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—
Chair

Mr. Lee Richardson

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• (1535)

[English]

The Chair (Mr. Lee Richardson (Calgary Centre, CPC)): Welcome.

We will begin meeting number 13 today of our Standing Committee on International Trade for this session. Our topic, of course, is the free trade agreement.

Today, as I say, we're continuing our discussion of the proposed Canada-Korea free trade agreement. We're welcoming witnesses from the *Fédération des travailleurs et travailleuses du Québec*, the Fisheries Council of Canada, the Shipyard General Workers' Federation, and Bombardier Inc. I don't think we have any other business today.

We have a bit of a logistics problem with the second motion; Mr. Julian is not here. He will be coming. We'll just tell him we dealt with it. We will deal with that later; I'm going to get to our witnesses who have been patiently waiting.

I'll ask each of you to present a brief opening statement. At the conclusion of your statements, we will proceed to questions, beginning with the Liberals, with seven minutes for questions and answers. We'll try to keep the questions tight so that you can have lots of time to answer within the seven minutes allotted.

We'll begin today with the top of the order: Monsieur Pierre Laliberté from the *Fédération des travailleurs et travailleuses du Québec*.

Please go ahead, Monsieur Laliberté.

[Translation]

Mr. Pierre Laliberté (Political Advisor, Manufacturing Sector, Fédération des travailleurs et travailleuses du Québec): Good afternoon. My name is Pierre Laliberté and I represent the Fédération des travailleurs et travailleuses du Québec. We thank you for giving us this opportunity to express our views.

As you undoubtedly know, we represent 550,000 workers in Quebec in nearly all fields, be it the manufacturing sector and in private and public service.

I must tell you quite frankly that generally speaking, we are disappointed in the approach that the current government has taken once again to the whole issue of free trade agreements. As we have often had occasion to say in the past, we are not against free trade or the expansion of trade from a philosophical standpoint, but we feel that it is a matter of how these things are done. We feel that in the past 20 years—and we can talk about a record that goes back to the

signature of the free trade agreement with the Americans—the Canadian government has tended to replace industrial policy with trade policy. The government's approach is to allow our champions in the industry to do what they need to do and consider that its own responsibility is mainly to open doors through trade agreements.

We have a different viewpoint. Indeed, we have observed on the one hand that in the real world, each country tries to come up with champions and structuring policies which we do not tend to do as much here in Canada in many ways. Moreover, what is important to us is to determine whether this leads to greater prosperity for the people we represent and more generally for our workers. We have noted that for the past 25 years—and this does not apply only to Canada but just about everywhere, especially in OECD countries—treaties and accords signed in the framework of freer trade generate economic activity, but it does not necessarily translate into an improvement in the standard of living of workers. This leads us to question this agenda.

Moreover, the decision to undertake negotiations with Korea seems to us somewhat arbitrary. Our government seems to want to follow the decision of the American administration. We do not want to be left behind, so we do the same thing they do. We see that the Americans are also seriously questioning whether this accord is a good idea. We share that hesitation.

As we have already mentioned, we think that it would be better for Canada to act in the framework of multilateral negotiations. In that context, it is in a better position to influence the agenda which, needless to say, goes beyond a bilateral framework, and to obtain some degree of influence that transcends its economic power. We are quite disappointed to see that efforts are made to sign bilateral agreements, given there is a program underway at the WTO and that under that program, we could perhaps promote our assets far better. We think that in the long term, things should be done under that framework. This is the only way we will manage to ensure that our main economic partner, that is the United States, will respect rules that are quite clear.

We obviously object in principle to the fact that no one is taking into account more explicitly the whole issue of protecting workers' rights. You will no doubt hear that comment from other labour confederations or unions.

•(1540)

For us of course, the goal of trade promotion is first and foremost to ensure that people who work in industry here or abroad do better. The fact that these considerations are not taken into account more explicitly is, in our opinion, a sort of technical flaw. In fact—and here I will put things more bluntly—we hear a lot of those speeches about Kyoto, about the need to bring about change and to restructure our economy in order to address the problems of the environment and sustainable development. And yet, the negotiations that always seem to attract the most attention in the framework of trade agreements do not take these issues into consideration. That concern is non-existent because no one cares about goods and services are produced: we only care about the goods and services themselves. Whether an item was produced in conditions of extreme pollution at the border as no significance for Canada. In the 21st century, we think that these considerations should be far more present.

I'm slowly coming to my conclusion. We also think that the current context is not particularly favourable to the signing of this kind of agreement with South Korea. We are obviously talking about the situation of the manufacturing sector. The auto sector, for its part, would be more affected by this agreement. It's not going particularly well, and if the forecast for recession in the United States comes to pass, it won't go any better. Given these conditions, we see in this agreement far more dangers than promises. Especially since the problem with regard to Korea—and I imagine that you will hear more about this—is not so much the customs tariffs as is the non-tariff barriers. That's always more delicate. As we can see in the case of the Americans, there is a certain degree of arbitrariness. Sometimes conflicts are based on interpretation of a public health or public safety issue, for example.

That said, I recommend that you look at all this with as critical an eye as possible, even if it means putting this agreement on ice until we have a clearer idea of the impact it could have. Let me point out that studies published to date are not particularly significant nor are they as solid as they could have been. At least, that is our opinion. I think that when hearing witnesses discuss the situation in their sector, you will probably be in a better position to assess whether or not it would be a good idea to move forward on this.

Thank you very much.

•(1545)

[English]

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

We'll proceed to Patrick McGuinness, president of the Fisheries Council of Canada.

Mr. McGuinness.

Mr. Patrick McGuinness (President, Fisheries Council of Canada): Thank you very much.

I thought I would start off by giving a brief description of the Fisheries Council of Canada. We're primarily a processors and exporters association, but at the same time we do represent harvesting fleets. We have pretty well all the harvesting vessels in British Columbia. In Atlantic Canada, the deep-sea shrimp vessels,

the scallop vessels, and the groundfish vessels are members of the Fisheries Council of Canada.

We started off as a federation, and we're now a bit of a hybrid between the federations, being members of the Fisheries Council of Canada and direct member companies. Basically, if there's a provincial processing association, the companies are members of the Fisheries Council of Canada through it. So we have members in British Columbia, Ontario—and I should say in Ontario the Fish and Seafood Association of Ontario is made up primarily of importers and distributors—Quebec, Nova Scotia, New Brunswick, P.E.I., Newfoundland and Labrador.

Canada is developing its northern fisheries with respect to the Inuit areas, so we also have representations from Nunavut, Nunavik in northern Quebec, and a new territory in Labrador, Nunatsiavut.

In summary, we represent the vast majority of fish and seafood production and exportation in Canada.

I'll make just a short comment on the fishing industry of Canada. We are a \$4.7 billion industry. We have 100,000 workers. About 53,000 are on the sea as harvesters. There are 47,000 working in processing plants throughout Canada. There are 23,000 fishing vessels on our waters, and 950 fish processing plants.

We are a \$4.7 billion industry, and we export \$4 billion. We are an export industry, as 85% of our production is exported. What we have out there are four what we would call traditional markets. To the United States, we export \$2.6 billion. That's 50% of what we produce in Canada.

The Canadian market is also important. We supply about \$1 billion into the Canadian market, and that represents about 15% of our production. As well, we export to the European Union \$470 million or 10%; and to Japan \$340 million or 7%. Those have been our long-standing traditional markets, which have been with us for many years. We export to a lot of countries, but we do see three emerging and significant markets. One is China, including Hong Kong, to which we export \$380 million. The second is South Korea, at \$47 million. The third is Russia, at \$44 million. So we have traditional markets, including Canada, capturing about 87% of what we produce. But we see three significant emerging markets for us, notwithstanding the fact that we export to many, many more countries.

I should note that with respect to Russia, I identified them at \$44 million, just below South Korea, but there is no question that in 2007-2008 they will be, for Canada, a \$75 million to \$100 million market.

I just want to make some comments. Internationally, fish and seafood is the most highly traded commodity in the world. In terms of world commerce, it exceeds oil and gas and grains and so forth.

The other comment I want to make is that in the food sector, fish is considered to be a high-cost protein. So in targeting our efforts, what we look for are economies, countries, or cities that have a middle class with disposable income that can afford the type of relatively high-cost protein, compared to chicken and other products.

•(1550)

As I said, 50% of what we produce is exported to the United States. As you know, in the last four or five years the American dollar has weakened quite substantially. Our strategy is to diversify, obviously out of the United States, but also into countries whose currencies are not pegged to the U.S. dollar.

So you can appreciate that one of the reasons I say Russia is increasing this year is that we're also having some difficulties in China, because the Chinese currency is pegged to the United States dollar.

We see Korea as an opportunity, for a number of reasons. One, of course, is that it is an expanding economy. There is significant development of the food service sector, restaurants and things of that nature, which is providing lobsters to its population.

Also, its fishing industry is changing. In 2005 South Korea, for the first time ever, imported more fish products than it exported. To a certain extent that reflects the fact that the rather significant long-distance fishing fleet of Korea would not fish in Korean waters but on the high seas, including off Canada's east coast. That type of fishing has become less viable, for a number of reasons: one, stocks on the high seas are declining; and two, we see more and more of these regional fisheries organizations such as we have off Canada's east coast, NAFO, being established on the high seas, so that means more regulations and so forth.

A big issue as to why the Korean fleet cannot supply their market as they have in the past is that with the amazing increase in fuel prices, long-distance fishing is becoming very uneconomic. In fact, as I mentioned, we have a regional fisheries organization off Canada's east coast called NAFO, which manages the straddling stocks and some discrete stocks. Korea is a member of that, but its vessels have not been in those waters for two or three years solely because of the economics.

Also, I think there's a recognition that there are emerging Chinese and Russian fleets that are moving quite significantly into long-distance fishing. I think countries such as Korea are no longer really wanting to invest in that.

With respect to Korea—as I said, \$47 million of exports—the main item is lobster, about \$15 million, which currently has a 20% duty. With respect to shrimp, Canada is the largest producer of cold-water shrimp in the world now, and it has been a real challenge to find markets for that product. Korea has stepped up, and we have \$6 million into Korea—over 27% duty. Having had significant reduction in the cod and groundfish fishery, the fishermen in Newfoundland and Labrador put in private investment and restructured from a groundfish fishery to a crab and shrimp fishery. So this is pretty important that we are able to find markets for that type of product, and it's pretty important for coastal communities, particularly Newfoundland and Labrador, but also Quebec and New Brunswick.

With eels, that's \$3 million—over a 10% tariff; clams are \$3 million, again, over 10%; redfish/ocean perch are \$2 million at 10%; and mackerel, about \$2 million at 10%.

I should say that of those six or seven products, three of them—eels, redfish/ocean perch, mackerel—don't have that much of a market opportunity because of their distinct taste. It's a developed taste. So that Korean market is a little more important for those types of products than for others.

•(1555)

What we're looking for, as I say, one of the three top significant emerging new markets for Canada in fish and seafood... We're paying tariffs anywhere from 10% to 27%. If we can get duty-free access, we see not only an expansion of that trade but a needed diversification of our export profile, and I hope with reduction of tariffs we can see better margins and try to see some improved financial performance in this industry.

I shouldn't leave without talking about imports. We export \$47 million to Korea. We import \$9 million, and the \$9 million is miscellaneous fish. About \$2 million comes in duty-free already. Oysters, about \$1 million, there's a 2% type of duty, with \$800,000 free.

As you can appreciate, in fish and seafood Canada has always been an export nation, and our market is a duty-free market except for a few selected items.

In conclusion, the Fisheries Council of Canada fully supports the Canada-Korea free trade agreement, and this is not just following the U.S. lead. From our perspective, if we get free trade in fish and seafood, it puts us on a level playing field with some already important fish exporters in the world, namely Chile and also the FTA countries. In the FTA countries, our major competitors in the European market are Norway and Iceland. They're there already with their free trade, and we hope Canada will be there fairly soon with our free trade.

As you know, other countries are lining up. The European Union is lining up. Of course a major exporter of fish and seafood around the world is Denmark, and of course, as my friend here said, the U.S. A.

So there you are. Thank you very much for your attention.

•(1600)

The Chair: Thank you, Mr. McGuinness.

We'll now hear from the Shipyard General Workers' Federation. George MacPherson is the President.

Mr. MacPherson.

Mr. George MacPherson (President, Shipyard General Workers' Federation): Thank you, Mr. Chairman.

I appear before you today to represent the approximately 2,000 skilled workers of the Shipyard General Workers' Federation of B. C., who work in the shipyards, marine manufacturing and supply industries, and metal fabrication shops in British Columbia's coastal communities. Except for a few medium-sized shipyards, the majority of marine and metal manufacturing plants in B.C. are small operations supplying capital goods to the local market.

I am here to echo what many representatives from the transportation and metal manufacturing industries have said before me, and that is to state that we are strongly opposed to yet another free trade agreement that seriously threatens to undermine the viability of our manufacturing industries in our province and country.

First I would like to say that we very much appreciate the undertaking of your committee to conduct extensive hearings on the implications of the free trade agreement currently being negotiated between the governments of Canada and South Korea. We appreciate the opportunity to make this presentation.

One of the objections we have to the Canada-Korea negotiations is the complete absence of any prior consultation with our industry representatives before the formulation of Canada's trade agreement proposals. We also object to these negotiations proceeding before there has been a full impact assessment—with participation by labour unions and civil society groups—of the economic and social impact of the standard FTA model on workers in both Canada and Korea.

One would be led to believe, from only reading the documents concerning the FTA negotiations on the government's website, that nothing but positive results are possible from such an agreement. But we all know from our experience with the NAFTA and subsequent FTAs that this is just not the reality. There are all kinds of serious negative consequences, especially for Canada's struggling manufacturing industries and our workers and communities.

Our marine and metal fabricating industries in B.C. have already been seriously undermined by NAFTA, and more recently Canada's FTA with the European free trade area countries, through elimination of the 25% tariff on ships imported from the United States, Mexico, Norway, and Iceland. Both Norway and Iceland are among the world's leaders in ship construction. United States shipyards have traditionally had the significant unfair advantage of Jones Act protection and, in recent years, a heavily subsidized naval reconstruction program. In addition, we have suffered the serious loss to a German shipyard of four B.C. Ferry Corporation contracts to build large new ferries, car and passenger ferries, for B.C. coastal waters.

By now choosing to enter into a similar FTA with South Korea, the Government of Canada will drive another stake into the heart of a viable Canadian shipbuilding and marine manufacturing industry. But this stake, in comparison to others in the recent past, has all the signs of being the fatal one.

Korea has by far the largest and most price-competitive shipbuilding industry in the world. Korean shipyards now build over 40% of all new ships delivered in the world, and Korea has six of the ten largest shipyards. But this strength and competitiveness was not built on the rules of free and open market competition, either domestically or internationally. It was built during several post-war decades of an unholy alliance between an authoritarian nationalist government and a few very wealthy families granted monopoly power to create large industrial conglomerates with significant government aid and assistance. As a result, successive Korean governments have contributed in many ways to help Hyundai Heavy Industries, Samsung Heavy Industries, and Daewoo Shipbuilding

and Marine Engineering—the top three shipbuilders in the world—consistently dominate the global shipbuilding market for well over a decade.

In addition, the Korean shipbuilding industry is notorious throughout the world for pricing their ships at below the cost of production in order to gain market dominance. This is achieved through a number of government support measures. In 2002 the European Commission decided to challenge South Korea's below-cost ship-selling practices before the World Trade Organization. As a result, the WTO found in 2005 that the Export-Import Bank of Korea loan guarantees to Korean shipyards constituted prohibited export subsidies.

Projecting into the future, it is evident that the Korean shipbuilding industry will be forced to be even more price-competitive as its dominance in global shipbuilding is increasingly threatened by Chinese shipyards. For example, in 1999 the Chinese government embarked upon a long-term strategy of overtaking Asian shipbuilders South Korea and Japan by 2015, and in 2004 began building the world's biggest single shipyard at the mouth of the Yangtze River, north of Shanghai. And this is just one of several large government and private sector partnerships there to build massive shipbuilding capacity.

For our sector the issue is not about forcing the Canadian shipbuilding industry to be more competitive so as to be able to compete in the export market for new or rebuilt ships. Canada has never been a significant exporter of ships, and never will be. Without the current 25% tariff on imported ships, Canadian shipyards will never be able to compete with Korean, Japanese, and Chinese shipyards for the supply of vessels to the Canadian maritime industry.

•(1605)

So for us the issues are about sustaining a viable heavy manufacturing industry in this country to supply just the domestic market, and protecting it from destructive forces of competition from subsidized major exporters of marine transportation equipment, especially South Korea. If our government does not do that in these FTA negotiations, our industry will be all but dead in a matter of just a few years.

The Canadian shipbuilding industry is already operating at about one-third of its capacity. Canadian demand for ships over the next 15 years is estimated to be worth \$9 billion in Canadian jobs. Under the FTAs with Norway, Iceland, and now planned with Korea and then Japan, these Canadian shipbuilding jobs are in serious jeopardy. In these terms, this government's plan is sheer folly and an outrage.

As stated by the president of the Shipbuilding Association of Canada, it is impossible to envisage anything positive for the Canadian shipbuilding sector in a Canada-Korea FTA unless significant changes are made to Canadian government shipbuilding policies, both federal and provincial.

Without tariff protection, Canadian-built government procurement policies, a comprehensive industrial strategy, and other domestic industry supports, FTAs with Norway, Iceland, Korea, and Japan will totally undermine the cooperative efforts of all Canadian shipbuilding participants over the past two and a half decades to bring the Government of Canada to the point of implementing a comprehensive strategy and viable long-term plan for the sector.

For over two and a half decades, all parties in the industry have been calling on the Government of Canada and demonstrating the need, through numerous studies and submissions, to develop a strategy for the development of a viable, modern industry available to meet future Canadian requirements. Finally, in June 2001, then Minister of Industry Brian Tobin gave his reply to a March 2001 report of the industry-labour shipbuilding national partnership project committee, which had appealed to the minister to take practical and feasible steps to assist in revitalization of the shipbuilding and marine fabrication industry across Canada.

In his reply to the national partnership committee report Minister Tobin acknowledged that

Canada's shipbuilders systematically encountered competition from production subsidies, generous financing, market protection, state ownership and, in Canada's large potential market, the United States, the Jones Act that excludes them from large parts of the commercial market.

Among the 36 recommendations made by the national partnership project committee, one addressed the hidden subsidy to vessel purchasers from shipyards in South Korea and China through the mechanism of very low wages and intolerable working conditions imposed on their workers. Minister Tobin acknowledged:

In some countries, the workers themselves are subsidizing their industry by working for low wages under conditions that would not be tolerated in Canada. By deliberately suppressing labour and social rights, some foreign shipbuilders are effectively filling their order books at the expense of their workers. In light of this reality, the National Partnership Project Committee believes that an international social clause governing labour standards in the shipbuilding industry should be developed and promoted by the Canadian government.

In his June 2001 announcement of a new policy framework for the Canadian shipbuilding and industrial marine industry, Minister Tobin stated that the Canadian industry is recognized as an important contributor to national and local economies, and that a viable, competitive domestic ship maintenance and repair capacity is important to Canadian operational needs. However, since that announcement each succeeding government has stepped further back from Minister Tobin's modest commitments to the industry. Therefore, the opening of free trade negotiations with the world's largest and most notoriously anti-competitive shipbuilding nation, without so much as prior consultation and input from Canada's shipbuilding industry, is nothing short of a final act of betrayal.

Canada has coasts that face three oceans. It has the longest coastline in the world and a maritime responsibility extending over an ocean greater than its land mass. The St. Lawrence Seaway transportation route is longer than the Atlantic Ocean is wide. Yet we have a maritime transportation manufacturing industry that has been floundering for over 30 years because of the failure of the government to recognize and act in the interest of this vital and strategic sector.

The governments of all the great shipbuilding countries of the world, including U.S., Norway, Iceland, Japan, Korea, and more

recently China, have long recognized the strategic importance of domestic shipbuilding and built up their industries through all manner of procurement policies, subsidies, tax relief, loan guarantees, infrastructure development, and tariff protection. Canada is the only large maritime nation to not have a plan and development strategy for the industry for the past 50 years. To have to confront the Korean shipbuilding industry under a standard FTA under these circumstances will result in disaster for our industry.

● (1610)

For all the above reasons, we call upon the government to cease FTA negotiations with Korea until the following have been done.

One, all manufacturing industry parties have been consulted on the trade agreement model best suited for entering into an FTA with Korea.

Two, a social clause governing labour standards in metal fabricating manufacturing, especially shipbuilding, is incorporated to prevent competition from undercutting domestic industry on the basis of labour costs, suppression of labour and social rights, and non-adherence to international labour organization conventions.

Three, comprehensive economic and social impact assessments have been conducted under alternative FTA models, with participation by labour unions and civil society groups in both Canada and Korea.

Four, a comprehensive industrial strategy has been developed by the government for the Canadian transportation manufacturing industry, and has as its primary objective the long-term stability and viability of a shipbuilding and marine fabrication industry on the east and west coasts.

Thank you.

The Chair: Thank you, Mr. MacPherson.

Our final presenter this afternoon is George Haynal, from Bombardier.

Mr. Haynal.

Mr. George Haynal (Vice-President, Government Relations, Bombardier Inc.): Thank you, Mr. Chairman.

[*Translation*]

Thank you very much for having given me an opportunity to present our viewpoint on this rather important and thorny issue.

[*English*]

I'll be reasonably brief, and I look forward to a wide-ranging conversation.

As a quick introduction to Bombardier, we make planes and trains. We have 55,000 employees around the world. Thirty-four percent of those employees are in Canada, although 95% of our sales are outside of this country. Our workforce here is 19,000, including roughly 16,000 in the aerospace field and about 2,500 in the rail transportation field. We have six manufacturing plants across Canada and roughly 500 suppliers in this country.

Bombardier Aerospace is the third-largest manufacturer of civil aircraft in the world. Our competitors are Boeing, Airbus, and Embraer. It's a small playing field with some very large bodies on it.

Bombardier is the only manufacturer that creates regional aircraft that are both turboprop and jet-driven. There are over 22,000 Bombardier regional aircraft flying around the world. We also produce business aircraft and there are roughly 3,400 Bombardier business jets flying around the world. Bombardier is the largest manufacturer, by value, of business jets in the world. This is just to give you a little perspective on that side of the company.

Most Canadians would know less about Bombardier Transportation than about aerospace because most of its activities are based in Europe, although we have two very important plants in Canada. It is present in more than 60 countries around the world. It has 42 production facilities in 21 countries, including in Canada. There are roughly 100,000 Bombardier-manufactured rail vehicles now in service around the world.

We are a reasonably global company and very proudly Canadian, but operating under all sorts of different conditions in many markets. Those markets include the Republic of Korea, which is a great economy with a GNP per capita that is roughly half that of Canada. It is a very advanced and sophisticated economy that is well organized and efficient. It is home to many formidable competitors in global businesses, including our own.

Nonetheless, Bombardier has been successful in penetrating the Korean market, thanks really to the fact that we had unique technology. The automated People Mover that is built in Thunder Bay, by the way, was our first breakthrough in Korea. We sold a system to the city of Yongin, which is essentially a suburb of Seoul, and we are part of a consortium of companies that are in the process of completing a very large project in that municipality. We also have prospects for selling rail vehicles and systems in this technology to Incheon, which is a major port city.

We are there; we are involved, and so far we have been successful. There are inhibitions to being successful in that market, and also in competing with Korean competitors, who, as I said, are formidable in this field.

Perhaps I'll spend a moment on the issues that concern us. These are all issues that should and would, in the normal course of events, be addressed in a free trade agreement. If anything, a free trade agreement—given the current situation in the world with the absence of progress on the WTO—is important. Although it would be extremely important to shape the world in the image that we would like it to be—one of free trade and level playing fields—unfortunately, the world does not yet heed Canada as much as it should. In the meantime, as we shape the new order, we have to live with what is in place.

At the moment, what is in place still calls for a special effort in bilateral trade negotiations, particularly with Korea. As you know, Korea has in fact concluded a free trade agreement with our central trading partner, the United States, and hence is perhaps in a less accommodating mood to grant us what we need. Nonetheless, the effort has to be made and it has to be pushed with intent.

I would mention three preoccupations we have in the rail sector. They may not seem enormous, but together they are a significant illustration of the fact that we are facing—in the case of Korea, as in many others—an imperfect market situation.

• (1615)

The issues relating to local content in public procurement are unclear in Korea, as they are in many jurisdictions. I think, to make this conversation brief, it is up to local authorities to impose whatever level of local content Korean manufacturing they wish. I should note parenthetically that this is the case, or that there are even more severe local content requirements, as part of the policy framework for the procurement of public transit and other infrastructure in most markets in the world, including the United States where there's a demand for 60% local content and a demand for a complete final assembly.

Canada is an exception in this field. The absence of a level playing field is an interesting one to note in this context, particularly because in another dimension of an unlevel playing field, Korea, as you know, Mr. Chairman, still qualifies under the general system of preferences for duty-free entry of manufactured products, including rail vehicles, into this country, whereas we face a tariff structure of roughly in excess of 8% for sales into Korea.

So, if I may put it that way, there is a levelling of the playing field that may be useful and can only be pursued through bilateral negotiations. There are other non-tariff barriers, as these all are, that were referred to earlier. The issue of certification, for instance, is an interesting one whereby we are required to certify vehicles that have been certified in other major jurisdictions all over again when we sell them into Korea. This is extremely expensive and difficult. It's not life-threatening, but it is a barrier. Issues related to intellectual property protection, though the system in place in Korea is of a high standard, also always pose a problem and a challenge.

I should stop there, though I will just mention that we are also successful in selling aircraft into Korea. Bombardier regional aircraft are flying in that country without let or hindrance, although the tariff could be improved to allow us a better opportunity in that market.

To summarize our position and our view on this question of whether Canada should have more intense and better regulated trade relations with Korea, our answer is yes. Not only is it yes, it's important. Not only is it important, it is a matter of some urgency, given the state of the international trading system today.

Thank you, Mr. Chair.

• (1620)

The Chair: Thank you, Mr. Haynal.

We will move now to our questioning. As is our usual procedure, we will, as I mentioned, have our members pose questions to you either individually or collectively.

I'll begin with Mr. Bains.

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

I'd like to thank the witnesses for coming before us to speak. The cross-section represented here I think is significant in light of the discussion we're having on the potential free trade agreement with South Korea.

There were some legitimate concerns raised, and that's what prompted this committee to decide to undertake this particular initiative to examine all the various aspects of the free trade agreement with South Korea.

Many of you have very clearly illustrated in your remarks not only the economic wealth that you generate but the number of jobs generally here in Canada, as well as abroad, and how important it is for you to succeed here in Canada, but you also need access to export markets, so there's a recognition of that.

What we are concerned about, which is what prompted this study, was that various studies came out. There were three in total with respect to job losses. One was done by the government, which indicated maybe just a handful of job losses. Another one was done by CAW, which indicated job losses in the thousands. I wanted to hear your perspective, if you have conducted any analysis to examine any potential job losses or job increases—it could go the other way as well—that might occur, in connection with the potential free trade agreement with South Korea.

This is open to all four of you, if you care to address this.

Has there been any study or analysis done by your—

Mr. George MacPherson: We've not done a proper analysis as to what the impact of the agreement with Korea will be. But we've worked very closely with the federal government for the last two and a half decades to try to formulate a policy that would make some sense going forward for our industry. We're talking about our industry now coast to coast.

It was Minister Tobin who put the committee together back in 2001. We were moving down the road of actually having a policy put forward that would make some sense for the industry. All of a sudden there was a change in government; the committee was disbanded, and the policy was sitting out there. It's a very weak policy, and we see ourselves heading down this road of the free trade agreements, with the EFTA agreement being the worst for us. Korea is a devastating blow, with no policy in place to protect the industry and keep it going in the foreseeable future.

We are surrounded by three oceans. We have a tremendous amount of marine property out there that we're responsible for. At the end of the day, in a very few years, you're not going to have an industry left in Canada that will be able to support the vessels that have to be out there to do the work. They're going to have to be going offshore, not only for shipbuilding, but for ship repair.

Hon. Navdeep Bains: How many jobs does that translate into? Do you have a number, a gauge, a rough idea of what the exposure to that would be?

Mr. George MacPherson: We looked at the B.C. ferry project on its own and those three vessels that went to Germany. Those three vessels, built over a period of four years, involved 5,000 jobs—direct and indirect jobs—that were lost to Canada.

They were lost to Canada because clearly the provincial government didn't step up. The Ferry Corporation decided they could get a better deal somewhere else. And they may have got a better deal, but we'll never know that. The B.C. industry was excluded from the bidding process. Therefore you'll never know whether you got the best price or not. The B.C. industry did guarantee they would match the German bid.

Unless there's a clear policy put in place in this country, you're going to see more and more of this going down the road.

Hon. Navdeep Bains: How about Bombardier or from the Fisheries Council or from the union—was any type of study conducted?

Mr. Patrick McGuinness: We haven't had a study. But what we're saying is that what we see with an expanded opportunity in Korea, particularly for cold-water shrimp.... I have to go back to that point that Canada is now the largest producer of cold-water shrimp. We came from zero to being the world's largest producer. There really is an ecosystem out there. The demise of the cod groundfish allowed the shrimp resources to bloom.

Having said that, at the same time, we produce a particular type of product, cold-water shrimp, which is a smaller shrimp and which we feel is much tastier. But as you perhaps know what's happening in the world in terms of aquaculture, warm-water shrimp is just expanding exponentially every day. So what we've had in that industry is amazing expansion, but the prices of our product have decreased quite substantially and they're just starting to rebound. Our supply is stable.

• (1625)

Hon. Navdeep Bains: So you think there will be job creation with this potential free trade agreement?

Mr. Patrick McGuinness: What I'm trying to say is not job creation, but right now that industry is financially distressed. If we can rebuild prices, what we're saying is that will enhance or enable the viability of a number of fishing vessels and fish processing plants.

Hon. Navdeep Bains: Thank you.

Mr. Pierre Laliberté: I did look at the study that came out of the environmental assessment and I also looked at the CAW study. The problem with any such studies is that they are mathematical exercises.

Hon. Navdeep Bains: Right. They're a model.

Mr. Pierre Laliberté: Just to give you an example that I think does reflect a little bit, Industry Canada did a study a few years ago that tried to establish the impact of the U.S.-Canada Free Trade Agreement. And they came up with controlling for exchange rates and the growth rates and all of those things with the notion—and I think it's fairly believable—that 90% of the growth in trade or exports from Canada was due to the fall of the Canadian currency.

Was it 90% or was it 60% or 50%? God only knows, but the fact of the matter is these things are always like—

Hon. Navdeep Bains: Of the two reports, which one would you deem to be a more reasonable assessment?

Mr. Pierre Laliberté: In one month in Quebec, we've lost 30,000 manufacturing jobs. I might well believe the CAW's assessment, because it's not that outlandish.

I think the key here for us is really—and this is a problem with the agreement—what sorts of jobs we are creating for ourselves. If you look at what we export, for the most part it's raw materials or slightly processed materials. What are we purchasing? A lot more labour-intensive and job-intensive and value-added products.

This is where I think the analysis needs to go. If I look at Industry Canada's verdict, basically it leaves the GDP unchanged, literally. So we're just shuffling jobs in different directions. But to us, that matters.

Hon. Navdeep Bains: So to that point, have any of you been consulted? And I apologize, I know I haven't got your opinion on Bombardier's perspective on job losses, but have any of you been consulted by the government to provide input into that environmental assessment, or have you been consulted in any capacity to help the negotiators get a better understanding of your particular industry and how that might be impacted by the free trade agreement?

Mr. Patrick McGuinness: I've had extensive economic policy consultations with the Department of Fisheries and Oceans almost since day one. They recognize that we're dependent on exports. They sought our analysis, and we went through the tariff lines and things of that nature. That was quite an extensive consultation.

Hon. Navdeep Bains: Bombardier never got a chance to answer.

The Chair: You'll have to ask shorter questions.

Mr. Haynal, go ahead.

Mr. George Haynal: Mr. Bains, the short answer to your question is that we have not done an analysis of that sort.

I can make two observations. First, access to markets on fair conditions is essential to our survival. About 95% of our business takes place outside the country, and some 35% of our employees are in the country. So the equation is pretty clear.

Second, our success in this market and others depends on our capacity to innovate and to invest in innovation. The best jobs are in engineering innovation, in high technology. So better access creates better jobs, at least in our industry, and it preserves other high-quality jobs as well.

Non-tariff barriers have to come down. That's why we need the agreement.

•(1630)

The Chair: Thank you.

Monsieur Cardin.

[Translation]

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

Gentlemen, welcome and thank you for being here with us.

Some of you mentioned that there had been no consultations. So we are having consultations here to include you. I'd like to know whether any of you have been consulted by the government in order to examine, study and analyze the possible consequences of this

agreement and to determine the expectations of each of your industries.

In your case, Mr. Laliberté, you represent many people, since you represent 550,000 workers.

[English]

Mr. Patrick McGuinness: As I mentioned, I was. I'm located here in Ottawa, and it's easy for the various departments to contact me for that analysis. I have a file here of numerous pieces of paper, an analysis that I had to go through with the Department of Fisheries and Oceans.

[Translation]

Mr. George Haynal: If memory serves me, Mr. Cardin, we were consulted twice. The first time, the approach was rather general. We were asked to give our view point on a possible free trade agreement. The second time, it seem to recall that there was about our concerns. We did have an opportunity to express them. There was exactly the ones I mentioned here earlier.

Mr. Serge Cardin: Most of you spoke about studies that you conducted or to which you had access. I'd like to know from those who were not consulted whether studies were conducted in their sector of activity in order to determine the consequence of such of agreement. Moreover, I'd like to know whether in the case of people who were consulted, the government told them about relatively advanced studies indicating whether the consequences would be positive or negative.

[English]

Mr. George MacPherson: We've had no prior consultation with the government on this trade agreement. We were aware during the transition of government that the EFTA agreement was going on, and we put forward our concerns regarding that deal. Since then the committee we sat on from the shipbuilding industry has been disbanded. There's been absolutely no consultation from our side on the Korea-Canada free trade agreement.

[Translation]

Mr. Pierre Laliberté: The same is true for us. As I said at the outset, we would have liked to have seen a new type of agreement, but also a new type of management applied to these agreements. Indeed, when the previous government was in power, the process was essentially the same. Now, the same process is being repeated. Moreover, if I understand correctly, the promise that had been made during the election campaign, to the effect that the agreements would be submitted to the House of Commons, will not be respected, at least with regard to the intent that had been expressed.

Given these conditions, we are doubly disappointed.

Mr. Serge Cardin: You represent over 550,000 workers. You also know that the loss of some 30,000 jobs in a short period of time leads to consequences. The workers you represent are highly diversified, and I imagine that you would not necessarily have the resources necessary to conduct studies on each of the sectors. Moreover, in the sectors concerned, the large corporations involved are not in a position to conduct these analyses either, but what about sectoral associations?

•(1635)

Mr. Pierre Laliberté: No sectoral study has been conducted, except in the case of the Canadian auto workers. That sector is located mainly in Ontario. The impact for Quebec would not be as significant as it would be for the auto parts sector. The people from that union to whom we talk anticipate rather direct consequences for the auto parts industry.

Mr. Serge Cardin: Rather negative?

Mr. Pierre Laliberté: Yes.

Mr. Serge Cardin: Mr. Haynal, you talked about innovation, which is very important insofar as it enables technological progress and different ways of manufacturing products. Mr. Laliberté and Mr. MacPherson, on the other hand, talked about rules concerning employment; working conditions, social conditions, the environment. Those are important issues.

We are talking about innovation, social or environmental problems, and the fact remains that the situation is not necessarily fair for everyone. Natural resources will be accessible—and there are world markets—to everyone at some point or other, as are human resources and the ability to innovate.

In the final analysis, what we are talking about today is the rather unbridled race of major corporations who want to obtain the biggest market share, the most wealth on a global scale. When it comes to the social aspect, wages and the environment, that will be achieved eventually. My viewpoint may be a bit philosophical, but I think that the current race seeks to benefit the most from various deficiencies.

There is no doubt that in Canada, there could be consultation, analyses and prioritization. Indeed, the sectors are different. Some will end up winners but others will lose out. In this committee, how could we manage to determine whether the treaty will be generally profitable for Canada and Quebec? Do you have any recommendations in that regard?

Mr. George Haynal: I made a recommendation earlier during my comments. The object of a negotiation is precisely to arrive at a point where both parties and their demands are satisfied.

As an employer in Canada and Quebec, what we seek is a level playing field. To achieve that, there are two possible means: negotiation of some sort of free trade agreement or whatever kind of agreement that satisfies our demand for free access on the one hand, and on the other hand, the establishment of a national policy that seeks to ensure that Canadian companies and workers have an opportunity to sell their products in Canada on an equal footing with foreign competitors. That is what I would recommend to this committee, sir.

Mr. Serge Cardin: So it would be a kind of Buy Canadian Act.

Mr. Pierre Laliberté: With your permission, I would like to add something. With regard to the rules about public procurement, you talk about a level playing field and transparency. For our part, we also ask that the rights of workers be taken into consideration explicitly. The trading partners with whom we decide to establish privileged relations should share a certain vision of the social objectives that underlie all this. We have been saying this for years and we will continue to say it. We think the notion of using trade to try to improve living conditions and social conditions more directly

is not that far-fetched. Of course, it goes beyond the rather narrow framework of tariff and non-tariff barriers and so forth.

•(1640)

Mr. Serge Cardin: Don't worry and don't give up hope; there are people who hear you.

Are there any other comments? Do we have any time left, Mr. Chairman?

[*English*]

The Chair: No, you're at ten minutes now.

Mr. Julian, carry on.

Mr. Peter Julian (Burnaby—New Westminster, NDP): I'd like to apologize to the witnesses for my tardiness. As Mr. MacPherson knows, travelling from British Columbia to Ottawa sometimes means that we arrive late. I'm sorry if you might have to repeat your presentations to a certain extent.

Mr. MacPherson, I'd like to start with you. You may have covered this in your presentation. If so, I apologize. I'd like you set out what you think the impact of the current configuration of the Canada-South Korea trade agreement would be on shipbuilding and on the ship maintenance industry in British Columbia.

Mr. George MacPherson: We're looking at this as just another nail in the coffin for an industry that's been struggling for the last 30 or 40 years in this country because of a lack of true, clear policy for the industry.

The criminal part of this whole agreement and of the agreements that have already been done, in my view, is that we're setting up trade agreements with countries that have already done what we have not done: they've set forth an avenue to protect their industries, whether it's the shipbuilding industry, the manufacturing industry, or agriculture. They've structured themselves so that they have a protective nature.

Canada, for whatever reason, has decided it doesn't want to go down that path. We're still covered by three oceans, as I said in my presentation. We have more water than land. We have no infrastructure to protect that. If we don't find a way, before we sign these trade agreements, to hang on to this industry and protect it in the future, there'll be no industry left to worry about. As I said, all of our vessels will have to go offshore for repair and refit, and we won't have to worry about building, because there'll be no industry left to build.

If we look at the industry today, we're a third of the size we could be, as I said in my presentation. We're not really a growing industry. We're a shrinking industry because of policy that's been put forth and policy that's out there. There's far too much grey hair in this industry. If we don't find a way to get young people back into this industry and get the apprenticeships and training going, there'll be nothing left in a few short years.

I see this agreement as nothing but bad news for the industry I come from and represent. Minister Tobin had us going down the right path. We were headed in the right direction to put a policy agreement together for the industry that would take it into the future. But for whatever reason, that's been stopped.

Mr. Peter Julian: To what extent is there support in South Korea for the shipbuilding industry? To what extent does the government actually provide support, that kind of planning and policy...?

Mr. George MacPherson: As far as we're aware, the subsidy in the industry in Korea has been as high as 30%. It could be higher in other areas. The massive amount of money the government has put into this industry in Korea in the last seven or eight decades is the difference when we look at Korea.

If we look at the United States, they have the Jones Act. If you look at EFTA, they have been supported all the way through. The European nations have supported their industry. Every maritime nation in the world has protected its industry, except Canada.

We're saying that if we're going to sign these agreements... I'm not in disagreement with other people around the table that these agreements will have to be signed one day, but before we do that, we need to look at the industries we have that are going to be hurt. Is there a way to protect them, and is there a way to do something that takes them into the future? We believe that there is, and we believe that this is a strategic industry.

We disagree strongly with what John Manley said during all the years he was industry minister, which was that this is a sunset industry. It's not. It's a sunrise industry. All it needs is the conviction of the politicians in Ottawa to come together with the industry to make this industry move forward.

• (1645)

Mr. Peter Julian: So what you're saying is that Canada has the longest coastline in the world by far, two or three times longer than the second or third longest coastline nations, and yet compared to EFTA, compared to the United States, compared to South Korea, we've had very little public policy to actually support our shipbuilding industry and our ship maintenance industries.

Mr. George MacPherson: We've had really no support to protect the industry to move it forward. And that's been the problem.

I made the example of the St. Lawrence Seaway as well. If you look at the St. Lawrence, the St. Lawrence is longer than the Atlantic Ocean is wide. And yet Quebec is struggling in the shipbuilding industry and heavy manufacturing. British Columbia is struggling. Ontario is struggling. You've watched shipyards close across the country. It's absolutely criminal, and it should not be happening.

Mr. Peter Julian: I want to come to the issue of import duties. It's not directly related to Canada-South Korea, but it's still important as policy.

In B.C. we have three ferries that were built in Germany. I'd like you to tell us how many lost jobs that resulted in.

Of course I know the shipyard workers have been calling for the import duties to go back to British Columbia shipyards. What kind of an impact would having that infusion of money make?

Mr. George MacPherson: I guess your question is centred around the four ferries that are currently under construction in Germany and what that duty money would mean to British Columbia.

Mr. Peter Julian: Yes.

Mr. George MacPherson: I'm not sure if the Government of Canada could actually direct that money to British Columbia, but if it could it would go directly into the infrastructure in the B.C. economy for the shipyards themselves, which would start the tooling process, which would enhance the apprenticeship programs, and it would start bringing people back into the industry.

There is still a lot of commercial work within Canada that has to be done. Everybody is talking about the large naval contracts that are coming out, and there are billions of dollars coming out that are going to be going somewhere.

Joint support ships are either going to go to Marystown, Newfoundland, or they're going to come to Vancouver. We'd certainly like to see them in Vancouver, but as long as they're built in Canada that's what's important.

For the money to come back into the industry in British Columbia, it would make a tremendous difference for our industry, for the infrastructure, to start the tooling process and revitalize the shipyards and to get them back up and running.

Mr. Peter Julian: Okay, thank you.

I'd like to ask all four of you a question that has come up at previous meetings of the international trade committee. We essentially have a lot of difficulties with the Canada-South Korea trade deal. One repeated theme that has come up from people who have presented before us is the lack of on-the-ground federal government support for trade promotion, product promotion in countries like South Korea.

I will be starting with Mr. Haynal.

Could you just tell us to what extent the federal government supports your trade product promotion abroad, and how does that compare with your competitors from other countries?

Mr. George Haynal: That's an extremely interesting question. Each company or each segment of the economy may answer that in a different way, because different corporations need different kinds of support internationally, if I may say that.

Bombardier, as I was saying, is physically present in 60 countries, so we have a resident presence in many major markets. We have our own representatives there, our own incorporated companies in these settings. So the kind of support we need may not be the same kind of support as a smaller enterprise or a more specialized enterprise would need.

That being said, we are in a business that has an extraordinarily high level of public sector involvement in it. It is rare, though not unique, that a private enterprise would buy a railway car. It's becoming more common, but very largely public transit, in particular, is a public enterprise. So we're dealing with governments all the time. Often, state airlines or airlines that are in some fashion part of a highly regulated environment also have a high degree of state oversight.

All of this is to say that the kind of support we need and that our competitors deploy is at the political level, if I can put it that way. It is not necessarily that provided by trade commissioners, though that support we appreciate enormously, and we do appreciate enormously, as well, the diplomatic presence that is on the ground. But often we need our customers to know that Canada is proud of us, as France is proud of its Airbus or its ALSTOM, and it makes an extraordinary difference.

I'll leave it at that.

• (1650)

Mr. Patrick McGuinness: Through the Department of Agriculture and Agri-Food, we have CAFI, which has introduced some changes. If we want a generic marketing campaign, Agriculture and Agri-Food Canada will put in 50% of the cost if the provinces put in 25% of the cost and industry puts in 25%.

We have a very significant shell-on shrimp program in China right now. Canada is the number one producer. We produce about 60% of the cold-water shrimp in the world. We joined with Norway and Greenland to do a generic promotion in the retail stores in China. As I mentioned earlier, we target middle-class consumers, which is expanding in China. Also, the China westernized retail trade, Carrefour, and all that sort of stuff is expanding greatly. So we're targeting that type of market.

As I say, we have the three countries' partnerships, and then in Canada we have Agriculture and Agri-Food Canada. Say, for example, we're paying 60% of that generic marketing program of the total program, then Agriculture and Agri-Food Canada will put in 50% of our costs.

Mr. Peter Julian: How much is that?

Mr. Patrick McGuinness: Right now the total program is in excess of \$1 million a year. We're moving into the third year of it.

Mr. Peter Julian: So it would be half a million dollars, then, that the federal government puts in.

Mr. Patrick McGuinness: Yes.

To answer your question, we see opportunities in Korea, particularly for a shell-on shrimp product and also a cooked-and-peeled product.

If in fact there was free trade, and it looked like a 0% tariff, as opposed to 27%, I would see a good bit of receptivity with respect to Agriculture and Agri-Food Canada working with us on a project. That's provided the industry is prepared to put up at least 25%, and if the provinces don't come in, then 50%. It's there, and it's a good program. And it's a program that I can see being linked into....

If Canada is going to proceed with respect to free trade agreements with what I call not traditional markets, such as the European Union, the United States, and so forth, but in new markets and new opportunities, it would be a nice idea to tie in those types of programs with those types of initiatives.

Mr. Peter Julian: Thank you for your generosity, Mr. Chair.

The Chair: It has been 12 minutes now. I have been pretty generous, but we may not get to Mr. Julian's motion.

Mr. Allison.

Mr. Dean Allison (Niagara West—Glanbrook, CPC): I would like to thank everyone for presenting.

I'm going to split my time with my colleague, Mr. Shipley, so I'll probably have a chance for only one intervention.

I'm going to direct my questions to you, Mr. Haynal.

I want to thank you for your presentation on Bombardier. Certainly I've been aware of the company and what you have done over the years. I'm familiar with your commercials, where your guy gets off the safari and is going to get eaten by lions before he gets back on and all that, but I really didn't have a good idea of the size and scope in terms of the people you employ. I appreciate that understanding today.

You're in many countries, both with rail and planes. You talked about some 21, with aerospace. I'm assuming we don't have free trade agreements with all those countries. Is that correct?

We had RIM here last week, and certainly they're in countries where we haven't had free trade agreements. Obviously you've been able to work around the difficulties. But what types of issues have you experienced as a result of being in countries where we don't have those agreements in place? Are there a lot of non-tariff barriers? As the tariffs are high, you've had to move in capacity to build there. How have you been able to get around some of these things?

• (1655)

Mr. George Haynal: Well, we live with what is on the ground. In other words, we have established in many markets where we have to establish in order to sell. So we are local producers. In some cases that is a natural outflow of the expertise and the comparative advantage that's present in that market, but obviously it is a preoccupation that we have to get around rules rather than being able to take advantage of a level playing field.

The term "level playing field" is a reasonably hackneyed one. Everyone uses it, but actually it's a reality. It would be much more efficient to do business if the rules were constant, clear, and consistent. We operate in an imperfect world.

I could give you a much longer and elaborate and country-by-country response, but that is the essence of it.

Mr. Dean Allison: Do you feel that a free trade agreement with Korea would help you access other Asian markets—again, you guys are fairly entrepreneurial and are already doing things—or would it just level the playing field? There's that term again.

At any rate, if we were able to strike a deal, would that provide any leverage for your company in other Asian markets?

Mr. George Haynal: I don't know about other Asian markets, but Korea is a big market. It's home to an important set of competitors—one in particular, I should say.

If in global markets we are operating on rules that provide them with the same disciplines we have, then we can compete. I mean, this company is not the largest producer of rail equipment in the world because we happen to be nice. We do compete. We are competitive. The easier that competition becomes, the more successful we will be. I would say that's the essence of the story.

If you had a hearing on other free trade agreements and did me the honour of calling me again, in all likelihood I would say the same thing. I think free trade—or freer trade, or disciplined trade, or whatever term you wish to give it—that provides no favours but clear, transparent, and consistent rules is a huge advantage to the Canadian economy. Their absence is a big hindrance, particularly since the United States, our major market, has them.

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

The Chair: Mr. Shipley.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): Thank you, Mr. Chairman.

Thank you so much for the varying discussions we've had. My background is in rural Canada, in agriculture, so I want to focus a bit on that. We have certainly the Fisheries Council of Canada with regard to fish and seafood, which—I didn't know until today—is the largest-traded product around the world. So now we're talking about that part and about agriculture, which is the second-largest industry in this country. It's interesting that particularly beef and pork and many of our agriculture commodities are exported.

To Mr. McGuinness, you've been part of the fish council. If we're looking at beef, for example, they can likely increase their trade by tenfold. I'm looking to see, in terms of pork, what it would do. But in terms of what you're talking about—and we are surrounded by three coasts, so fishing is a very significant part, obviously—do you see how this would help us in a significant way in getting into other Asian markets?

Secondly, I think we need to be clear that Canada is an exporting nation. I think we all agree with that. We also have to understand, I think, that free trade agreements only need to be made when they're good for Canada. We also know that we fall under the umbrella of WTO, which, because of its structure, has a number of inabilities to produce results. I think that's part of the reason why we see a number of free trade agreements happening around the world.

I'll just leave it at this one: do you see it helping us get into other markets if the agreement should go forward?

• (1700)

Mr. Patrick McGuinness: My response would be somewhat along the lines of Mr. Haynal's in the sense that Korea for us is a very strong and important emerging new market. There's no question that Korea is also an exporter, and exports to the Asian markets. The major market in the area is Japan.

As you say, if the business expands beyond \$47 million, into the hundred millions and so forth, there's no question that this is a catalyst for countries to work together—just as for many years we've had significant exports into Denmark and now we're working with Danish companies in terms of breaking into the Chinese market, because they also had investments in terms of marketing offices in China.

So as you develop more of a continuous, reliable business relationship and expand it beyond, say, moving \$15 million worth of lobsters up to \$100 million worth of lobsters, that then is a basis for developing relationships with the Korean infrastructure in terms of distributions exporters and seeing how we can partner with them in terms of other markets in that area.

There's no question in my mind that once you expand to a critical mass in an area, then that can be a centre from which to expand. Right now in terms of our markets we have big sales into the United States, Europe, and Japan. So we have those relationships in Japan, but everybody's exporting into Japan because that's the major seafood market. What we have to do is expand our exports into, for example, Singapore, which is then also very much a distribution centre for the ASEAN countries and things of that nature.

So you're quite right, it opens up that opportunity to explore, just what you're talking about.

The Chair: Mr. Haynal, did you have a short comment?

Mr. George Haynal: I have one supplementary comment, Mr. Chairman. Thank you for allowing me 30 seconds.

With respect to other countries, a great danger of not having liberalized access to markets like Korea is, as I said, that the United States does—and increasingly, it's going to do so. So what we thought was a very special relationship with the United States that was concluded under the Canada-U.S. Free Trade Agreement may become a lot less special, and the access we have may become more tenuous as a result, as others have similar or even more privileged access, in some cases, to our core international market.

The Chair: Thank you.

Just before we move to round two, I have a question for Mr. McGuinness, because it came up again in Mr. Allison's question. You said in your brief that trading of fish was the largest trading market in the world.

Mr. Patrick McGuinness: That's the statistic of the FAO. In terms of the commodities that are traded internationally, fish and seafood is number one, dollar-wise.

Mr. Pierre Laliberté: As a proportion of the total.

Mr. Patrick McGuinness: A proportion of the total world trade in commodities.

When you're talking about commodities, you're talking about, for example, grain—

The Chair: What about oil and gas? I just know, from our province...you export \$4 billion; we export \$450 billion. I just wonder how that fits internationally.

Mr. Patrick McGuinness: I'm talking about world trade, not Canada's trade. Right now, in terms of the world trade in fish and seafood, I just don't have the number off the top of my head, but you have massive exports out of China, out of the Asian countries. As one gentleman said, even in Canada, there's more water than there is land. When you look at the earth from on high, you will see that there's a lot of water out there, and that water has fish and there are countries fishing it, and basically, what they're doing is trading it.

In the fish and seafood world, there are only three markets, really: the United States, Europe, and Japan. We all live on those markets. Canada lives on it, Norway lives on it, Iceland lives on it, Indonesia lives on it. That's how you get that high trade figure.

The Chair: All right.

We'll go to round two, with five-minute questions and answers, starting with Mr. Dhaliwal.

•(1705)

Mr. Sukh Dhaliwal (Newton—North Delta, Lib.): Thank you, and welcome, panel members.

In fact, the chair was not only generous to Peter Julian, but he was very generous when I moved to this country. He accepted me into his riding when he was a member. When he left politics, I left there to go to British Columbia, which is very beautiful.

When I look at the shipping industry, every weekend I drive along River Road in Delta when I attend one of the funerals at the Riverside Funeral Home, and when I drive along, I see lots of nails in the coffin along that stretch there, when it comes to the shipping industry. Do the majority of those nails have to do with the provincial government policies or with the federal policies?

Mr. MacPherson, please.

Mr. George MacPherson: For the most part, it's a lack of policy, both federally and provincially. But clearly the industry is focused on the federal government, to try to set clear policies coast to coast. We're trying to level the playing field within Canada itself. To do that, we need the federal government to work with us. We also need all the provincial governments that are surrounded by water to work with us and put those policies in place. So the easy answer to your question is that it's both levels, but it really has to be driven by the federal government. It needs to be driven by Industry Canada.

Mr. Sukh Dhaliwal: When we talk about this motion, I don't know if you're familiar with a Liberal member bringing in motion M-183 to have a local content. Are you aware of that?

Mr. George MacPherson: No, I'm not aware of that.

Mr. Sukh Dhaliwal: How about Mr. Haynal? Are you aware of motion M-183, brought in by Ken Boshcoff?

Mr. George Haynal: Yes, I've heard of it.

Mr. Sukh Dhaliwal: Is that motion going to help these two industries, yours and the shipbuilding industry?

Mr. George Haynal: I go back to what I was saying about living in an imperfect world. It is ironic, at least in our case—and I'm speaking very narrowly—that for us to be able to compete in our own country, we're competing on less favourable grounds than we compete on in other countries. So I guess, from that point of view, it would be a help. But there are more general points to be made. I think the Canadian Manufacturers & Exporters association has done a more detailed study of this issue than I would be able to speak to, so I would recommend, perhaps, that they speak to it at some point.

Mr. Sukh Dhaliwal: My question is for you, Mr. Patrick McGuinness. When it comes to the fishing industry, I have come to know from a lot of restaurant owners and banquet halls that we catch the fish here, and we send it to China and it's processed there. Is that true?

Mr. Patrick McGuinness: In the case of certain products, that is true. Basically, as I mentioned before, we are a global industry, and the Canadian fishing industry is a global industry. For example, we now export raw material, sometimes to Korea, for further processing into the Japanese market, and we now have contracts, for example, for pollock, which is harvested either in the Barents Sea between Norway and Russia or off the United States. It's harvested by a Russian vessel. The contract is to have it primary-processed in

China, and then it comes to Canada for final processing. Basically that's your Burger King fish sandwich or your McDonald's fish sandwich. Yes, that's what happens.

Mr. Sukh Dhaliwal: So when we look at it from that perspective, it's becoming more difficult every day to compete with labour forces like China and India. What are the solid steps we can take in an agreement like this to make it a fairer trade agreement so that it will not affect the British Columbians when it comes to the fishing industry and the shipping industry?

Mr. Patrick McGuinness: We're not looking for any particular finessing to try to address that issue. The bottom line is things work out economically or they don't, and to try to massage something of that nature, you're probably going to make the issue more complicated than it is.

As I say, in some situations it's much more beneficial to have the total product harvested and processed in Canada. Our groundfish resource has declined, so for us to get, for example, pollock for our marketplace, it has to be harvested some place outside of Canada. It's our companies that have the brand. It's our companies that have the connections, and it's our companies that can make the arrangements so that this comes to completion. In our view, that's in the best interests of the industry. And the industry recognizes that. In a global industry, in a global world, this is our only alternative, and we're doing fairly well at it.

One thing that is emerging, which would have an impact on the direction you're talking about, is what we call "environmental food miles". There is growing concern among consumers who want to be part of environmentally responsible food purchasing. Those people who feel that way will more and more look for products that are not only "product of Canada", because they meet the sufficient transformation rules, but they may be looking also for "harvested in Canada" or "grown in Canada". That movement is growing.

•(1710)

Mr. Sukh Dhaliwal: Is it worthwhile to go for this agreement now, or should we wait two more years for these negotiations? It's a give and take. The way I see it, Korea is not going to be one of the biggest markets for your fishery industry. But on the other hand, when we look at the shipping industry in British Columbia, how much impact would it have, Mr. MacPherson, on your end to see if we can have it balanced when we sign these fair trade or free trade agreements?

Mr. George MacPherson: Certainly our preference is to halt trade talks at this point and come back and have consultation with industries that are clearly affected, ours being one of them. We think before the talks go forward and before an agreement is put in place, there has to be clear consultation with the industry, and there has to be a strategy put forward that allows the industry to sustain itself over a number of years.

I thought we were reasonably close to doing that a couple of years ago, and then that's all fallen off to the side, and we've now forged ahead with the agreements. That is very concerning and very troubling to me as it is to other people in the industry.

From my perspective, I'm here clearly saying today that these talks should be put on hold, and the government should be coming back, and we should be restructuring the committees and having clear conversations with the industry to find out what is required and what takes you into the future.

Mr. Pierre Laliberté: If I may add, this is really it. When people talk about the U.S.-Korea deal as a done deal, it's not—and you'd probably know better than I the political situation in that country. I think it may well be the case that the deal will not come to pass, and that will give us a respite to actually look at this with a cool head, because it's not like shipbuilding.

The auto industry right now is under a lot of pressure, and this is not to be taken lightly. If we are hit by the recession down south, it will be very difficult. And Korean car producers are not.... Well, there's surplus capacity in the car industry right now. There will be really cutthroat competition. Unfortunately, because our costs of production have gone up thanks to the exchange rate—essentially increasing by 60% over the past four or five years—that's put us in a very difficult situation.

I would also point out that we import tonnes of steel from Korea. We ship the ore and they send us the steel, which makes absolutely no sense. So there are ways of.... We have to look at the questions of do we need a steel industry in Canada, do we need a shipbuilding industry, do we need a car industry in Canada? Those are the questions.

You talked about sunset industries. We think all of these products are actually high-tech products; there's nothing inherently old-fashioned about these products, and this is where the innovation is embodied.

So to us, there's certainly no rush to sign off on this. And I would not insist, I have to say, on the labour dimension. Korea is certainly not as egregious as China, but we do have some problems there. There are industrial zones that have been created where labour and environmental laws do not apply. There is a zone in North Korea operated by South Korean businesses, called the Kaesong Industrial Park, where folks are being paid \$57 U.S. a month—and actually it's lower than that now. The money essentially goes to the North Korean government, which takes its cut. Basically it's akin to slave labour, and it's all done under the eyes of the South Korean government.

I think those are issues that ought to be within the purview of the negotiations.

Thank you.

• (1715)

The Chair: Thank you, Mr. Dhaliwal.

Monsieur Roy.

[*Translation*]

Mr. Jean-Yves Roy (Haute-Gaspésie—La Mitis—Matane—Matapédia, BQ): Thank you, Mr. Chairman.

I would like to come back to what Mr. Dhaliwal said to Mr. McGuinness, among others. We certainly met before, since I was my party's spokesperson of the fisheries committee for five years.

What you are saying seems to me a bit surprising. In the specific case of shrimp, quotas were increased because the industry was in a very bad way. Of course, prices had dropped, given the overabundance of shrimp on the world market. That is what happened in the past few years.

Yet, what are we doing with our production? We send it to China to have it processed, and the Chinese send it back to us. Meanwhile, our processing plants are closing. That is essentially the situation that prevails right now in my area, in the east. It is not only in Quebec, but also in Newfoundland.

We are talking about a free trade agreement with Korea, but if the Koreans were to require that part of the production be processed in their country, for example, we would simply continue to empty the oceans here without creating a single job. That brings us back to what Mr. Laliberté was saying, namely that this is more a trade policy than an industrial or social policy. The objective is solely to enrich certain industry owners or certain owners who only engage in trade, but nobody gives a hoot about the situation of the labour force, not only in Canada and Quebec, but also in Korea. In the final analysis, what is important is that there be a profit and that it continue to pour into the coffers of large corporations. We might as well forget about the social aspect; this is simply a trade agreement.

Shrimp is the typical example of a product for which a free trade agreement would be completely useless. Even if you tell me that import duties of 17% or 20% would be paid by Korea, that changes nothing. We got more from the European Economic Community. Regardless, right now there is an overabundance of this product on the world market, as well as an overabundance of animals raised in aquaculture. In any event, it is a market that will bring about nothing new. On the contrary, our plants will continue to close here because the quotas will be increased again in order to allow the fishermen to survive.

I would like to hear your views on this subject as well as Mr. Laliberté's perhaps.

[*English*]

Mr. Patrick McGuinness: Thank you very much for the question.

Say, for example, we take the position regarding shrimp in Quebec, a province with four plants producing cooked and peeled shrimp, a processed product. Say, for example, this product is exported to Denmark, and Denmark brines it and puts it into jars for the marketplace. I don't think anybody is saying we should bring back that brining and jarring to Quebec. I don't see that at all.

So cooked and peeled shrimp generally can go directly to retail, or to further processing. What happens in the U.K. is that it's sent to Marks and Spencer. They put it into a sandwich and then that shrimp sandwich is a big item for them. It would be unrealistic to do that type of sandwich manufacturing in Canada, shipping or exporting those sandwiches to the U.K. market.

So it's a product that is harvested at sea, brought into the plants, cooked and peeled, and there is quite a bit of labour content in it. But in getting that type of product to the marketplace, whether it's in Sweden, Denmark, or the U.K., yes, there's probably a rationale for having that end-product transformation being done there.

So the issue would be, for example, in shrimp.... Actually, right now, as you said, the increase in shrimp quota in the world has been totally in Newfoundland and Labrador—a massive increase. That has caused, as you say, too much product going onto the market, and prices have gone down.

We have an opportunity now, given that the Canadian quota has pretty well stabilized and the Icelandic and Norwegian quotas are coming down. So our theory is that where we see a market expanding, free trade agreements such as this may give us the opportunity, now that we've stabilized supply, to perhaps expand and grow demand and bring back better prices, which will benefit not only the companies, but also the workers.

I'll go back to Mr. Dhaliwal's comment about delaying the free trade agreement. What's the issue here? I'll tell you what the issue would be, say, in Quebec, with respect to cook-and-peel plants. Cooked and peeled product is harvested by inshore fishermen. We also have a fleet in Canada that fishes offshore, the shell-on product, which then goes into the Chinese market for retail, for example, because they like to peel the shrimp themselves, or it goes to other countries for further processing. EFTA, Norway, and Iceland already have a free trade agreement with Korea. They do not have the resources, so they will be entering into arrangements with Canadian fishing vessels offshore to supply, if you will, industrial shrimp to Norway and Iceland; but they will further process it into a cooked and peeled product and send it to Korea, while we're dithering—well, not dithering, but we're trying to contemplate.

So there are always wins and losses, and as Mr. Haynal mentioned, the world is changing. Unfortunately, because of the problem of the WTO not coming forward with a comprehensive approach, we have countries such as the United States and EFTA trying to make these types of bilateral arrangements—and some of them are going to be beneficial and some negative for Canada.

● (1720)

The Chair: I'm sorry, Mr. Roy, but we're at seven minutes now.

For our final questions this afternoon, we'll go to Mr. Cannan.

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

Thank you, gentlemen, for being witnesses today and for your excellent comments.

I concur that Canada's prosperity, given that we are one of the most resource-based countries in the world, depends on more aggressive pursuit of bilateral agreements, but we haven't had that free trade agreement initiative for several years—and Minister Emerson has been leading the way. We want to level the playing field in key markets, and that is one of the driving factors that Mr. Emerson has publicly stated on several occasions when attending this committee.

Specifically to Mr. Laliberté, I come from British Columbia, where the forest sector is an economic generator and a cause of great concern, given that about 78% of our forests are being lost to the pine beetle right now and given some of the challenges we face in the manufacturing sector. We had a witness who attended the committee, Mr. Woo, the president and co-chair of the Asia Pacific

Foundation of Canada, who said that South Korea was heavily reliant on imported wood, as it imported about 90% of its wood.

Coming from Quebec, do you and the forestry workers you represent see any opportunities by going ahead with this agreement?

● (1725)

Mr. Pierre Laliberté: Of course, there is always opportunity. Your job as a parliamentarian is to weigh all the opportunities and losses that are likely to happen.

Whenever we talk about natural resources, these are boom and bust industries. The fact of the matter is that we know we have finite resources and we have needs that are going to be growing. I would say that what matters most to us is to have a world that has sound rules. In this sense, I think we're all in agreement around this table that we need rules and disciplines that ensure that you're treated the same way when you do business in a country as when they come and do business in yours. That does not mean to us that we have to rush into every market with the sense that if we miss it, we're going to lose the race.

The fact of the matter is, as you know, that a trade agreement does not guarantee the final result. The proof of that is the softwood lumber conflict, which is ongoing and where we actually surrendered pretty shamelessly. We think we have something, but we don't necessarily get it in the end. That's where the multilateral nature is a better safeguard than the bilateral nature of this.

Your point is well taken. Certainly on the face of it, the Quebec forestry industry could use an uplift.

Mr. Ron Cannan: I agree with investment in technology innovation. Tolko Mills, in my riding, just put \$13 million into their operation and it's one of the most efficient in the province in their area of expertise. I think that's where we're concentrating with our science and technology. Minister Prentice and his ministry right now are going through a review.

Also, the challenge is that all sectors will not benefit equally at the same time. In the long term, and thinking about the bigger perspective, you say not to rush into an agreement, but other than NAFTA and the European Free Trade Agreement, we haven't signed one since 2001. I'm not sure we've really rushed into anything.

Korea is our eighth-largest trading partner right now. They're signing all kinds of agreements with other countries. Of course, the United States hasn't ratified; it will depend on what happens with their election. But there are all kinds of rumours that if they sign there, then we're going to lose an opportunity.

Putting that into perspective, if you're looking at government, do you recommend that we just put everything on hold and not sign an agreement? Or should we sign an agreement that has benefits in the long term for all the economies in our country, while working with those that might be affected in the short term through incentives such as tax incentives and enhancements that we have in place right now, such as the \$1 billion community trust fund that we're using during the downturn of our partners to the south and other global economies? We're still at the lowest unemployment in 33 years and continue to have a very successful economy, considering all the facts that are surrounding us.

Putting that question to the table, if you were sitting in my position, what would you do?

Mr. Pierre Laliberté: I would not sign. I would do what Mr. MacPherson suggested, which is to go to the stakeholders and do the review that should have been done prior to engaging in the negotiation.

I think Mr. Shipley said we're going to do what's best for Canadians. I think you need to assess those costs. Our assessment is that there's more risk in the short run of rushing into something that's ill-conceived than in taking our time.

The fact of the matter is that trade grows out of economic growth. The reason why we've had five years of rather good economic times is that for the first time in 25 years central banks around the world have decided to let loose a little, thanks to 9/11. We've been calling for that for 20 years, but it didn't happen. Now we've had monetary conditions that were sort of pro-growth, and indeed growth did take place.

To us, this is the most important variable in the equation. Whether we change a tariff from 10% to 5%, given that we have currencies

fluctuating by 60%—or 25% in the case of the won—I mean, we're basically tinkering with the details.

That being said, I think what was said earlier about having clear rules and rules that are on a level—

● (1730)

Mr. Ron Cannan: I concur. We have to level the playing field, but at the end of the day a decision has to be made. If not everybody is a winner at that time, maybe in the long term, as Mr. Shipley said, you are going to look at what's invested for our country and hope that this will be the result.

Thank you.

The Chair: Thank you, Mr. Cannan.

I am going to wrap this up. I want to thank our witnesses. It was a very interesting meeting. It pointed out just how difficult and complex these matters are and alerted us to concerns that we may not have otherwise considered. I thank you for your candour and also for your answers. I appreciate it very much.

With that, we are adjourned.

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