent proposals on the table for negotiation would see icewine tariffs eliminated immediately upon an FTA coming into force. Tariffs on table wines would drop over a three-year period, which in our view is acceptable, given the small volume of table wines exported to Korea at the moment.

Reducing these tariffs is clearly a benefit of these negotiations for the wine industry, but there are two other issues I want to touch on.

The first involves geographic indicators. As our industry grows, it's important that the various regions where the wine is produced are branded, and branded well, both on the labels and in the promotional literature for our export marketing. This is the path to increased returns and the perception of quality. It also informs the world about our wine industry and assists tourism.

Everybody's familiar with France's system of *appellation contrôlée* and Italy's DOC. These systems have very strict criteria for what's a Bordeaux or a Burgundy, a champagne, a Valpolicella, or a Barolo. Similarly, wine consumers are very familiar with the Napa Valley or the Sonoma Valley in California. In Canada, many consumers may have heard about Niagara or Okanagan. But how familiar are consumers with the sub-appellations of St. David's Bench or Beamsville Bench in Niagara, the Similkameen Valley in B.C., or the Gaspereau Valley in Nova Scotia?

These so-called GIs, or geographic indicators, are an important topic of negotiation within the WTO, and indeed the EU has put this at the forefront of their current negotiating agenda. We've asked Canadian negotiators in the Korea trade negotiations to try to protect these names and to have them referenced. It's a form of insurance for descriptors that will brand our future and the distinctiveness of our wines. So geographical indicators are something that we hope we see referenced in any agreement.

● (1545)

The second ancillary issue is around icewine and the definition of icewine. This is Canada's flagship product in terms of our wine exports. Icewine is currently defined provincially under the Vintners Quality Alliance Act in Ontario, and the Agri-Food Choice and Quality Act in B.C., and there are industry production standards in place in Nova Scotia and Quebec. But at the federal level, there is no definition. Canada has agreed to a definition of icewine for purposes of the Canada-EU Wines and Spirits Agreement, and also in the most recent agreement with the World Wine Trade Group in their labelling agreement. However, we don't have any federal legislation or regulation.

The industry has been talking about this with federal agencies for many years, and its inclusion has been tied to the completion of national wine standards where, unfortunately, completion of negotiations has proven to be elusive. We now hope to look at how it could be defined under the Food and Drugs Act.

This lack of a definition is a barrier to success in our trade negotiations. The industry's flagship product is out there in the international marketplace, but without any nationally accepted definition, rule, or approach, its inclusion in international agreements becomes much more difficult. Not surprisingly, foreign trade negotiators, including those from Korea, question our attempt to protect our interests by pointing out that we don't have this defined at home.

Another dimension of this situation is the counterfeit icewines, which have become a significant problem, particularly in parts of Asia. The inclusion of an icewine definition in the Korea agreement would be important, given the rapid growth of our exports to that country, and Korea is now our number one icewine export market. Counterfeit icewine is rampant in China, and a growing concern in other Asian markets. The risk of fake products turning up in Korea is real, and if it happened we could potentially have problems for not only Canadian exporters but also the health and safety of Canadian consumers. To protect our interest and assist Korean authorities, should these problems ever occur there, a reference to icewine in the agreement would be very positive.

Canadian wine has come of age. We're winning international acclaim at prestigious wine competitions. However, as producers of other high-quality products found, high value and quality attract imitators. Icewines have become the Canadian Gucci of the counterfeit world, and more recently, Chinese nationals have even attempted to trademark VQA in China, something which we are actively opposing.

The industry supports positive results from these negotiations. We think the benefits that would come from tariffs and these related definitional issues would be good for the industry and good for Canada. It's vital that we try to achieve progress on these matters in our bilateral agreements because of the stalled nature at the moment of the WTO negotiations.

Thank you.

● (1550)

The Chair: Thank you, Mr. Keyes.

We'll now hear from John Masswohl. John is the director of governmental international relations with the Canadian Cattlemen's Association.

Mr. John Masswohl (Director, Governmental International Relations, Canadian Cattlemen's Association): Thank you for the invitation to be here before you on this important topic of the Canada-Korea free trade agreement.

The Canadian beef industry is highly export dependent. Nearly 90,000 Canadian cattle producers collectively produce approximately 1.6 million tonnes of beef and live cattle beef equivalents each year, but the size of our domestic Canadian beef market is less than 1 million tonnes per year.

Furthermore, Canadians mostly like to eat steaks, roasts, and hamburgers that come from beef muscle cuts and ground beef trim. Canadians are not as keen on eating tongues, livers, stomachs, and those sorts of products. So we end up importing a small portion of our demand for steaks and ground beef, especially during the summer barbecue season, and we rely on exports to direct all parts of the animal to customers who value them the most. On balance, about 50% to 60% of Canada's beef production is available for export, so Canadian cattle producers are generally supportive of initiatives to further open export markets for Canadian beef.

Korea has long been an important market for Canadian beef exports. From 1994 through 2002, Korea and Mexico kind of traded ranks as Canada's third and fourth largest export markets for beef. Beef exports to Korea grew strongly during this period, reaching 17,300 tonnes in 2002. This success was achieved despite the existence of a 40% import tariff.

At first glance it would seem obvious that the elimination of such a tariff would be a very positive development for Canadian beef producers. Unfortunately, Korea has not allowed the importation of a single pound of Canadian beef since May 2003. Korea remains one of the few and certainly the most important beef export market to not allow the resumption of trade for any Canadian beef product. Korea maintains this prohibition despite Canada's designation last year as a controlled risk country for BSE by the World Organisation for Animal Health, also known as the OIE.

Controlled risk status means that all countries should accept all beef from all Canadian cattle of all ages. To be fair, since spring 2007 the Koreans have shown a greater willingness to examine lifting the beef prohibition, as reported by former foreign affairs minister MacKay following a visit to Korea several months ago. We are cautiously optimistic; however, it remains unclear what the timetable for lifting that prohibition will be.

As we look at a Canada-Korea free trade agreement, we have a number of key conditions we would like to see. The first includes terms of access for Canadian beef products to the Korean market that reflect Canada's controlled risk categorization. They need to lift the prohibition on all beef from all cattle of all ages.

Second, we'd like to see tariff-free access or, at a minimum, equivalent terms of access to that achieved by the U.S. in their Korea-U.S. free trade agreement.

Third, we'd like to see a mechanism to resolve SPS—sanitary and phytosanitary—issues associated with trade in beef products. That could potentially be similar to the mechanism that was established under the Korea-U.S. free trade agreement.

Fourth, there should be terms that will not interfere with the continued trade of cattle and beef products between Canada and the United States and the export of those products to Korea. This should include things like rules of origin. If Korea approves certain products from the U.S. and other products from Canada, we don't want to get into a situation where our exports to the U.S. are jeopardized because the U.S. is worried about their exports to Korea or other markets.

Fifth, we would like to see a forward-looking MFN clause. Such a clause would ensure that Canada would not be disadvantaged if terms of access were enhanced for the United States in the future, or if other countries reached free trade agreements with Korea. In other words, if somebody got a better deal in the future, we would automatically get that same deal. So we'd like to see that forward-looking clause.

We will continue to assess the progress of the negotiations. I understand they're still ongoing. If our conditions are met, the Canadian beef industry will be a strong supporter of a Canada-Korea free trade agreement. On the other hand, if our needs are not met, our recommendation would be that Parliament direct the negotiators to continue working towards a resolution of beef access before ratifying an agreement.

• (1555)

The United States senators and congressmen have publicly stated that the Korea-United States free trade agreement will not be approved by Congress until Korean restrictions on U.S. beef are lifted. Canadian beef producers are seeking a similar assurance from their Parliament.

On a separate but related topic, we recently learned that after 10 years of negotiating with the EFTA countries—Switzerland, Norway, Iceland, and Liechtenstein—Canada has reached a free trade agreement with them. That agreement is completely devoid of any benefit to Canadian beef producers. We hope this means that Canadian negotiators expect to achieve significant tariff cuts by all European countries in the WTO. We'll wait and see if that happens.

Also announced a little over a week ago was the conclusion of a free trade agreement with Peru. Canadian beef did not do as well as U.S. beef in a similar U.S.-Peru agreement. Under the Canada-Peru free trade agreement, Canada will get access for some boneless beef cuts and no bone-in cuts. On the other hand, under the U.S.-Peru agreement, the United States beef industry will benefit from a broader range of boneless and bone-in U.S. beef cuts.

One of the government's stated objectives for conducting and reaching these free trade agreements is to ensure that Canadian exporters remain competitive in markets where the United States has reached agreements. The Canada-Peru agreement falls short of this objective for the beef industry. In fact, every time the U.S. gets better access for its beef than Canada, it becomes more difficult to justify

slaughtering cattle in Canada, and we increase our reliance on shipping live cattle to the United States.

The competitiveness of our processing industry is a major area of concern that we are discussing with your colleagues at the Standing Committee on Agriculture. The rapid ascent of the Canadian dollar has exposed significant competitive challenges in the Canadian beef processing industry—from government regulation and inspection fees to labour availability, and other issues. I don't mean to go into these issues here, but the point is that if U.S. meat-packing facilities have export opportunities for a broader range of beef cuts than Canadian facilities have, an already challenging competitive situation becomes worse.

I'll conclude by saying that we would ask the committee to do a couple of things as we go forward in these various negotiations.

First, we would like you to instruct the Canadian negotiators to go back to Peru to achieve parity in access for U.S. and Canadian beef before bringing the agreement to Parliament for ratification. The weight of such a parliamentary direction would almost certainly be taken into account by Peru.

Second—and I'm bringing us back to Korea—we would like you to tell the negotiators working on the Canada-Korea agreement to take note of this instruction to Peru, and not to bring an agreement to you that does not achieve equivalent access for Canadian versus U.S. beef in a Canada-Korea free trade agreement.

Thank you. I'd be pleased to answer questions.

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

From Canada Pork International, we have Edouard Asnong, president; and Martin Lavoie, assistant executive director.

Mr. Asnong.

[Translation]

Mr. Edouard Asnong (President, , Canada Pork International): I would first like to thank the members of the House of Commons Standing Committee on International Trade for inviting Canada Pork International to present its position for the second time on a trade agreement between Canada and the Republic of South Korea. Things have evolved significantly since our first appearance before this Committee in June 2006.

Before I proceed any further, I wish to formally introduce our organization and the sector it represents. Canada Pork International is a joint initiative of the Canadian Meat Council, representing the pork packers and trading companies, and of the Canadian Pork Council, which is the national hog producer organization. Specifically established to be the export market development agency of the Canadian pork industry, Canada Pork International is mandated to identify export market opportunities and to seek and maintain access to foreign export markets.

In 2007, the Canadian pork industry exported for over 1 million tonnes of products, worth around \$2.5 billion, to nearly 100 different countries and this does not include the 8 million live hogs, worth over 700 million dollars, being shipped annually to the US.

Canada now ranks as the world's third leading pork exporter, only preceded by the European Union and the United States. We were first before the steep depreciation of the US dollar. Brazil and Chile also constitute competitors that need to be taken seriously. Canada's share of the total world's pork trade is nearly 22%. As more than 50% of Canadian pork production is exported every year, exports are essential to ensure that the Canadian pork industry continues to prosper.

Despite the return of US beef on the Korea market and the highest levels in years reached by the Canadian dollars, the Republic of Korea was Canada's fifth largest pork export market in 2007 with sales approaching \$130 million. In the years that followed the exclusion of Korean exports to the Japanese market because of a foot and mouth disease outbreak in 2000, Korea was mostly a commodity market. However, Canada and other suppliers such as the United States are shipping increasing amounts of chilled pork into Korea that are destined directly to the retail and HRI sectors. Korea is probably the best market in the world for shoulder butts, and a significant market for bellies. In order to prosper and to survive, the Canadian pork industry needs to have access to all the markets offering the highest returns for each part of the animal.

Canadian pork exports to that country doubled between 2004 and 2005. We expect that this market will continue to grow over time, albeit at a lower pace. In spite of those impressive results, the strengthening of the Canadian dollar was also felt in that market as our American competitors tripled their sales in Korea to become the leading foreign supplier.

High production costs, continuing problems with swine disease outbreaks, implementation of strict environmental regulations and an aging producer base will not allow the South Korean national production to keep pace in the long term with an ever increasing demand. In fact, it is likely to decrease when Korea will ban in 2008 the disposal of swine manure in the deep sea, which accounts for 25% of all disposal methods and amounts to 2.3 million tonnes. In light of what I just mentioned, Korean pork imports are forecast to almost double in the next ten years and could reach 600,000 tonnes.

● (1600)

[English]

As you are all aware, in the spring of 2007 the U.S. and Korean governments reached an agreement that will seek the elimination of most tariffs on pork for a period of seven years, originally leading to a complete elimination by 2014. Canadian pork exports to Korea

cannot be sustained for more than one year after the beginning of the phasing out of the tariffs on pork without being completely kept out of the Korean market. It is therefore not only crucial that Canada reaches an FTA with Korea, but it is imperative that the gap between the signature of the U.S. agreement and ours does not result in a tariff reduction schedule that is different from ours.

The Canadian pork industry is currently going through its most severe financial crisis in history. We are expecting that a significant number of hog producers will continue to cease their activities because of the hard time caused by the conjunction of the record-high Canadian dollar, the record-high feed prices due to the high demand for corn by the subsidized ethanol sector in the U.S., and a worldwide oversupply situation of meat proteins. In the current context, the signature of an FTA with Korea is not considered as a bonus that can give Canadian pork exports an edge over our competitors. It is simply a question of survival of our exports in the market and not taking any further blow that can make our situation grow ever worse.

Canada Pork International is starting this year a retail promotion campaign in Korea for Canadian chilled pork. In the case where Canada would be unable to reach a free trade agreement with Korea, efforts to tap into the growing opportunities provided by the Korean fresh pork market would have to be abandoned. The implementation in 1995 of the WTO Uruguay Round Agreement forced the Republic of Korea to open its much-protected pork market. Aside from the last three years, where the U.S. dollar has started to come down, Canada has been the leading foreign pork supplier to Korea, with a market share of around 25%. This was achieved through hard work from Canadian exporters and the strong support provided by the Canadian government.

In recent market studies Canadian pork clearly stood out as the preferred product among Korean importers because of its quality and its consistency. We would like to be able to take that story further and become the preferred supplier among Korean consumers. Disappearing is not an option we want to consider at this point.

In 2004 Korea and Chile signed a free trade agreement by which Chilean pork has recently emerged as a fierce competitor that will receive unlimited duty-free access by 2014. In a scenario where the U.S. Congress will reject the U.S.A.-Korea FTA and Canada was able to reach an FTA with Korea, we strongly believe that our exports to Korea could reach \$500 million in the next five years.

• (1605)

[Translation]

We understand that the FTA negotiations have progressed to a situation where we have an agreement in agriculture for basically all products except for beef and pork and that the Korean side has a smaller appetite to give to Canada the conditions they granted to the US, because of the strong pressure applied by domestic livestock producers after the signature of the FTA with the United States. It is crucial, and has been our negotiation position now that we know what our competitors have obtained, that Canada receives a treatment that is better or at least equivalent to the one given to the US, if we do not want to see our pork exports to Korea and by the same token a significant part of our producers disappear. The inclusion of a Most Favored Nation (MFN) provision in our FTA is the key to a successful FTA with Korea. It would protect us against a better agreement that other competitors such as the EU could get in the future. We have kept in close contact with Canadian bilateral negotiators for agriculture to make sure that our position is known and clear.

So far, none of the FTA negotiations undertaken by the Canadian Government with trading partners such as EFTA (Switzerland, Iceland, Norway and Lichtenstein), Jordan, Singapore (0% tariff already) and the CA4, can provide access that is significant enough to provide real relief to our industry. The Canada-Korea FTA is the only one that really matters to us and we desperately need it to happen.

Thank you.

[English]

The Chair: Thank you.

This is fascinating. These are very interesting presentations and very informative. Thank you. I'm sure you've generated a lot of questions. I've got a few of my own but I'll hold off until we've heard from the committee.

Mr. Bains will begin the questioning.

Hon. Navdeep Bains (Mississauga—Brampton South, Lib.): Thank you very much, Chair.

I'd like to thank the witnesses for coming before the committee. Your input is greatly appreciated, and we take this subject very seriously because currently we're obviously, as you've mentioned, in the process of negotiating the free trade agreement with South Korea and the next round of negotiations is taking place in March. So what you say today in committee holds a great deal of weight in terms of timing with respect to the next round of negotiations.

All of you have consistently talked about the reduction of tariffs and how vital and critical that is for market access, and I think that's an area we are examining: genuinely looking at levelling the playing field and looking at market access. But you've all talked about and focused a lot on tariffs. I think the Canadian Cattlemen's Association did bring up an important issue, which is non-tariff barriers, and you illustrated that by mentioning the ban on beef since 2004, the beef prohibition as an example of a non-tariff barrier.

I want to ask the other members this. Have you encountered any problems outside of tariffs as a means to preventing your product

from having proper access into the Korean market? So there are no other non-tariff barriers? None of those issues have ever come up?

The second question I had was in terms of the negotiation process. Have any of you been consulted by the government, or have you been asked for any input from your respective associations for the current round of negotiations? Have you been consulted for your input?

• (1610)

Mr. Edouard Asnong: With regard to Korea?

Hon. Navdeep Bains: Yes, and this free trade negotiation. Have you been consulted?

Mr. Martin Lavoie (Assistant Executive Director, Canada Pork International): The pork industry had frequent meetings with the negotiators at Agriculture and Agri-Food Canada. Also, we've been fortunate to be in Korea at the same time as some of the rounds were happening. So I can say we've been involved and consulted. As we said, now that we know what the Americans got, I think it's clear what our position is, as we can't afford to have any less than what they receive. It's more a matter not of the amount of the reduction but the level playing field.

Mr. John Masswohl: We participate in an agriculture trade consultations group. We have a beef cattle trade advisory committee in which we participate as well.

Mr. Robert J. Keyes: Yes, the vintners are part of the larger group, which was just mentioned, and we've had direct one-on-ones with our negotiators.

Mr. Dave Hickling: The canola industry certainly has been part of the discussions, both through our group and the Canadian Oilseed Processors Association, which is the crusher organization. We both have a common position with respect to parity with soybean oil as per the U.S.–Korea free trade agreement.

Hon. Navdeep Bains: I appreciate that.

You raised a very important point in your remarks in referring to the Canada Pork International and the Canadian Cattlemen's Association with respect to the recent free trade agreement between Canada and Peru. You talked about the fact that the deal signed by the United States and Peru had a much better reduction of tariffs and better market access for their products, as opposed to the current free trade agreement signed by Canada. Was there any justification or rationale given by the negotiators?

Since you've been consulted for Korea, I assume you were consulted for Peru. Under that premise, was there any rationale given as to why the deal was less advantageous for Canada compared to the United States in their free trade agreement with Peru?

Mr. John Masswohl: Yes, we were consulted a few times in the last few months and we got the impression the agreement was getting close with Peru, especially after the U.S. Congress ratified it in early December. The sense we had from the Canadian negotiators is that Peru wanted to sign it with Canada and move on. The option perhaps was, it seemed to us, that if Canada was not prepared to sign with Peru, Peru would move on anyway.

We talked about what we needed: we needed parity. Ultimately, Peru isn't going to be a huge market for Canadian beef. It maybe represents a couple of hundred tonnes per year, and perhaps you could accept that we didn't get great access. We could accept that perhaps we weren't the highest priority of the negotiators. But it just seems to us that if this is part of a global strategy, if every time the other team gets a touchdown we kick a field goal, by the time we get to the fourth quarter we're going to be way behind.

Hon. Navdeep Bains: That's the point I want to raise. I assume that the same concerns as you've raised now with Peru would apply to Korea.

Mr. John Masswohl: Absolutely.

Hon. Navdeep Bains: You've highlighted that with respect to the deal that the U.S. has tentatively signed—I know it hasn't been ratified—it is much more advantageous for them and it puts us at a disadvantage. But I was wondering what the rationale is, aside from, as you've indicated, that part of it is the countries that have negotiated just might want to move on. Is there any other rationale or feedback that you received from the negotiators as to why we were unable to be put in a better position?

• (1615)

Mr. Martin Lavoie: I can talk for the pork side. I think they have the feeling—or this is their argument—that they gave as much as they could to the U.S. There were a lot of demonstrations in Korea after the tentative agreement between the U.S. and Korea. That created a lot of pressure on the political system in Korea. They are also negotiating with the EU right now, which is a major player. None of the countries individually is as dominant as Canada or the U.S. in the Korean market, but if you add all those countries together, they are probably 45% to 50% of the supply in Korea.

My understanding is that right now there's a change of government in Korea and they're waiting to see what's going to happen with the EU. That's going to impact the offer they can provide to Canada. Obviously what the other players are getting has a huge impact.

Also, you made reference to other free trade agreements. In the case of Peru, we haven't been consulted. For pork it's a minor market. There are some markets in that area, such as Colombia, where we had discussions. But as we concluded, the only bilateral free trade agreement that will have an impact on pork prices, on our situation, is the one with Korea. The impact of that free trade agreement alone is more than 10 times larger than the impact of all the other free trade agreements that we've signed so far.

Hon. Navdeep Bains: Thank you very much for that.

The Chair: Thank you.

Monsieur André.

[Translation]

Mr. Guy André (Berthier—Maskinongé, BQ): Good afternoon. I'm very pleased that you're with us today. I'm very much interested in agriculture. You're very important for us in Quebec and for Canada as a whole. I would also say that you are important in the rural world as well. I come from a rural riding, and I'm always concerned about how agriculture is doing. When it doesn't do well, the rural community does poorly as well. There's a lot of talk about

the survival of our rural communities and the fact that survival is directly related to the good health of agriculture.

I listened to you all, and I of course noted that you seemed to be unanimously in favour of the Canada-Korea Agreement. The elimination of tariffs will enable you to export more to Korea. One issue is the difficulties the pork and beef industries are experiencing, and I'm going to come back to that later. Wine and canola, among others, are also very important sectors for you. Moreover, as you are no doubt aware, representatives of other sectors have appeared before this committee. We've met with representatives of the automotive industry, and they presented data showing that a free trade agreement with Korea would push Canada's trade balance with that country into a significant deficit.

As parliamentarians, we want to ensure that the agreement is fair. We want it to benefit the agricultural sector because we believe in it, but we note that other sectors are less comfortable with this agreement. Have you determined whether the agreement might in fact be favourable to one sector and unfavourable to another? Do you believe it would be possible to negotiate provisions that would make this agreement less harmful to the manufacturing sector, while supporting exports to a greater degree? In your view, what room to manoeuvre could we exploit?

As regards BSE, the beef association stated that we should suspend our negotiations with Korea until it opens its borders to beef. What is your opinion on that subject?

• (1620)

Mr. Edouard Asnong: As regards your first question, I haven't conducted an analysis—and I don't believe that Martin has either—on a potential trade deficit that might be caused by better access to Korean motor vehicles in Canada. We haven't conducted that exercise. However, we have done an evaluation of the free trade agreement that the Americans have managed to negotiate. I don't know either what's provided for the automotive sector in that agreement. That situation perhaps explains why the agreement has not yet been approved in the United States. One thing is certain: we can't let others sign agreements that simply take us out of the market. We can't; that would be suicidal. In those conditions, it would be better to shut down immediately.

[English]

Mr. John Masswohl: If we look at what the opportunities for beef in Korea would be....and that's what we're looking at, because we represent independent farmers, small producers, and basically we get paid to represent them, and I know that the auto manufacturers and large multinational companies have people who represent them and do that very well. But as we look at beef, in my presentation I talked about how Korea and Mexico, from 1994 to 2002, sort of traded places between our third and fourth largest export markets. Back in 1994, we were sending about 1,500 to 2,000 tonnes of beef to both Korea and Mexico per year. It was very close. Let me just look at my numbers. That was about \$2 million or \$3 million worth. As we get into the late 1990s, we've seen good growth into Korea; we're shipping 17,000 tonnes, and that represents about \$30 million worth of beef. But now that in the 1990s we implemented our trade agreement with Mexico, our exports to Mexico have just exploded. We're sending in the neighbourhood of 70,000 to 80,000 tonnes of beef to Mexico each year—that's with our U.S. competitors right on their doorstep—getting up into \$300 million worth of beef.

So we can see what can happen with a tariff reduction and we know that the Korean market is very sensitive to that tariff reduction. Think of it—a 40% tariff. If we can get that reduced down to zero, we can do trade in the neighbourhood of what we've done in Mexico into Korea. So I think it's a matter of going to trade in the order of \$30 million a year to \$300 million a year. I think we could see a very dramatic increase in our exports to Korea.

I'm trying to remember what your last question was.

[Translation]

Mr. Guy André: The evidence given by the Canada Beef Export Federation stated that we should stop free trade negotiations with Korea until the country opens its borders to processed beef products from Canada. Its representatives stated that in June 2006. I'd like to hear your comments on that subject.

[English]

Mr. John Masswohl: Right. Thank you for that reminder.

About a year and a half ago—and I think that's when the beef export federation was here—we discussed with them what our strategy with Korea should be. At that time we were extremely frustrated that Korea would not even speak to the Canadian veterinary negotiators about opening. I'm pleased that since that time, especially since we received the controlled risk status at the world animal health organization, Korea has been a little more open in talking to us.

Where we sit right now is that Korea has an eight-step process that they've given us for opening the market, and we are currently at step six. Step six is negotiating what the products will be, what the access will be. Step seven is that they make it public, and step eight is that they come over here and look at our plants. So we're very close to the end.

I would like to stress that our request is not that negotiations be suspended. In fact, we would like the negotiations to be intensified to get to the finish line, and if that happens, then we will be one of the strongest supporters of this free trade agreement.

•(1625)

The Chair: Thank you.

Mr. Robert J. Keyes: Mr. André, I would just say that we've looked at this vis-à-vis our—

The Chair: Excuse me, Mr. Keyes. We have exceeded the time for each question. In the first round we ask each member to limit questions and answers to seven minutes. We have exceeded eight with Mr. André's question. So I'll have to get you to catch up in the next round.

Mr. Miller.

Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC): Thank you, Mr. Chairman.

To all the witnesses, thanks very much for coming here today.

We heard a little bit of discussion, and I just want to carry some of Mr. André's questions a little further. I'll try to keep my questions brief and perhaps we could do that in the answers. I have a lot of them here.

First of all, I just heard Mr. Masswohl talk about how potentially they could move beef sales up to \$300 million. Do you have any figures for the other sectors, in either tonnes or dollars, where a Korea free trade agreement might help your industry? If you don't have any of them we can move on, but....

Mr. Martin Lavoie: Well, there are different scenarios to it. I know for sure what the result of our not having a free trade agreement when our competitors do is going to be: in more than a year, this is going to be zero.

As you know, things are changing quickly in the meat sector, with foreign animal disease and currency exchange. In a context where the U.S. would still have access to that market, where we have competition with the U.S., we would easily reach, I think, \$300 million; and if they're not there, I think there's \$500 million to be shared. We've talked also about the reduction of the domestic production in Korea, which is going to be significant. The figures on the forecast come from a study that we buy. It's forecast from here to 2015, and we based our numbers on this. That meat is going to be displaced from other markets. There's a production capacity in there, but there are some signals for increased consumption, increased revenues, and diminution of domestic production. To us, all of that leads to greater opportunities.

Mr. Larry Miller: Okay, thank you.

Are there any figures from Mr. Keyes or Mr. Hickling?

Mr. Dave Hickling: Our current market is about \$45 million worth of sales of canola oil. We think we can double or triple that with a successful free trade agreement over time.

Mr. Larry Miller: Okay, thank you.

Carrying that farther, have you any kind of estimate on what the value-added part of Canadian...whether it be livestock or other, might be? Is there any room for some gain in value-added in our industry?

Again, try to keep the answers brief if you can.

Mr. Martin Lavoie: In the last three years in—I don't know how it was translated into English—chilled pork, which is fresh pork, our sales have really been picking up. This is where the U.S. made most of their growth. There are obviously a lot of opportunities in this sector.

As we mentioned, we are launching a retail promotion campaign this year in Korea. There are two markets in which we do that: Japan, which is our largest market, and a small project we have in Singapore. It's a small and wealthy market. We are in over one hundred countries. That alone shows the importance of the value-added part.

Obviously we should not underestimate the commodity product, because we're also sending neckbones and backbones to Korea. They're frozen products for soup making. These are the dollars that could make the difference at the end of the day between making money and losing money. It's crucial that we use the whole animal in the pork business.

• (1630)

Mr. Larry Miller: John, go ahead.

Mr. John Masswohl: I was going to say, as I look at the trade, how it's evolved with Korea. It used to be that we sent mostly tongues and stomachs, the beef offals. They face an 18% tariff in Korea. The beef cuts, like the rib-eyes, the short ribs, the chuck roll, have a higher value. Those face a 40% tariff. But since we put a Canadian Beef Export Federation office in Korea, which helps account for some of that growth, most of the growth has been into those higher-value cuts. I just look at the stats. In 1993, the average Canadian dollars per kilogram was \$2.56, whereas in 2002 it was \$3.45. So the value per kilo of what we've moved into Korea has moved up.

Mr. Larry Miller: It has moved up.

There's been a lot of talk about a number of issues, but particularly about the high dollar in comparison with the American dollar, and especially about what it's done to agriculture in general, but in particular to the livestock industry right now. That has a lot of us thinking. Because we export so much—not just agricultural products, but everything—to the United States, should we be diversifying our export market? The easy answer seems to be yes.

Are there any comments towards that from anybody?

Mr. Martin Lavoie: Canada Pork International was created to diversify exports away from the U.S. market. Actually, our mandate for promotion excludes the U.S.

I think we realized that after a few countervail duty inquiries. It goes back to the beginning of the 1990s, where we made that decision. So obviously it's extremely important for us to diversify away from the U.S. market.

Mr. Larry Miller: So the more of these types of agreements, Mr. Lavoie, the better, in your opinion. Would that be a fair statement?

Mr. Martin Lavoie: Yes, especially for significant markets such as Korea. We're facing a situation where some of our competitors, such as Chile, have done a fantastic job in reaching Korea, the EU, and Mexico, and with Japan. I think, as I mentioned, we've been focusing on markets that do not matter as much to us.

Mr. Larry Miller: For my last question unless I have more time, going back, Mr. Keyes, to some of the comments you made about your industry—and I'd like all of you to comment on this if you can—would you not agree that this, possibly an agreement with Korea, would have the potential of opening up other markets in Asia? What kind of potential do you see there?

Mr. Robert J. Keyes: Yes, I think it would certainly help our other markets in Asia. We have a good market in Japan, but it has tailed off. But in the region, absolutely, being there through Korea will have a big impact.

In answer to your last question, diversification, diversification, diversification is the way we have to go, and we're seeing that now. Korea has overtaken the United States as our number one icewine market last year. So there's very strong growth, and all the signs are very positive for that. And of course we want to provide the red and white wines to go with these other wonderful meat products that we're talking about here, so it's a complementary effort.

Mr. Dave Hickling: If I could add to that from the canola side, there are a number of other countries in Asia that have prohibitive tariffs or differential tariffs on canola oil. Korea's neighbours across the Yellow Sea, which is one of our largest markets, has a very significant impact on the price of canola oil. Anything we can do as a foothold into that region, especially if it's based on a successful outcome, on fair tariff reduction, I think, would act as a template for other markets in the area.

• (1635)

The Chair: Thank you, Larry, I think we have to cut it off there. You're at about eight minutes.

We'll move to Mr. Julian.

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

Thank you to each of the witnesses. It's very important testimony.

I'll start with a very quick question for you, Mr. Hickling. You mentioned that the Korean government moved to reduce the crude canola oil tariff by 20% and the refined canola oil tariff by 66%. I want to know what the impetus was for that reduction.

Mr. Dave Hickling: I wasn't part of that, but my understanding is that was part of preliminary negotiations between the Canadian government and the Korean government. I gather, in the case of refined oil, it was a reduction from a 30% tariff down to a 10% tariff, as indicated, which we've already seen has had an impact on the market. In the last two years we've seen quite a substantial increase in refined oil.

Mr. Peter Julian: So the Korean government has already made decisions to lower tariffs, and this is aside from—

Mr. Dave Hickling: One of the things is that Korea does not have a canola industry to protect. So from our perspective, it's a fairly easy thing for them to reduce or even eliminate tariffs entirely, because they're not protecting a domestic industry.

Mr. Peter Julian: Well, it's good to see that progress has already been made.

Mr. Masswohl, you mentioned in terms of the free trade agreement with the European Free Trade Association and the Canada-Peru agreement that in both cases the beef industry was left aside. Would you consider that a question of being neglected or more abandoned at the negotiating table?

Mr. John Masswohl: I don't think I'd use those words. In the EFTA marketplace, it seemed that those negotiations were going on for so long, and then all of a sudden there was a deal. I'm not sure what happened. I think the closest thing we got to benefiting from the EFTA agreement is that there will be opportunities for some horse meat going into some of those markets. In the current regulatory environment with our packing plants, there is one beef packing plant that's surviving by processing horses. So that will indirectly help our industry.

We were consulted on Peru. We had a number of meetings, and we do very much value the relationship that we have with the negotiators. I don't think we were abandoned by them at all in terms of being in touch with us and having content contact with them.

It's hard for us to know, though, since we're not in the room with them, exactly what are all the considerations and the trade-offs that are going on and why there is the need to conclude this agreement. So it's hard for me to speculate exactly why we didn't get the full access for beef into Peru.

Mr. Peter Julian: I understand your diplomacy. You are very diplomatic, but your industry joins a trail of bruised and battered industries across the country that have been given away by Conservatives at the negotiating table. The forestry industry is one, as well as the automotive and shipbuilding industries. I mean, the list continues to accumulate.

I guess that's the fear around this Canada-Korea free trade agreement, because so many industries have been abandoned by this government. They just don't seem to be effective negotiators. There are very strong concerns about the net job losses overall. We're talking about over 30,000 net job losses from the only credible study that's been done on this.

I'd like to discuss alternatives with you. One of the things that were mentioned by Mr. Asnong was the promotion in the Korean market. In Canada we have a dismal record of trade promotion for

agricultural products, for example. The federal government gives about \$1 in trade promotion for every \$50 that Australia gives. Canada's industries are very clearly disadvantaged.

I'd like to ask each of you how much support you've received from the federal government in dollar amounts for trade promotion abroad, for example, in Korea, but in other countries as well, and whether you have done any studies to show, for every dollar the federal government invests in trade promotion abroad, how much that generates in terms of sales.

Perhaps I can start with Monsieur Asnong.

Mr. Martin Lavoie: We have access to government funding through the CAFI program, which is managed by Agriculture Canada. The amount that we're receiving on a yearly basis is \$1.2 million for all markets. The decision to promote in the Korean market is ours.

We have to go based on our priorities. So far Japan has been the number one priority for retail promotion, but we're starting with Korea. One of the reasons we're starting is that, as you know, in Canada the preferred cut is the loin. This is what we see in the retail market: loins, ribs—

• (1640)

Mr. Peter Julian: Excuse me, Mr. Lavoie, you get \$1.2 million from the federal government for an industry that's worth \$2.5 billion?

Mr. Martin Lavoie: Yes, and these are matching funds, so the industry has to come up with the same amount of money to leverage similar amounts from the federal government.

What I was about to say is that really all of our markets, North America and Japan, are loin markets. The only market that does ground meat with tenderloins and loins is Korea. They prefer the butts. The Korean market is really complementary to all of our high-value markets. In Canada we would need more loin and ribs, and the same for Japan and the U.S., but this is not what they want in Korea. They want the cut that we have problems selling. This is also why we're starting promotion in Korea.

Mr. John Masswohl: We're funded in many different ways. Our primary source of funding is the check-off. Every time a head of cattle is marketed in Canada, this check-off is collected, and depending on which province it is, it's different. In Alberta it's \$3. In Ontario it's \$2.50, but I think there's been discussion about increasing that to \$3. In Manitoba I believe it's \$2. Depending on the jurisdiction, it's different. That's the primary source. Some of that money goes to fund the Canadian Cattlemen's Association and some of it goes to the Canada Beef Export Federation.

Also, the Canada Beef Export Federation does receive some funding through CAFI. I don't have the dollar amount off the top of my head.

Mr. Peter Julian: Would you be able to provide that to the committee?

Mr. John Masswohl: We could find that out.

We also have something that was created about two years ago called the legacy fund. This was an idea that we, as an industry, had to get our markets back from the BSE and to recover from that. We believed that we were going to need approximately \$210 million over 10 years to get those markets back. We decided that through our check-off the cattle industry could probably fund two-thirds of that and we were seeking the governments to provide the other third. We received \$50 million from the federal government in 2005, I believe, and \$30 million from the Alberta government. So we got \$80 million.

The last type of indirect funding support we get is that routinely there are trade missions. These might be led by a minister or assistant deputy ministers, that sort of thing. Occasionally we participate. That's an indirect form.

Mr. Robert J. Keyes: You wondered about CAFI and us; we're at \$225,000. That's the government's share. That was for 2007-08. We hope to get a little more this year, in 2008-09.

Just by way of comparison, the Europeans just announced they are putting 120 million euros for EU wines. They are going to be very active in our markets. Washington State and Oregon just got \$650,000 U.S. of federal funding just for those two states alone for export promotion.

Mr. Peter Julian: So Washington and Oregon give more support to their vintners through the federal government than Canada gives for the entire industry?

Mr. Robert J. Keyes: Yes.

We also get excellent in-kind support through Foreign Affairs. We have the wines of Canada mission program through the post that are not in these numbers—support on the ground. So there is a variety of other kinds of support over and above strictly the dollars and cents from the one initiative of CAFI, and that's all very important too.

●(1645)

The Chair: Thank you, Mr. Keyes.

It's nine and a half today, Peter.

We'll move on to round two. We're going to try to get this in. We have 15 minutes.

We'll begin with Madame Folco.

Ms. Raymonde Folco (Laval—Les Îles, Lib.): Thank you very much, Mr. Chair.

It's a good thing you were looking in my direction.

[Translation]

Thank you very much, Mr. Chairman.

The question I would like to ask you concerns infrastructure in Canada. Given the distances and the climate we have, I wonder to what extent domestic infrastructure would be affected if the Government of Canada signed a free trade agreement with Korea in your respective fields. If it were affected, how long do you think it would take for you to react in order to respond to both Canadian needs and the increased needs of Korea and other countries?

I put the questions to all witnesses here present because I think the situation is different for each of the fields you represent here. I don't know who wants to answer my question first.

Mr. Lavoie?

Mr. Martin Lavoie: I don't know whether we're talking about units of production infrastructure or infrastructure like port and transportation infrastructure.

Ms. Raymonde Folco: Think transportation infrastructure. That said, if you think that other infrastructure would be affected in some way, say so; this is the time to say it.

Mr. Martin Lavoie: You have to consider that there may be an adjustment in demand. What is important is that product will shift from the markets that currently offer less return to Korea. That's not necessary short-term demand; it's more of a market transfer.

That said, we currently have enormous infrastructure problems. That's one of the main problems—

Ms. Raymonde Folco: Port infrastructure?

Mr. Martin Lavoie: Port and transportation infrastructure. There are certain points. First, there is the instability of collective negotiations in the railway and port fields. The pork industry is a very big user of the Port of Vancouver. That's a big problem.

Canada has always been a reliable supplier as regards product quality, but is it reliable with regard to its infrastructure? That's one of our weaknesses relative to other countries. The availability of refrigerated containers is also a major problem. That problem started with the war in Iraq, but it continues. The trade balance of certain countries, including China, is resulting in a significant container shortage. The companies that we know sell products until November. They spend much of December trying to find containers and infrastructure to fill orders from China and Russia.

Ms. Raymonde Folco: We're talking about containers and carriers. There's a difference between the two.

Mr. Martin Lavoie: Both are used to ship product. This is really a major problem in the pork industry.

Mr. Edouard Asnong: But a free trade agreement with Korea won't aggravate the current situation. The problem exists in any case.

Ms. Raymonde Folco: Yes.

Mr. Martin Lavoie: In the past, we've also asked that products like refrigerated pork—we're not talking about frozen pork here, but rather refrigerated pork, which has a very limited shelf life—be on the list of products essential to the continuation of exports. However, it costs \$40,000 per shipment to send the product to Japan by air, for example. We don't want to break agreements with suppliers, but if only for the margins—

Ms. Raymonde Folco: Pardon me for interrupting you, but I have very little time. That means there should be a provision in some subdivision of the agreement dealing with refrigerated pork, in view of the little time you have from slaughterhouse to table.

•(1650)

Mr. Martin Lavoie: I don't know whether that should necessarily be included in the free trade agreement or managed separately, but, in the case of grain, for example, we're talking about an essential product. We think that the shelf life of frozen pork and beef is the same. It's shorter than that of other products.

Ms. Raymonde Folco: Since we're talking about beef, Mr. Masswohl, I'd like to hear your comments.

[English]

Mr. John Masswohl: When I think about infrastructure and the many things Martin has mentioned that are common in shipping red meat, whether chilled or frozen, around the world, I don't really see them as being issues related to the Canada-Korea free trade agreement or any trade agreement per se. I also don't see them as being issues where government involvement would really be required. They are business issues.

If it were a matter of building a port, rail lines, or roads, I would perhaps see more government involvement. But on making containers available, these seem to be more business issues.

Ms. Raymonde Folco: Let me ask you a question then.

The Chair: Excuse me. I'm sorry, Madame Folco, we're at six minutes.

Monsieur Cardin.

[Translation]

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

Good afternoon, gentlemen. Earlier we talked about the agreement and the fact that the United States hasn't ratified it yet. I imagine you've examined that agreement negotiated by the United States. What is your view, if any, on the United States and the orientation they adopted in those negotiations? Here we're talking about a set of goods negotiated by industry sector. What direction did the U.S. negotiations take? As regards the tariffs charged in the various fields of your industries, what is the trend? Does Korea significantly favour the United States in a number of production sectors?

[English]

Mr. John Masswohl: I have the schedule of the United States-Korea free trade agreement, and for beef cuts—steaks, roasts, and those sorts of things—the 40% tariff will be eliminated in 15 equal annual stages. There will be what they call a trigger volume that starts at 270,000 tonnes the first year and gradually increases to 354,000 tonnes. If the quantity of U.S. beef exceeds that amount, they go back to 40%. On things like stomachs and livers, there's a 15-year phase-out of the 18% tariff without that volume.

I think we need to be careful, because we do participate in these consultations and have all signed confidentiality agreements. We're not at liberty to discuss things in a public forum. But as for the gist of what we're hearing—and I'm sure the Koreans are good, tough negotiators—we're not seeing that same level of access yet for beef or pork. Perhaps I'll let you speak to pork, but on beef, I wonder if

the Koreans are perhaps saving this for one of the last details right at the end. Certainly it's extremely important to us. I want to be very optimistic that this is achievable, but I'm not hearing it yet.

[Translation]

Mr. Serge Cardin: In the other sectors—

[English]

Mr. Martin Lavoie: I can just say quickly, for pork, what they're looking at is

[Translation]

a reduction. The tariff for frozen products is currently 25%. The reduction relative to the U.S. agreement is approximately 3.1% per year over seven years until the tariff is completely eliminated. So we're definitely talking about 3% for each year. We're giving ourselves one year, but if the percentage is subsequently 6%, it will really be very hard to be competitive.

For us, it's not necessarily the figures that are in question. We know we can be competitive in terms of products. What is important is equality with our competitors.

•(1655)

[English]

Mr. Robert J. Keyes: Korean tariffs on U.S. wine are to be eliminated virtually immediately. Our goal is that ours on table wine will be eliminated over three years. But our big one is icewine, and the hope is that they will be eliminated immediately. That's where 96% of our exports are, so we're satisfied with that outcome. We hope to have the gains, then, on the other side, on our definitions and on icewine and GIs. It's equally important for us to see progress on that.

Mr. Dave Hickling: In terms of canola, we often feel like a poor cousin to the United States. They seem to get better tariff treatment in many countries. Our position is very clear here: we want as good as the U.S. got. Under the current situation we wouldn't reach the same level of zero tariff until a much later date than the Americans would.

[Translation]

Mr. Serge Cardin: You're obviously very much aware of many details concerning the free trade agreement between the United States and Korea. However, it hasn't been ratified yet. Is there a major problem on the whole?

Earlier you said that the Koreans were tough negotiators, but, if the agreement isn't yet ratified in the United States, are the losses in a number of other sectors, be it the agriculture, agri-food or even manufacturing sectors... Are the demands, requirements or negotiations of the Koreans...

Pardon me?

[English]

The Chair: We're out of time. Sorry, that's five and a half minutes.

[Translation]

Mr. Serge Cardin: Already?

[English]

The Chair: Yes. Maybe try to keep the questions a little tighter, and we might get some answers out.

We're going to have to move on.

Mr. Cannan.

Mr. Ron Cannan (Kelowna—Lake Country, CPC): Thank you, Mr. Chair. I'll try to be very quick.

Keeping with the metaphor of football that my colleague Mr. Bains alluded to, timing is crucial. Some would say when there's less than a minute left in the game, the underdog could score. That's a reflection of yesterday's results.

Canada needs to really strike this deal. I think the timing is very important. If we can resolve this agreement and sign it before the Americans, we can have a better agreement. It's also, in a lot of ways, the door opener for other Asian markets. I think timing is of the essence. I appreciate all the witnesses' comments, talking about free and fair trade and looking forward to getting this agreement ratified, hopefully sooner rather than later.

Coming from the Okanagan, my colleague Mr. Allison and I, between the two of us, have probably 80% to 90% of the wine industry. We have eight out of the ten top Canadian wineries in B.C. The value-added that we do offer is government.

I know the Governor General was in my riding just a couple of weeks ago, and we had that opportunity. She was in the Okanagan, Similkameen, in Mr. Day's riding, for about three days. I had never been out to see the product in the valley. Canadians are just discovering the incredible resource we have in the wine industry.

Mr. Keyes, I'm concerned about counterfeit products, of course, the icewine. I was with one of the owners of a winery on Saturday night, and he had his pickers out. He's very concerned about trying to get a definition federally.

How do you think we can get our negotiators to resolve this issue within your own industry and ratify the terms?

Mr. Robert J. Keyes: Well, it's one thing to get a definition, something recognized in the trade agreement, but what we really have to do is get something into federal legislation and rules and find the best way to do it, whether it's under the Food and Drugs Act, whether it is comprehensive alcohol legislation, which defines things. We do define other alcoholic beverages quite precisely under the Food and Drugs Act regulations.

We had hoped we were going to be able to achieve national wine standards. That has proved a difficult balancing act for a variety of both government and industry reasons, so it's time to change tack, and that's what we're going to be looking for in the coming months. We've started discussions with colleagues at CFIA and Agriculture Canada as to the best way to accomplish that.

But having something referenced in a trade agreement, as we have done under the Canada-EU wine and spirits agreement and in the labelling agreement under the worldwide trade group, that is a way we can go in the agreement, and that's what we're looking for and would like to see.

Mr. Ron Cannan: We look forward to helping, because HACCP was announced, and that's one step in developing these national standards.

● (1700)

Mr. Robert J. Keyes: Yes, we're moving into phase three of HACCP this summer with a whole bunch of projects with wineries from coast to coast, and that's a demonstration of food safety and quality, which is all very important in this export marketing game we're talking about. The Koreans put it very high on their list.

Mr. Ron Cannan: I have one quick question. With regard to the pork industry, one of the challenges is the Koreans' concern about a scientifically sound growth hormone they've had some problems with in the industry. Is that something you see as a roadblock, or is there some way of getting around that to convince them?

Mr. Martin Lavoie: If we're talking about paylean, that was in China. There's no issue at this point with Korea. It was a very big story in the fall. A lot of U.S. plants, some in Canada also, have been banned. If we're talking about this situation, there are some political motives behind the Chinese decision. They're currently doing a risk assessment of the product, and the insider information I got is that it's going in the right direction.

I'm not aware of a specific issue for pork.

Mr. Ron Cannan: Thank you for the clarification.

I have just one last comment. I know we've heard everyone's overwhelming...when we look at the potential for business growth in Korea from different sectors, is there a consensus? Should we continue to pursue this versus what I'm hearing—if we go to the status quo that's not an option?

Mr. Edouard Asnong: The status quo is not an option.

Mr. John Masswohl: The options are that you move forward or you fall back, and right now the position we're in is that we're falling back versus the United States. We need to get the beef access restored, get the prohibition lifted, and we need to get the same terms of access as the U.S. If we have a 1% higher tariff than the U.S., I'd agree with what Martin said; we'll fall back.

The Chair: Very well. Thank you.

It's five o'clock, but I only have one name on the speakers list, so why don't we conclude with Mr. Maloney.

Mr. John Maloney (Welland, Lib.): Mr. Keyes, wine counterfeiting is a serious problem. Do you feel the judicial system in Korea will back you up, or will that be a non-tariff barrier?

Mr. Robert J. Keyes: I have considerable confidence in the intellectual property regime in Korea through my observations of Korea in a number of guises over the past number of years. I think if a problem should arise in Korea, there will be recourse there. From what our members tell us, and they are putting increasing amounts of product into Korea, they seem to have the confidence that the Korean legal system would come through. You never know until you have to test it, but I think people are confident they're not going to have the kinds of frustrations we're now experiencing in China, for example.

Mr. John Maloney: In the manufacturing sector the great angst, especially in the automotive sector, is non-tariff barriers. Do any of you feel that...certainly with canola probably not, because there is no competing market. Are there any concerns, perhaps even with pork, of non-tariff barriers that may thwart you?

Mr. Martin Lavoie: We had minor issues three or four years ago, but I'd say that in general for pork it's one of the easiest markets we've been dealing with on market access, on SPS, the sanitary and phytosanitary side. But that's just for pork. I understand it might be different in other sectors.

Mr. John Maloney: Mr. Masswohl.

Mr. John Masswohl: I think non-tariff barriers have become a fact of life. We expect they will occur. How do you respond to them? That's why one of the things we have asked for is to have a mechanism in this agreement to deal with these SPS problems when they come up.

I mentioned that the frustration we had with the Koreans was that we just couldn't get our CFIA officials to talk to them. If we have a mechanism that obligates them to work through these issues, that'll be something valuable. It's another reason why the Canada Beef Export Federation has a permanent office and permanent staff in Korea, to help deal with these issues as they come up.

As I say, you're right, it's a fact of life. You go into that with your eyes open and you try to have mechanisms to deal with them.

• (1705)

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

The Chair: Thank you, and I thank all of our members today for some great questions.

Before we close, I wanted to ask Mr. Keyes a question on the same topic. You raised in your submission this spectre of the counterfeit icewine in China. I'm curious. Are they counterfeit labels as well? Are they pretending that it's Canadian icewine?

Mr. Robert J. Keyes: Yes.

The Chair: For goodness' sake. How do they spell it?

Mr. Robert J. Keyes: There are a variety of situations in China, and I'd be glad to discuss them with you and show you some very interesting photographs, complete with the spelling mistakes.

The Chair: Yes.

Mr. Robert J. Keyes: One of our members has spent upwards of \$400,000 in legal fees trying to protect his interests. The

photographs on the bottle: the back shows the Okanagan, we think; the map shows the north shore of Lake Erie; and the front shows a picture of his winery, with his name on it. And he has never put a bottle of his product into China.

Mr. Martin Lavoie: This is also an issue in the pork sector. We see a lot of this: products coming from South America in Canadian boxes, with mistakes on them. We even saw some Maple Leaf beef, although Maple Leaf has no beef processing. I think it's a reality for a lot of sectors in agriculture with the Chinese market.

The Chair: Thank you.

I want to thank all of you again. There were excellent presentations. I'm sorry we didn't have more time with each of the questions. We will try to get our questions a little tighter next time around. Again, thank you very much for appearing and for the information you provided.

We'll take about a two-minute break here while the witnesses are leaving us. We'll resume with debate on the motion of Monsieur Cardin.

• _____ (Pause) _____
•
• (1710)

The Chair: We will resume debate.

The motion as amended thus far I'll read into the record in English. I think it's been circulated to everyone. That is the notice of motion by Mr. Serge Cardin, and it reads:

Given the seriousness of the crisis rocking the forestry and manufacturing sectors,

- that the Committee recommend that the government introduce as soon as possible an improved aid package for the forestry and manufacturing sectors, including trade measures to support these sectors; to consider the recommendations of the Canadian International Trade Tribunal, especially those regarding safeguards;

I thought we deleted that phrase?

Mr. Michael Holden (Committee Researcher): I thought so too.

The Chair: Yes, I think we deleted "especially those regarding safeguards".

It continues:

to bring Canada's trade laws into line with those of the United States and the European Union with respect to anti-dumping measures consistent with WTO guidelines; to carry out open and thorough studies on the impact of all ongoing trade negotiations on the manufacturing sector, and report the adoption of this motion to the House at the earliest opportunity.

Resuming debate, Mr. Bains, or is Mr. Maloney going first?

Mr. John Maloney: Perhaps I can speak to that, Mr. Chair.

I understand there's perhaps a discrepancy in meaning. We would also suggest on the fifth line down, "to bring Canada's trade laws into line with those in the United States", perhaps a friendly amendment saying, "consider bringing Canada's trade laws into line". I understand the French reflects that.

Mme Raymonde Folco: Not exactly. Excuse me, I have a point of order on this.

Mr. John Maloney: Perhaps our researcher could elaborate on that, but I think that would make it more palatable to us: “consider bringing Canada's trade laws into line with those of the United States”. I have a second issue once we get that resolved.

The Chair: Okay, so we notice that the Liberals proposed an amendment to—

Hon. Navdeep Bains: It's not so much an amendment as it is a correction to make sure the French and English—

The Chair: Monsieur Cardin, are you in agreement with that?
[Translation]

Mr. Serge Cardin: I'm not sure how we interpret the meaning of the English and French versions. I would need some clarification, and I would like us to go back to this point. I believe that “considérer” or “tenir compte” are the same in French.

• (1715)

[English]

The Chair: It harmonizes with what it says in French. It's not exactly the same in English.

Madame Folco, you wanted to comment.

[Translation]

Ms. Raymonde Folco: Mr. Chairman, with your permission, I'm going to adopt a grammatical attitude.

[English]

If we look at the French,

[Translation]

it says: “[...] de tenir compte des recommandations du Tribunal [...] en particulier celles concernant la prise [...]” “Harmoniser” should also refer to “tenir compte des recommandations du Tribunal canadien”.

That's correct, Mr. Cardin, I believe. In other words, the recommendations of the Canadian International Trade Tribunal should be considered regarding safeguards, but also regarding bringing Canada's trade laws into line.

Is that your intent?

Mr. Serge Cardin: I thought that was yours.

Ms. Raymonde Folco: No. That's what we would like to change in English. We have to be sure that that's what you also understand in French. The French isn't entirely clear with regard to that.

Mr. Serge Cardin: What I understood in French was that the government should adopt trade measures to support these sectors. It should consider the recommendations of the Canadian International Trade Tribunal, especially those regarding safeguards and those designed to bring Canada's trade laws into line with those of the United States and the European Union with respect to antidumping measures.

Ms. Raymonde Folco: This is simply a question of language, not at all a question of content. I propose that we go back to Mr. Cardin's suggestion. We could say: “especially those regarding safeguards and those designed to bring Canada's trade laws,” etc.

Mr. Serge Cardin: There was the word “regarding”.

Ms. Raymonde Folco: So that would be the exact translation of Mr. Maloney's suggestion: “[...] bring Canada's trade laws [...]” I'm merely proposing a French translation of Mr. Maloney's recommendation.

[English]

The Chair: I think that's much clearer.

I did want to say, though, that at the last meeting we had a friendly amendment that did in fact omit the words in English “especially those regarding safeguards”. That was taken out. So if that makes your life a little easier, we could also take out “the measures of safeguard” in the previous one.

We're discussing two things here at once. We had already dealt with the one last week, but it wasn't taken out of this draft. So then simply following up on Mr. Maloney's suggestion, it would now read from the third line: “to consider recommendations of the Canadian International Trade Tribunal to consider bringing Canada's trade laws into line with those in the United States and the European Union”.

I think in any event, if that's all it is, we can do that in the final motion. It's just to harmonize it with the French version. There's not a question of a change in attitude here; it's just a translation. Is that correct?

[Translation]

Mr. Serge Cardin: I entirely agree with Ms. Folco's suggestion referring to those designed to bring Canada's trade laws into line. That's what we agree on.

Ms. Raymonde Folco: Bringing the laws into line.

[English]

The Chair: Okay, so then we have an amendment.

I think we've gotten through the point then, and we have a friendly amendment. There's really no dramatic change in the wording in English; it's just to make clearer the intention as it was expressed in French.

Do you have more, Mr. Maloney?

• (1720)

Mr. John Maloney: Mr. Chair, I have a second point.

I have concerns about the last part of the motion: “and report the adoption of this motion to the House at the earliest opportunity”. As was pointed out in the last meeting, there are three other similar motions before other committees. If we report this back, there are three hours of debate for us times three hours of debate for the other three committees too. I think that's a little bit abusive of Parliament, and I would like to see that deleted. Certainly this whole topic is of concern, and we could probably have hearings on each of these points ourselves before we would perhaps make a formal, detailed recommendation to Parliament, at which time it would be prudent if we did that type of study on all those areas of concern.

The Chair: Thank you, Mr. Maloney.

As is our practice, I will first ask the mover of the amendment, Mr. Cardin, if he would accept that as a friendly amendment, to delete the words following “sector”: “and report the adoption of this motion...at the earliest opportunity”.

Are you prepared to consider that a friendly amendment and delete it?

[Translation]

Mr. Serge Cardin: Mr. Chairman, I would nevertheless like to speak to the argument and the rationale, because Mr. Maloney, with all due respect—

[English]

The Chair: Mr. Cardin, you can answer yes or no. If you answer yes, the debate is over. If you answer no and you won't accept it as a friendly amendment, then we'll have to ask Mr. Maloney to move it, and then we can have debate and hear your reasons. I'm simply asking if you're prepared to accept it as a friendly amendment. Yes or no?

[Translation]

Mr. Serge Cardin: No.

[English]

The Chair: Fine. Then I would ask Mr. Maloney if he would care to move it as a motion so Mr. Cardin—

Mr. John Maloney: Yes, Mr. Chair, I move that we delete the last portion of the motion, starting in the second last line, as follows: “and report the adoption of this motion to the House at the earliest opportunity.”

The Chair: Then we have an amendment proposed by Mr. Maloney, and we'll begin debate.

Monsieur Cardin.

[Translation]

Mr. Serge Cardin: Mr. Chairman, as I said earlier, with all due respect for Mr. Maloney, he informed us earlier that other motions of this kind had been introduced in other committees.

I would like to point out that the aspects we are discussing are the responsibility of the Standing Committee on International Trade. We are talking about the Canadian International Trade Tribunal, about safeguards, about bringing Canada's trade laws into line with those of the United States regarding antidumping rules. That falls under international trade.

The introduction states, and I quote: “[...] recommend that the government introduce as soon as possible an improved aid package for the forestry and manufacturing sectors [...]” That introduction may be repeated in a number of motions introduced in other committees, but the remainder, the substance that follows this statement concerns us directly. We can't ask the other committees, which will be studying other aspects that concern them, to do the work for which we are responsible.

So I believe that all the aspects here should be considered by all parliamentarians not sitting on the Standing Committee on International Trade. Once again, with all due respect for

Mr. Maloney and cognizant of his great wisdom, I ask him to reconsider his amendment.

[English]

The Chair: We're debating an amendment at this point. You've made your case and others will make theirs.

Mr. Julian.

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

I'd like to also urge Mr. Maloney to withdraw his amendment. Marleau and Montpetit says very clearly that committees have the right and the responsibility to report to the House. This issue is one of pressing importance. We're talking about 200 lost jobs each and every day. If this issue isn't one that the committee would choose to report to the House, I can't imagine one that would be. Every single day, there are 200 lost jobs in the forestry manufacturing industries. Essentially, we're talking about 1,000 jobs every five days. Since we started talking about this last Wednesday, the breadwinner in 1,000 more Canadian families has lost a job. So there is a crisis. There's no doubt.

For Parliament to have potentially one three-hour debate on trade issues linked to the loss of 200 manufacturing and forestry jobs a day is not excessive at all. In fact, it's normal.

I would like to come back, Mr. Chair, to this point that the Conservatives have been making, that they do not believe committees should be reporting to the House, except when they tend to agree with the issue that's being discussed. This is something that this trade committee has done on a regular basis. It's important. It has an impact on Canadians' lives and Canadian jobs. To potentially have a three-hour debate provoked from a motion that seems to have agreement from all four corners of the committee chamber here, all four parties involved, I think would be a real mistake.

I'd like to urge the mover of the amendment to withdraw the amendment as well, because it simply takes away that opportunity to have in Parliament a debate that desperately needs to be held, and that the official opposition and the Bloc and the NDP have been unable to obtain from the government by any other means.

● (1725)

The Chair: Mr. Miller.

Mr. Larry Miller: I move that we call the question, please.

The Chair: We've had that consideration. There is no moving of questions. If there are no further speakers, I will call the motion.

Mr. Peter Julian: On a point of order, Mr. Chair, I believe there are still names on the speakers list.

The Chair: No, there are not.

Mr. Peter Julian: I know that I'm on the speakers list.

The Chair: You just spoke.

Mr. Peter Julian: Then you spoke, and then it comes back to the opposition.

The Chair: Well, I'm sorry, I've looked over the list. There were no names on the list. I have repeatedly said that I am dealing strictly with the clerk. The clerk keeps the list. I looked over it, and there are no names on the list.

We have called the question. Those in favour of the amendment—that is, to delete and report the adoption of the motion to the House at the earliest opportunity—please raise their hand.

(Amendment agreed to)

The Chair: We'll resume debate on the main motion.

Mr. Cannan.

Mr. Ron Cannan: So we have an amended motion. I'd like to make one small amendment to that amended motion to reflect our obligations on an international basis. After the line that says “support these sectors”, I'd like to add “while remaining consistent to our international obligations”.

The Chair: Okay, “while remaining consistent with our international obligations”.

Mr. Ron Cannan: Or “to our international obligations”.

The Chair: “Consistent with our international obligations” is grammatically correct.

Do people understand the question? It is:

That the Committee recommend that the government introduce, as soon as possible, an improved aid package for the forestry and manufacturing sectors, including trade measures to support these sectors, while remaining consistent with our international commitments

So I take it that would mean with current trade agreements.

Mr. Ron Cannan: That's correct.

Thank you, Mr. Chair.

The Chair: The motion reads:

That the Committee recommend that the government introduce, as soon as possible, an improved aid package for the forestry and manufacturing sectors, including trade measures to support these sectors, while remaining consistent with our international commitments, to consider recommendations of the Canadian

and so on.

Mr. Larry Miller: Mr. Chairman, I have a question on a point of order, just so we don't tie ourselves in a knot here.

Under the procedural rules, I just want to be clear. Was Mr. Cannan's proposed amendment accepted as a friendly amendment?

The Chair: No, he didn't ask that it be. He just moved an amendment and I have put the motion.

Mr. Larry Miller: So we are now voting on that amendment, then?

The Chair: Yes.

Mr. Larry Miller: Okay. I thought you were voting on the question. My mistake.

The Chair: No, I'm voting on Mr. Cannan's amendment.

Is there no debate? Excuse me.

• (1730)

Mr. Larry Miller: He asked the question and you said no.

The Chair: I asked if there was any debate. There was no response. I've asked twice. I looked around. I looked at the list. There are no names on the list. I called the question.

Did you have something to say, Monsieur Cardin?

[Translation]

Mr. Serge Cardin: We didn't even hear his amendment.

[English]

The Chair: I beg your pardon? I'm sorry—

[Translation]

Mr. Guy André: Mr. Chairman, I think you could repeat the amendment. The clerk could reread the amendment.

[English]

The Chair: I will, and I'm quite pleased to. For the third time, then, I will repeat the amendment as suggested by Mr. Cannan.

Mr. Cannan is asking to include, after the word “sectors” in the third line. It now reads:

That the Committee recommend that the government introduce, as soon as possible, an improved aid package for the forestry and manufacturing sectors, including trade measures to support these sectors

The amendment reads, “while remaining consistent with our international commitments”. That's the amendment, and the rest of the motion will carry on as it was.

(Amendment agreed to)

The Chair: Resuming debate, is there any further debate on the main motion? I'll ask again, is there any further debate on the main motion?

Mr. Ron Cannan: I have just one question, Mr. Chair. I would ask Mr. Julian if he could table his information. I'm very interested in where you got the statistics for the number of jobs that have been lost since last Wednesday. If we could get that, it would be appreciated, and I would like to read it.

Mr. Peter Julian: Mr. Chair, I'm pleased to respond. It's already been tabled in the House, so all the member has to do is consult the *Hansard* and all that information is there.

The Chair: Excuse me. We are debating a motion here. I am about to call the motion. Did you have further debate on the motion?

Ms. Folco.

Ms. Raymonde Folco: I have a point of order, Mr. Chair. It seems to me that not everybody understands what the main motion is now, and I wonder whether you would read the main motion once more.

The Chair: Thank you. That's a fair comment, and I'm pleased to.

We're about to vote, then, on the main motion. I will read a notice of motion by Monsieur Cardin. The preamble is:

Given the seriousness of the crisis rocking the forestry and manufacturing sectors

and the motion is:

That the Committee recommend that the government introduce, as soon as possible, an improved aid package for the forestry and manufacturing sectors, including trade measures to support these sectors, while remaining consistent with our international commitments, to consider the recommendations of the Canadian International Trade Tribunal, to consider bringing Canada's trade laws into line with those of the United States and the European Union with respect to anti-dumping measures consistent with WTO guidelines and to carry out open and thorough studies on the impact of all ongoing trade negotiations on the manufacturing sector.

(Motion agreed to)

The meeting is adjourned.

The Chair: I thank you for your time.

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