House of Commons
CANADA

Standing Committee on International Trade

CIIT • NUMBER 002 • 2nd SESSION • 40th PARLIAMENT

EVIDENCE

Tuesday, February 10, 2009

Chair

Mr. Lee Richardson

Standing Committee on International Trade

Tuesday, February 10, 2009

● (0905)

[*English*]

The Vice-Chair (Mr. John Cannis (Scarborough Centre, Lib.)): We have quorum. The Chair, Mr. Lee Richardson, has asked me to get us started. He should be here shortly.

Here he is; I told you.

Mr. Chairman, you were faster than you told me.

The Chair (Mr. Lee Richardson (Calgary Centre, CPC)): I take it the meeting is already underway. Thank you, Mr. Cannis.

I'm sorry to be a few minutes late.

We have scheduled witnesses from the Department of Foreign Affairs and International Trade. I think we'll just dive right in. I will ask our witnesses to begin with a brief opening and an explanation of the workings of the department, particularly for our new members. Then we will open it to questioning on the basis that we established at the previous meeting.

With that, let me introduce Ken Sunquist, who is assistant deputy minister, Asia and Africa, and our chief trade commissioner; as well as Stewart Beck, who is assistant deputy minister, international business development, investment and innovation. Thank you, gentlemen, for coming.

I would turn it over to you, if you'd like to begin with some opening remarks and a general overview of the department.

[*Translation*]

Mr. Ken Sunquist (Assistant Deputy Minister, Asia and Africa and Chief Trade Commissioner, Department of Foreign Affairs and International Trade): Thank you, Mr. Chairman. Good morning, ladies and gentlemen.

[*English*]

Thank you very much for allowing us to have a few moments of your time.

As the chair has mentioned, I'm joined by Stewart Beck. In the second phase, David Plunkett, who's behind me, will be discussing some of the bilateral and regional trade negotiations, in particular, EFTA.

It is really a great pleasure to be here to talk about some of our priorities at DFAIT. We place a very high value on the work done by this committee. Indeed, previous committees have done such things as “Elements of an Emerging Markets Strategy for Canada” and have visited certain countries and allowed us to reshape our priorities.

Your work contributes greatly to how we see the world and how we need to proceed. We look forward to working with you in the time ahead, especially during this time of serious instability in the global economy.

We cannot lose sight of the importance of participating in international trade and investment. We're seeing a good example playing out today in the United States, where we're working hard with our global partners to push against the protectionist measures being proposed in the American stimulus package. In our view, the last thing the world needs right now is restricted trade.

The nations of the world need to grow our way out of this crisis together, as partners. That means pushing hard for open markets that will stimulate economies, create jobs, and keep our country strong in the face of these challenges.

We also recognize the enormous competitive pressures in the global economy, especially from emerging giants like Russia, Brazil, India, and China. At the same time, governments are competing with governments to support their businesses and investors in the right ways, in the right markets, with the right tools.

Minister Day and Minister Cannon have ensured that an economic perspective is at the forefront of all DFAIT priorities.

Addressing these challenges is what we call our global commerce strategy. It's based on three areas of concentration: making Canada the best country and partner of choice to do business with; market access, not only in the narrow, older sense to markets, but to capital, to technology and to talent; and connecting businesses to opportunities. It's a fundamental part of our U.S. and Americas strategy, as well as growing and emerging markets. We think of it as a road map to help our businesses and investors adapt to the complex realities of trade today.

We've entered a period marked by what we call “integrative trade”, that is, all the various ways in which Canadian businesses create value in the global economy. It's about trade. It's about investment. It's about global value chains. And it's about other areas like innovation, science and technology, air services, and the many other value-added tools and policy instruments that governments can provide.

Our global commerce strategy represents our plan to give Canadian businesses and investors the support they need to continue building links to global markets.

Of course, market access for our businesses and investors will always be a crucial focus of our work. The WTO remains our preferred forum for market access. While the prospects are uncertain, at least in the short term, we'll continue working with our partners to push hard for a conclusion to the Doha round in the coming year.

In the meantime, we're stepping up our efforts on the bilateral front, first and foremost as a partner in the enormously successful North American commercial platform.

Canada benefits greatly from being part of the North American Free Trade Agreement. We're working closely with the U.S. and Mexico on a range of issues to keep trade, investment, and talent moving across our borders and to ensure that the North American partnership remains strong and prosperous. Also, as I've mentioned, we're working closely with both countries to ensure that the doors to trade remain open, not closed.

We're also getting more aggressive on the bilateral front outside North America. As you know, Canada's first new free trade agreement since 2001, with the European Free Trade Association, the EFTA countries of Iceland, Norway, Switzerland and Liechtenstein, is moving through the parliamentary committee process now.

We've also recently signed free trade agreements with Peru and Colombia. We're moving forward on a long list of other FTA negotiations around the world, primarily in Asia and the Americas, and we're working closely with the European Union on a closer economic partnership initiative.

As I mentioned, David Plunkett, director general for bilateral and regional trade policy, will be here later to talk to you about the EFTA in particular, encompassing multilateral, bilateral, and regional access issues, but at the moment just let me say that market access will always remain a focus of our department's work.

We have focused on other kinds of agreements as well. Air services agreements are a good example. We currently have more than 70 in place.

● (0910)

Investment agreements are another example. With integrative trade driving global commerce today, we understand the importance of fostering two-way investment. Stewart Beck will give you more details on our efforts to promote Canada as an investment destination, including how we're leveraging the Asia-Pacific gateway and the 2010 Olympics to draw more attention and investment to our country.

But there's also a policy element to this. Canada now has more than 20 foreign investment protection and promotion agreements, FIPAs, in place with key partners in the world, with more in process. These agreements give investors from Canada and other nations the stable, predictable investment environment they need.

Stewart will also tell you how we're recognizing the importance of innovation and science and technology in our activities, and leading the wave. Certainly S and T is a key driver in investment, trade, and our national profile.

We're also keenly aware of the important role that strategic government services can play in helping connect our businesses and investors to global opportunities. For example, we're working closely with Canadian business to develop a series of targeted, sector-based market plans for key markets. These plans have raised a full range of international business activities, from exports, imports, and investment, to S and T, licensing, and the negotiation of market access through trade and investment agreements.

We also enjoy a wide-reaching international commercial network —our trade commissioner service. These dedicated men and women posted across Canada and in trade offices around the world can help businesses quickly identify contacts in key global markets. And they understand the demands of the world, because even in these challenging times, there are opportunities out there, but it's expensive and time-consuming for Canadian businesses to scope out these opportunities on their own.

We've received a lot of great feedback over the years. Businesses have told us that our trade commissioners have saved them time and money, connecting them to the people who matter in global markets, connecting their products or services to marketplaces all over the globe, and providing them with critical information to help them avoid costly mistakes.

We currently have about 950 trade commissioners active in more than 150 cities around the world, including 17 regional offices across Canada. They help thousands of Canadian companies each year, particularly small and medium-sized companies. And the demand for our services is rising.

As new global business models and non-traditional global commercial activities continue to develop, Canadian companies are becoming increasingly reliant on the services of our trade commissioners. In fact, demand for these services is expected to increase by at least 15% over the next five years. That's why we're boosting our presence in existing trade offices, both domestically and globally, and we're opening new offices in key markets like China, Brazil, Mongolia, and India.

Internally, we're also looking at creating a better mix between positions in Canada and abroad. This means reallocating positions and resources from our headquarters here in Ottawa to where they can make a deeper impact in our trade offices abroad. More generally, we're also focused on reorienting the services provided by the TCS depending on the realities and opportunities in each market. In some markets, for example, trade commissioners are focused more on investment and less on traditional export business. Some trade offices are working exclusively on innovation, technology partnerships, and science and technology. Some will be very active to support market access issues or trade negotiations. Others will be focused on more traditional export promotion activities, and still others will be performing all these functions. In short, we're seeing different focuses in different markets, as opposed to the old idea of just a brass plaque of “we do this” around the world.

The end goal is the same: building Canadian links in supply and value chains. But the journey will be different depending on each market, in keeping with the nature of the integrative trade model. Our trade commissioners are adapting to these new global realities and supporting our businesses in their efforts to create wealth and opportunities for Canadians, and partnerships with nations around the world that will benefit all of our economies.

As you see, the global commerce strategy is our road map to help our businesses and investors adapt to the complex realities of trade in the 21st century, especially during these tough economic times.

Thank you very much.

I'll turn to Stewart for his comments, and then we'll be very pleased to answer your questions and comments, and go forward.

Thank you.

● (0915)

The Chair: Thank you, Mr. Sunquist.

Mr. Beck.

[*Translation*]

Mr. Stewart Beck (Assistant Deputy Minister, International Business Development, Investment and Innovation, Department of Foreign Affairs and International Trade): Thank you, Mr. Chairman and members of the Committee.

[*English*]

As Ken just noted, we cannot lose sight of the importance of participating in international trade and investment, and we can't lose sight of the fact that we are a trading nation.

You heard Ken mention how the global commerce strategy continues to position Canada assertively in traditional markets like the U.S. and emerging giants like India and China. He also mentioned how our main competition is from national governments, who are fully engaged in defining their national brands as an incalculable boost to their economies. Think of Ireland over the previous 15 years, Australia, and even the United States and Germany. Unquestioned economic powerhouses have poured hundreds of millions of dollars into national branding campaigns.

The GCS gives us tools to compete, and we are doing so on the investment attraction, promotion, and retention front. The facts are indisputable: investment is a huge generator of wealth for Canada. It's also a huge source of R and D investment, a point I will get into a little further along.

In addition to our national efforts, we must also leverage signature and prestige events. We have an international marketing effort now to support the 2010 Olympic Winter Games in Vancouver. It's called “2010 reasons to do business in Canada”. Against the backdrop of our current economic environment, we have to be aggressive in showing Canada's strengths regardless of the times, particularly when the world will be focusing on Vancouver.

Another critical driver for wealth is innovation. Research and development in science and technology add wealth and diversity to our economic base. In fact, the Canadian headquarters of foreign multinationals, the large pharmaceuticals, for example, invest more in R and D in Canada than Canadian firms do. We have the highest level of public funding for R and D in the world, but rank out of the top 15 in taking ideas to market and building the companies of tomorrow. This is an area where our network is ideally placed to change that performance.

Ken mentioned our S and T agreements. Here is an example of why they are a good return on our investment and an important economic driver. This summer we established joint initiatives under existing agreements with India and China. The response to our calls to proposal was very well received, with 135 expressions of interest for projects in China. Through the selection process we ended up with a total of eight fully funded projects. We contributed $2.2 million through our international science and technology partnership program, which in turn leveraged an additional $9.2 million from domestic and international partners. Our efforts in India were just as successful. From 67 expressions of interest we awarded funding for eight projects. Our contribution was $2.2 million, which leveraged an additional $15.2 million from our domestic and international partners. The results of these initiatives will be market-ready, science-based technologies and projects. These types of arrangements continue to move Canada along a path toward a more innovative and productive economy.

Engaging research groups, businesses, or public sector partners is part of our unique offering to Canadian business. It's also why we have adapted our own business model to meet the integrative trade realities faced by our companies on a daily basis.

We are harnessing our network of 140 global contact points to better demonstrate our value-added to Canadian business. The network has evolved from helping companies to sell their products abroad to linking businesses into research groups, helping transfer or procure technologies, helping businesses to sell their technologies, securing investment or financing, or encouraging our companies to invest in good opportunities abroad. We also rebranded the Trade Commissioner Service to better promote our value-added in saving a company time and money when doing business in foreign markets.

We would be marketing the service aggressively and taking full advantage of all the traditional and non-traditional media at our disposal, like the Web 2.0. All this will ensure that once economic stability returns, we'll have positioned Canadian companies to take advantage of global opportunities.

Meanwhile, over the short term we are tasking our regional offices and posts to ensure clients are aware of the broad suite of government services and programs available in addition to our marketing program. We have moved aggressively to work even closer with our partners in the international trade portfolio, EDC and CCC, and we're working more closely on a daily basis with BDC. In fact, we have people in four BDC offices across the country.

Budget 2009 has increased the capacity and flexibility of EDC to ensure Canadian businesses have access to adequate financing as well as to maintain trade and investment during the global economic downturn. This means EDC has an additional $350 million in capital to support up to $1.5 billion in increased credit capacity to help address emerging stresses and financial gaps in Canada's export sector.

● (0920)

All told, the GCS, our changed business model, our marketing efforts, and increasing trade portfolio integration have put us on a footing to help Canadian businesses now and well into the future. But this will require constant monitoring, evaluation, reallocation, and reinvestment to ensure full value for Canadians' money.

Thank you very much.

The Chair: Thank you.

We are going to hear now from Mr. Plunkett before we go to questions; he's making the presentation for the rest of the group.

● (0925)

Mr. David Plunkett (Director General, Bilateral and Regional Trade Policy, Department of Foreign Affairs and International Trade): Merci.

My colleagues had expected to start at ten, so they may drift in over the next few minutes.

The Chair: I'm sorry about that. I should have made that clear.

Mr. David Plunkett: But I'm certainly prepared to start and take it as far as I can get it.

The Chair: Great. Thank you.

Mr. David Plunkett: I appreciate the opportunity to appear once again before this committee to talk about the Canada-EFTA agreement, this time in the context of Bill C-2. As you know, the Canada-EFTA agreement was the first treaty tabled in Parliament under the new treaties in Parliament policy back in February of 2008.

[*Translation*]

This committee studied the agreement and your careful review culminated in a positive conclusion. Today, I will briefly highlight some of the benefits of the Canada-EFTA FTA, as well as discuss generally the implementing legislation, Bill C-2. My colleagues and I will then be available to answer your questions.

[*English*]

The Canada-EFTA agreement is a big achievement for Canada. It's our first free trade agreement signed with European countries. It will provide Canadian businesses access to some of the wealthiest and most sophisticated economies in the world, as well as a platform to tap into European value chains.

The EFTA states are already significant economic partners with Canada and include some of the wealthiest and most sophisticated markets in the world, ranking among countries with the highest GDP per capita in the world. Taken as one, the EFTA countries are the world's seventeenth-largest merchandise trader and Canada's fifth-largest merchandise export destination in 2007.

Canada and the EFTA countries saw $12.9 billion in two-way merchandise trade in 2007, with Canadian exports at $5.2 billion and imports at $7.7 billion. Canada exported agrifood products worth more than $89 million to EFTA countries, while importing approximately $130 million in agricultural products. In addition, two-way direct investment was some $28.4 billion in 2007.

Norway saw the largest increase in Canadian exports in dollar terms in 2007. Also in 2007, the value of Canadian merchandise exports to Switzerland grew by 33%, driven mainly by gold exports. In fact, in 2007 Canada exported more to the EFTA countries than to the South America 10—that being Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay, and Venezuela—combined.

[*Translation*]

The implementation of the Canada-EFTA Free Trade Agreement will build significantly on these already impressive numbers. While the Canada-EFTA FTA is a goods-only agreement, it is worth recalling that both Switzerland and Norway are significant investors in Canada. On a single country basis, Switzerland was the fifth largest foreign direct investor in Canada in 2007, while Norway was the eleventh largest foreign direct investor that year.

[*English*]

In terms of the benefits of this agreement, Canadian exporters and producers are expected to benefit considerably through the reduction or elimination of tariffs under the Canada-EFTA agreement. Specific benefits include the immediate elimination of duties on all industrial goods, the only exception being those for Canadian ship tariffs. These include numerous small tariffs, which impose not only an administrative burden on Canadian exporters, but also what our private sector has called an unnecessary tax on the intra-firm trade; the elimination or reduction of tariffs on certain agricultural products; prohibitions on the use of agricultural export subsidies by the EFTA countries for products exported to Canada and covered by the free trade agreement; a level playing field with the European Union exporters in EFTA markets with respect to tariffs on a significant number of processed agrifood products. Immediate benefits will include an estimated $5 million in duty savings on Canadian agricultural exports annually.

● (0930)

[*Translation*]

The EFTA countries are also closely integrated with EU markets through their membership in the European Economic Area, and the Canada-EFTA FTA will help Canadian companies to expand commercial ties, both with the EFTA countries themselves, and with the European Union more broadly.

In addition to that, there are other benefits.

The parties commit in the preamble to sustainable development and respect for labour rights; Canada's cultural exemption is maintained under this Agreement;

[*English*]

Canadian supply management programs for dairy, egg, and poultry products are fully protected under this FTA. Over-quota tariffs for these products are not covered and are therefore not subject to any reductions, nor are they subject to the dispute settlement provisions of the Canada-EFTA FTA.

As members of this committee will recall, the issue of ships has been a key issue in this process. I can assure you that government officials consulted extensively with Canadian marine industry stakeholders during the negotiations and explored with industry representatives how shipbuilding sensitivities could best be addressed in the FTA. Reflective of the input received from industry stakeholders, which was often contradictory, the Canada-EFTA FTA includes the following ship-specific provisions. First, there will be a 15-year phase-out for Canada's most sensitive shipbuilding products, the longest industrial phase-out Canada has ever obtained in an FTA. Second, there will be a 10-year phase-out for all other sensitive shipbuilding products. Third, there will be an initial bridging period of three years as part of both these phase-out periods during which tariffs will be maintained at the MFN level.

[*Translation*]

Finally, repairs and alterations on Canadian ships undertaken in EFTA countries will be subject to tariffs upon re-entry into Canada, in accordance with the tariff phase-out schedule.

[*English*]

The agreement also includes rules of origin for ships that were renegotiated in Canada's favour at the request of industry stakeholders. And there is no obligation—I repeat, no obligation—to modify the government's buy-Canada procurement policy for ships.

[*Translation*]

Briefly, implementation of the Canada-EFTA FTA is to be achieved in Bill C-2 through a number of general provisions and through amendments to three pieces of legislation: the Canadian International Trade Tribunal Act, the Customs Act and the Customs Tariff.

[*English*]

These legislative amendments provide for the agreed-upon Canadian tariff reductions and related mechanisms such as customs verification and emergency action measures. These include various administrative provisions in clauses 9 to 15 pertaining to the implementation of the Canada-EFTA FTA and the bilateral agreements generally, including provisions that support the operation of a joint committee and the arbitral tribunals. Clauses 16 to 37 will amend the Canadian International Trade Tribunal Act, the Customs Act, and the customs tariff in accordance with Canada's new rights and obligations under the Canada-EFTA FTA.

[*Translation*]

There was originally an expectation, with our EFTA partners, that the Agreement would come into effect on January 1, 2009. While our colleagues at the EFTA Secretariat have told us that they have taken the necessary steps to implement the Agreements, circumstances did not allow Canada to meet this deadline.

● (0935)

[*English*]

Mr. Chairman, I and my colleagues—assuming they arrive in due course—will be pleased to answer any detailed questions on the EFTA. I will introduce them as they arrive.

[*Translation*]

Thank you.

[*English*]

The Chair: Thank you, Mr. Plunkett.

Again, I'm sorry for the confusion this time with regard to the witnesses and the questioning. What we found in the past was that when we broke it up, there wasn't time for all the members to get on in terms of questioning. We devised a system whereby we would have a number of rounds to give everyone a chance to ask a question. That said, I appreciate your opening.

Members, I might suggest that in this circumstance, perhaps those with questions particularly with regard to the broad department and free trade in general might want to direct those questions early on. If you have questions about the global commerce strategy or EDC or the department generally, those could be earlier questions. As other colleagues of Mr. Plunkett arrive, we'll have further witnesses appear to help with any questions you might have. They will be arriving at around 10 o'clock. But I'm sure that those present can handle most of the questions we have today, so let's try that.

We'll start out with Mr. Brison.

Hon. Scott Brison (Kings—Hants, Lib.): Thank you, Mr. Chair.

Thanks to our officials for joining us this morning.

Last weekend at the Davos conference, Pascal Lamy from the WTO said that 80% of the contentious issues in the Doha Round have largely been addressed. Among the 20% still holding things up are agricultural subsidies. How are we doing in terms of defending our supply management program at the Doha Round? That of course is of great concern to all of us. We recognize the success of supply management within Canada to protect our agricultural interests and to ensure that our producers receive an adequate price for what they produce, but how is it going in terms of the Doha Round and defending it internationally?

Mr. David Plunkett: This is outside my personal remit, but from discussions with our colleagues who are involved with the WTO negotiations, in particular our agricultural chief negotiator, my understanding is that they are very confident that they are doing a very good job in defending our supply management process.

Hon. Scott Brison: Thank you.

On the “buy American” provisions that are part of the stimulus package in the U.S., since Canada is not a signatory to the WTO clause on sub-national government protectionism, what does that mean in terms of our capacity to defend ourselves against state-level protectionism as compared with those countries that are protected, or who have signed on to that clause?

Mr. Ken Sunquist: There might be several of us who get a chance to comment on this one.

Clearly, both on the U.S. state level and on the Canadian provincial level, the whole idea of sub-nationals has been fraught with problems for some time. That said, we are making very strong representations at the Washington level, which covers the national buy America. As well, our 22 consulates and consuls general across the U.S. are actively engaged in advocacy issues.

We're just using the facts: for 38 states in the United States, their number one trading partner is Canada, so any move backwards, any kinds of restrictions at the state level in the U.S., will harm the U.S. to an extent, as well as Canadian interests. So there is a very strong public advocacy. There is a very strong political advocacy program in place, using our network across the country.

I think the point to be made here is that for 38 U.S. states, Canada is their number one trading partner. It has huge implications for them.

● (0940)

Hon. Scott Brison: Are we going to have time to come back in a future round to EFTA, Mr. Chair?

The Chair: Go ahead.

Hon. Scott Brison: I want to because the industry people are joining us, and there are some industry-related questions.

The Chair: Do you mean today?

Hon. Scott Brison: Yes, there are Department of Industry people coming.

The Chair: I think if we move along we can. I want to have a first round of seven minutes for everybody, and then if we can get through the whole round, we'll see.

Hon. Scott Brison: I'd like to share my questions with my colleagues and then come back to some EFTA-specific questions.

The Chair: All right, we'll have to just play it by ear today because of the difficulty.

Hon. Scott Brison: Because of the format, we're doing some EFTA here, but we need the industry people, so I'm asking for clarification. Will we be able to do EFTA in a future round?

Mr. Peter Julian (Burnaby—New Westminster, NDP): Point of order.

The Chair: Mr. Julian.

Mr. Peter Julian: I think we should have stayed with the original format. I agree with Mr. Brison that we have one round on general issues and then have a second presentation on EFTA. It's getting very confusing. We're actually dealing with two different subject areas at the same time.

The Chair: That's fair enough, if you want to go that way. I just hope we can get through it. That's the only problem.

Mr. John Cannis: Do I have seven minutes, Mr. Chair?

The Chair: No, you probably have three minutes.

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

Welcome, everybody, to the committee. I certainly look forward to serving again on this committee, which I enjoyed very much in the past.

I'll go directly to my questions. Can you remember this from some time ago under Minister Peterson, when we did the review on emerging markets? We talked about how we needed to be more competitive out there in order for Canada to be more competitive and to sell its goods, services, and technology. We needed not only to have the right kinds of people in terms of trade commissioners, which we referred to in here, but also to give them the tools and the means and the ways and the time. One of the recommendations at that time concerned their tenure, their period of service in a said country. It was recommended to go beyond the normal. I don't know if that has been implemented, or if there are any efforts leading toward that, or if moneys have been put toward that, because as the saying goes, you have to spend a dollar to make a dollar—and properly equipping these offices or these people requires financial support. Can you just briefly touch upon that for us?

Mr. Ken Sunquist: I have a very quick comment. Thank you.

That gets to the heart of the “rotationality” of our officers abroad. Generally speaking, we have been focusing on geting people to extend a little bit longer, so that in what I would call the A markets—the U.S., Japan, and western Europe—we're looking at a normal tenure of about four years. It was never really less than four years, but in some hardship postings it was as low as two. The business community told us that was just unreasonable, so now we're in a normal process of extending to at least three years or even longer. It's because we've changed our foreign service directives to financially help the people to look at doing these kinds of things. Our last two officers in Nigeria have both extended, for three years and four years. I don't have the figures in front of me, but I think, anecdotally, I'd say that the average length of postings has been extended greatly on the trade side.

Mr. John Cannis: That's good to hear. I think that's what you refer to when you say that you have also “rebranded the Trade Commissioner Service to better promote...”. Is that part of this rebranding?

Mr. Stewart Beck: I have spent two years of my life doing human resources. One of the challenges we have is that every year we move 700 people between the trade and the foreign affairs sides. You have to understand how that process works. One of the changes we made, to support what Ken has said, is that it used to be that in difficult posts people would go for two years with an option to opt for the third year. Now we have people who sign up for three years, with the option to opt out after two years. It's a different mindset, and we're now seeing people actually extending for a fourth year, which is what we would like to have.

In a globalized world, the companies we're working with, because of global value chains and the reality of how to do business today, are becoming much more focused on certain specific niches. When we talk about rebranding, the whole idea of what we're trying to achieve is to be able to build that type of competency in our people. We don't necessarily have people who understand a particular sector, but they understand a particular market, so having more competency in that market is to our advantage, and that's how we try to brand that.

● (0945)

Mr. John Cannis: Thank you.

Thank you, Mr. Chairman.

The Chair: Thank you, Mr. Cannis.

Monsieur Cardin, seven minutes.

[*Translation*]

Mr. Serge Cardin (Sherbrooke, BQ): Good morning, gentlemen.

We are currently experiencing a major crisis when it comes to international trade. Without the capital being invested through special initiatives, the situation would probably be disastrous. Indeed, you referred to protectionist measures that were immediately brought in in similar situations. The fact that most countries are doing this is pretty much a natural reaction. People want to protect themselves, but at the same time, we are talking about increasing our market access and investing more and more abroad.

You seem to be saying that the WTO remains our preferred forum for discussing market access. At the same time, one very much has the sense that Canada is engaged in an almost frantic race to sign bilateral agreements. Mr. Plunkett's comments about maintaining supply management suggest that you would like to see the Doha Round come to a conclusion as quickly as possible.

Would you say that, if supply management were to become an obstacle to concluding the round, you would be prepared to suggest that the government drop that demand?

Mr. Ken Sunquist: Thank you for your question. I believe everyone here has partly answered it.

[*English*]

First of all, from our perspective, I think, the supply management is not on the table. Instructions from us, from our political level and from a bureaucratic level, are very, very clear. Supply management is something that we, as Canadians and as trade officials, hold dear. We're not discussing that one.

On the WTO, you are correct: that is a preferred means for trade liberalization. We have put all of our focus on the WTO, but when you look at many of our competitors over the last few years, you see that they have signed a number of bilateral or regional agreements. In fact, we're now at a stage of being behind the competition in some ways, so we are in a very aggressive mode on bilateral agreements. It's not just FTAs. It's foreign investment protection, air services, or whatever tool will make the difference in a particular market. In some markets, it might be an FTA. In some, it might be science and technology agreements. In some, it might be air negotiations.

The difference now is that instead of doing a broad brush across the world, we're trying to ask what it is we need to do in Panama or in Mexico or in the EFTA countries and then pick the tool. That might be the best way of replying to that. I'm not sure.

David?

Mr. David Plunkett: The only thing I would add is that we do not consider it problematic to run both a multilateral and bilateral regional track simultaneously. This is nothing new.

During the previous round of trade negotiations, the so-called Uruguay Round, we were engaged with the negotiation of the original Canada-United States Free Trade Agreement, which ultimately turned into the NAFTA.

We see these as complementary exercises. In the bilateral and the regional context, for example, we will try to go further or faster than you might be able to in a multilateral context, where there are 150 countries of varying degrees of development. We also recognize that there are certain issues—and agricultural subsidies is a good example of this—which are, in all likelihood, only resolvable in a multilateral context, because if you disarm yourself on a bilateral front, in effect, it could play against you in a broader picture.

If you look through our bilateral and regional agreements, the EFTA being one example, you'll see that there are instances where both parties agree that the existing WTO provisions will be the guide in certain areas, because both parties agree, for whatever reason, that it's good enough and we're not going to get any further on a bilateral basis. To us, the fact that we're running both tracks is not an inconsistent approach.

● (0950)

[*Translation*]

Mr. Serge Cardin: Mr. Chairman, I have a number of questions, but I also want to leave some time for my colleague to ask his question. I hope I will get another chance.

[*English*]

The Chair: You have about two minutes.

[*Translation*]

Mr. Claude Guimond (Rimouski-Neigette—Témiscouata—Les Basques, BQ): Good morning, gentlemen.

I live in Rimouski. I am a new member of Parliament and a new member of this Committee. To get to Ottawa, I drove for seven hours yesterday. I had time to listen to a lot of radio. I heard a report about Barack Obama's desire to change the world and to make significant investments in science and technology. Parallels were drawn to Canada. Some people were saying that they are concerned that Canada may not be in a position to follow the lead of the United States with respect to science and technology. They suggested there is a big difference between the two countries.

Earlier, you spent quite a lot of time talking about science and technology. However, the budget tabled a few weeks ago proposed very little in the way of new investments in science and technology.

What is the government's position on investments in this area?

Mr. Stewart Beck: Thank you very much. That is a very interesting question.

[*English*]

We have been investing in science and technology for a number of years. Quite frankly, if you take a look at how our R and D system is viewed globally, people look at it much as they look at our banking system now and say we've done some things right. We've invested heavily in research and development infrastructure. We've invested in research and development chairs. We've gone from a situation in the 1990s in which we had a brain drain to a situation now in which we're attracting some of the best and the brightest to Canada.

Our base and fundamental position is very strong. What the U.S. will be investing in that type of R and D infrastructure through the Obama administration is really quite remarkable, and it will be hard for almost anybody to match that. So we have to be careful, and we have to use what we've been building and what we have built over the last ten years to our advantage. That's why, in my statement, I was referring to some of the programs that we're putting in place, which will allow us access to other international partners.

From a Canadian perspective, we produce 4% of the global R and D, so 96% of it is residing outside our country. How we can make those connections will be very important. We have those tools, and we're building on those tools. It would always be nice to have more money, but quite frankly the focus now is on the short term, and we will be looking at ways in which we can use our network to build into the future.

The Chair: Thank you, Mr. Cardin and Mr. Guimond.

Mr. Julian.

Mr. Peter Julian: Thank you, Mr. Chair. Thanks to our witnesses.

I'd like to start with the issue of the “buy American” provisions in the Senate bill. We know the Senate bill will pass today. Closure yesterday was voted on by a majority of over 60 U.S. senators. The House of Representatives bill very clearly has the “buy American” provisions in it. The conference is very clearly going to include the “buy American” provisions. President Obama indicated on Thursday he wants to sign off on it. Very clearly the government strategy has failed to appeal to Bush administration rhetoric.

My question on that—and I'm going to get my four questions out and ask you to answer each of them in turn—is what has the department prepared as a contingency plan? What type of structure has it put in place for a sectoral agreement in iron and steel, a managed trade agreement? We know we purchase more steel from the U.S. than we sell to them. The strategy all along should have been acknowledging why President Obama was elected, and that was to portray massive trade reform, rather than making appeals to old rhetoric, and move forward in a way that's contingent with how the U.S. population spoke. What is plan B on that issue?

The second question is around NAFTA. Unfortunately, Mr. Sunquist, I'll have to disagree and most Canadians will disagree when you talk about prosperity, because most Canadians are earning less now than they were in 1988, prior to the implementation of NAFTA. President Obama was elected on that mandate of trade reform. President Calderon has also said that because of the massive pressure in rural Mexico he is now willing to look at NAFTA renegotiation. What plans have the department put into place for what seems to be a real thrust from our two NAFTA partners to reform NAFTA on more of a fair-trade model, with social, environmental, and labour protections?

The third question is product promotion and publicity worldwide. What budget has Canada allocated to our direct product promotion and direct product publicity?

My fourth question is because you referenced Canada-Colombia. In the last six months I'd like to know if the department has been tracking the number of trade unionists and civil rights and human rights activists who have been murdered by paramilitaries connected to the Colombian regime. Do you track that, and if so, how? Can you tell me how many people have been murdered by paramilitaries connected with the regime we want to sign a trade agreement with?

Those are my four questions. Thank you.

● (0955)

The Chair: I would like to say we have four questions and we have four minutes for all four answers. I'll leave it to you to pick and choose or to try to do one minute a question.

Mr. Ken Sunquist: Rapid fire and then we can come back.

These are not lobbed questions you ask. Not all in the same sequence but going backwards, yes, we look at human rights violations globally. We do look at them. But do we segregate trade unionists, NGOs? I don't believe I've ever seen it. I will check on that one and get back to you, but I don't think that's one we've tracked.

On the product promotion publicity in terms of dollars, I don't have that. We will get back to you on that one too. I don't think we have a budget item, a line item that really talks about that.

Maybe, Stewart, just on that one quickly....

Mr. Stewart Beck: To bring some precision to the question, are you talking about in terms of branding money to promote Canada as an investment destination, or are you talking about when you say products promotion publicity?

Mr. Peter Julian: I'm talking specifically about resources that are devoted to our exports abroad—so Canadian export product promotion, product publicity.

Mr. Stewart Beck: Okay.

Mr. Peter Julian: Do you have any idea?

Mr. Ken Sunquist: Our budget for the total commerce is about $180 million. That would all be around that promotion publicity, so I would have to take it back from there a long way. That's why I'll have to segregate it for you.

Going back to that one question on tracking NGOs, if you look at where we're looking for free trade agreements and using your example of Colombia, we have a very large development program focused on peace and security programming activities. We have global peace and security funds. We have CIDA funds. We have many different issues to try to promote both prosperity and human rights.

Back to “buy American”, Minister Day and Ambassador Wilson are both actively engaged in this. You're correct, the conference between the House and the Senate now has to happen. We're taking a look at the results, what it's going to look like when it's signed by the President and what the impacts will be sector by sector, if any. In some areas we're not sure there will be a large impact. In others I think Ambassador Wilson and Minister Day have been at the forefront of fighting for Canadian issues here.

All of these deserve a lot more.

Mr. Peter Julian: Just on that, Mr. Sunquist, so there is a working group within the department now that is looking at negotiating a managed trade or a sectoral trade strategy around iron and steel?

Mr. Ken Sunquist: No. What we have is we're continuing to press hard for as free and open a market as we can have.

● (1000)

Mr. Peter Julian: So you're saying there is no plan B. This worries me. Plan A fails and there's no plan B in place?

Mr. Ken Sunquist: There are plan Bs in the sense that from current ministers and previous ministers there are very strong reactions to what happens in certain hypothetical eventualities. That would be a fair comment.

Is there a working group looking at if you fail on this particular one...?

Mr. Peter Julian: Well, we failed, that's a given. We signed off on it.

Mr. Ken Sunquist: Well, I'm not sure that it's a given.

Mr. Peter Julian: Do I have another minute?

The Chair: You have another seven seconds.

Mr. Peter Julian: Okay, thank you.

Just on EFTA, very quickly, has economic assessment on the shipbuilding industry been done?

Mr. David Plunkett: We spent an enormous amount of time over the last decade consulting with the industry to make sure that we had a full sense of what the impact could be for reducing tariffs. We sat down with individual companies, we sat down with associations, we sat down with stakeholders representing the full range of interests to get a hands-on assessment of what the impact is going to be. If what you're asking is whether we did an economic model, filled in forms, the answer is no.

The Chair: Okay, we're going to leave it at that for now.

I notice we're being joined by several of your colleagues. Maybe I'll just take one minute to explain what our difficulty today was.

We had normally scheduled to have all our witnesses speak at once. There seemed to be some confusion here today. I think we have covered off earlier comments, so for those of you who have just come in, we have just moved to questions so that everybody can get questions on. I asked our members, generally, to have the first round of questioning more directed to the broader department, and as we proceed after ten o'clock now, that we might focus more on EFTA, which is not to restrict anybody. We haven't even finished the first round yet.

With that, we're going to proceed with questioning. This is the last of the seven-minute round, and we're going to start with Mr. Allison.

You're going to share your time, I take it, with—

Mr. Dean Allison (Niagara West—Glanbrook, CPC): Mr. Cannan, yes.

The Chair: You have seven minutes.

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

I thank the witnesses for being here.

My thoughts are on some of the comments you made, Mr. Beck, about R and D, in terms of taking it to market. I love to see a study that says that. I think it's a tremendous opportunity, as Canadians, getting the technology to market and commercializing it. I think we miss out on that.

We could spend all day just talking about this issue. Talk to us a bit about some of the challenges we have, as Canadians, in the ability to commercialize. Once again, I understand the high levels of R and D. It seems to me that foreign companies, maybe through partnerships, are taking better advantage of what our research produces than we are in Canadian companies. So my question revolves around whether it is a question of capital, meaning we just don't have enough venture capital available. Certainly we have private equity firms. Is the cost of capital, once again, too great to get the ideas to market? Is it an awareness issue?

It's great to see that we're partnering with other companies in joint ventures, other countries. And as I said, again, I think this would be a great topic for this committee to study as a whole—and I'll make a recommendation that we do—because there's so much potential there that we're missing out on. And once again, in the three and a half minutes, how do you cover all these things off?

What are some of the things we can do as Canadian companies to be more aware? Is it capital? What are those things that you see as drivers in order to help us commercialize all the great R and D work we do in this country?

Mr. Stewart Beck: This is pretty close to my heart; I work on this quite a bit.

It's an ecosystem. If you unpack it there are different dimensions in the ecosystem, and part of it is cultural. I hate to say this, in a way, but part of it is how we have grown up, how we've approached the academic environment. We are number one in the OECD in publicly funded R and D because we spend a lot of money in the university environment. We have some very good academics who work there. It's not part of their natural inclination to take their products to market. It's not driven in that way.

I spent the first four years of my career in Silicon Valley, and you see a completely different culture and approach to risk and technology. University professors at Stanford, Berkeley, and places like that think of doing the research, but they also think about how to commercialize it and make money from it. So part of that is culture. You have to unpack that. It changes with time. It changes with the type of people. It changes with the education system, with business schools. There are a variety of things involved.

The second area that is really important in a research and development space is money, as we know. Venture capital in Canada has essentially disappeared. A real issue we have to face, as an economy, is how we bring money into that particular space. Private venture capital is really struggling.

There are ways we've been looking at doing this. We're looking at ways we can encourage more venture capital from outside the country to support the companies, whether that is the U.S. or European or Asian foreign venture capital.

At the end of the day—and again, it's the nature of our country—there is value in clusters. If you take a look at Toronto and the hospital system there, we're getting some wonderful technology coming out of that. There is wonderful technology in Montreal, in the digital media space, because of the cluster advantage. It is the same thing in Vancouver. We have those clusters. We have to be able to connect them better. As part of what we do from the investment attraction perspective, we have to be able to say what's happening in Canada, why it's happening, and to support that cluster. Because it's not just the university ecosystem; it's the private sector ecosystem as well as the support system that goes with it. These are the types of things we are trying to look at.

To follow up on Mr. Guimond's question, it is how we connect internationally. We cannot do it alone in this environment today. You have to develop those partnerships globally to build those products. You can't take something from the workbench to a finished product to the market now. One company can't do that by itself. They have to be able to connect to the larger ecosystem.

● (1005)

Mr. Dean Allison: Thanks. There's a lot more, but we're out of time.

The Chair: Go ahead, Ron.

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

Thanks to our officials.

I want to follow up, Mr. Beck. If we have any constituents, local manufacturers, who want to expand outside of Canada, what's the best way they can tap into your department's knowledge and expertise?

Mr. Stewart Beck: If it's a constituent, the first place to start would be our regional office. As Ken mentioned, we have 17 regional offices across the country. They're a conduit into our network. Again, it would be a question of working with them and deciding the best market to go to, depending on their product.

As an example, in the automotive industry, tool and die makers are an important part of that ecosystem. It's good for tool and die makers to take a look at diversifying into other industries. We've been working with some of them, and a logical place is the aerospace industry. Mexico would a place for them to not only capitalize on an automotive opportunity but also on an aerospace opportunity. You really have to work with the company.

We encourage them to work with our regional office first, because that's how you connect to the international network abroad.

Mr. Ron Cannan: Great.

Mr. Sunquist, you commented in your opening comments about how other countries are busy negotiating bilateral trade agreements and that EFTA is the first trade agreement countries have basically signed in a decade.

We are a trading nation. We're known as a free and fair trading nation. From your perspective, is this a factor for other potential trading partners considering entering into negotiations with Canada? Do you think other countries still believe we are serious about doing business?

Mr. Ken Sunquist: David and I could answer that very quickly, and the answer would be yes, and yes, in the sense that I hate the old stereotype, but we punch above our weight in many things. Canada and Canadian companies are extremely active internationally for the simple reason that for most companies the market here is too small to allow them to reach their full potential.

Let me use an example. Two years ago our posts around the world would say oil and gas was a sector—whether it was Indonesia, whether it was India, or wherever—but nobody from Alberta wanted to do any work internationally because they were busy 120% of the time with what was there. If you look today, our two regional offices in Edmonton and Calgary are incredibly busy helping Canadian companies do work, whether it's in Oklahoma, Indonesia, or wherever. So in fact we have Canadian companies that have technology, they have management skills, they have products, they have services, and they're really active out there.

In return, we need to make sure that we have the market access for them, which is where David's group is working. We have to have the tools to help them get out there, which is Stewart's group. And we have to have that network of people who bring the opportunities home to companies.

So Canadian companies are serious overseas, and I think Canada is seen as a serious competitor in most places around the world.

● (1010)

Mr. Ron Cannan: Thank you very much.

The Chair: Thanks, Mr. Cannan.

That completes our first round. I understand that Mr. Beck and Mr. Sunquist have to move on. You're welcome to stay, of course, but I think we're probably going to shift gears.

Mr. Brison.

Hon. Scott Brison: I think some members of the committee still have some general questions, because we're kind of mixing this up.

The Chair: Yes, we are.

Hon. Scott Brison: I know my colleague Mr. Silva has a general question.

The Chair: Mr. Sunquist has indicated that he is prepared to stay. I know Mr. Beck has to move on.

If you're prepared to stay, we'll continue as we are. We're going to move to five-minute rounds and begin with Mr. Silva.

Mr. Mario Silva (Davenport, Lib.): Thank you very much, Mr. Chair.

Thank you very much for being here and for your fine presentations. We very much appreciate the work that has been done by trade commissions, which are so vital and important to the success of Canada and to how we position ourselves internationally.

Allow me to ask some general questions.

There was a great emphasis on the BRIC countries, and I just want to know, to that end, what has been done in terms of the work as of late. Have there been additional trade commissioners in those countries? Have you put more emphasis?

I don't see Russia mentioned here, but Mongolia is, which is not part of the BRIC. Anyway, there are new offices that you said you're opening in China, Brazil, and India. How many offices do we have? What has been the increase in growth?

Also, has there been a decline in the last little while in terms of the number of trade commissioner posts? Have there been any offices closed, or have you just been expanding?

Mr. Ken Sunquist: On a constant basis, we're looking at where we should be. So from time to time there may be closures, and from time to time there may be openings.

Using Mongolia as an example, there are 29 Canadian mining companies active there, plus telecommunications, plus airlines, so the time had come and it was announced by Minister Emerson and by the Prime Minister last year that we'd be opening in Mongolia. Minister Day just was in India and has opened two of our new offices there, and we'll be opening a third one shortly. We're just in the process of opening six new trade offices in China.

With the offices in China, instead of being on the coast, because everybody is in Beijing, Shanghai, and Guangzhou, the question is, how do you get to the interior, leapfrogging? So now it's the Wuhans and Chongqings, and the others like that. We're also being innovative in the sense that some of these offices are being opened with only locally engaged staff and not Canadian-based staff, because they have the language, they have the networks, they know the people, yet they work directly for a Canada-based officer out of another post.

So we're trying different models to see what works best.

Mr. Mario Silva: And in Brazil?

Mr. Ken Sunquist: In Brazil, we're opening two new offices, in Recife and Pôrto Alegre. In Mexico, we're opening a couple of new offices.

But we're also adding people. For instance, in Panama we didn't have a resident trade officer, but as you start to move down the path of air negotiations, free trade agreements, or whatever, it's obvious that Panama is playing a different role. So in fact this summer we put our first Canada-based trade officer into Panama.

At the same time, we take a look at where markets are contracting or stalled. Do we need as many people in that market as we used to have?

On a yearly basis, we do reallocation among posts, but generally speaking, with the global commerce strategy, we have $50 million a year, roughly, and that's turned into a number of officers abroad. We have increased numbers on the trade side.

● (1015)

Mr. Mario Silva: There seems to be a lot more focus on investment, as opposed to traditional export businesses. Is that because of the growth of the mining industries as well?

Mr. Ken Sunquist: We obviously measure what we're doing and who we're doing it for. About 60% of our total staff time is spent on traditional trade or exports, because small and medium-sized companies are our clientele and that's what a lot of them are doing. At the same time, the growth has been on two-way investment—trying to attract investment into Canada, but also helping Canadian companies that have problems or need assistance as they are doing outward investment for various reasons. A mine is a great example. You have to be there, so you have to invest in it for those who don't have access to it.

But even on the services side, how do you get into Japan for technology in telecommunications? You need an office there. I wouldn't say we've completely pulled out of one line of business and gone into another; we do what's needed in that market.

The Chair: Mr. Brison.

Hon. Scott Brison: I will just refocus on EFTA and shipbuilding. They are actually related to the industry department, but I'm certain that you've looked at them.

I'm hearing from the shipbuilding industry that they're looking for a refinancing and a change in the rules around the structured finance facility, and accelerated capital cost allowance to let domestic buyers qualify for both simultaneously, and a more vigorous government procurement program around defence, coast guard, and other government departments acquiring vessels.

Have you looked at these in terms of their being trade-action-proof, and would they all be fine in terms of EFTA and other trade agreements? Have you discussed with your industry colleagues the importance of these in achieving support from the shipbuilding industry to move forward with EFTA?

Mr. David Plunkett: Your question is focused more on the remit of Industry Canada. We had hoped to have somebody here with us, but I learned a couple of minutes ago that they are not going to be here with us. We will do what we can, but we may have to pass on this and get back to you.

Let me assure you that in the course of the negotiations, particularly since I first took on the job in the fall of 2006, we worked very closely with Industry Canada. When we were consulting throughout the process, we worked very closely with them. When we held large sessions with various industries we had Industry Canada representatives involved. I can assure you that we and Industry Canada representatives were fully aware of the industry's issues and concerns as this process was unfolding.

Let me ask Marvin to dive a bit deeper into this as best as he can, given that this is outside our departmental remit.

The Chair: Before you go ahead, let me introduce Marvin Hildebrand, director of bilateral market access.

Mr. Marvin Hildebrand (Director, Bilateral Market Access, Department of Foreign Affairs and International Trade): Thank you, Mr. Chairman.

With respect to the structured financing facility, many of you will be aware that this policy was renewed in June 2007 for a three-year period, with a funding level of $50 million, so that is part of the government's approach to the shipbuilding industry at this time.

The question of combining capital cost allowance with the other element of the structured financing facility has been raised on different occasions by various groups or individuals. To the extent that it involves tax measures, this would fall within the purview of the Department of Finance. So between the Department of Industry and the Department of Finance, we as officials from DFAIT would not be directly involved, but certainly they would be well aware of the interest in doing that.

Also back in 2007 the government announced more than $8 billion in procurement initiatives of ships that will be built in Canada by Canadian shipyards. Certainly the agreement under discussion here this morning, the Canada-EFTA FTA, does not affect in any way the government's ability to pursue its procurement program.

As David mentioned, and you may have already touched on some of these, the agreement itself provides unprecedented provisions in terms of the shipbuilding industry, or the ship industry in terms of the phase-out period for tariffs. As was mentioned, these were negotiated after extremely close and extensive consultations with the industry involving other government departments as well.

Just to be a bit more specific, never in our previous FTA history have we obtained a phase-out period of 15 years for a Canadian industrial product. The longest we had ever obtained in terms of a Canadian phase-out period would have been 10 years. So for the most sensitive products, there's a 15-year phase-out with a three-year bridge period, and for all other sensitive products related to the ship industry, a 10-year phase-out period with a three-year bridge period.

● (1020)

The Chair: Thank you, Mr. Hildebrand.

We're going to move now to Mr. Harris for five minutes.

Mr. Richard Harris (Cariboo—Prince George, CPC): Thank you, Mr. Chairman.

I'm sure there was a question earlier about how much Canada is spending abroad to promote Canadian products. I'm sure the committee, particularly those from forest-dependent provinces, will know that there's about $20 million to $25 million currently spreading the theme that Canadian wood is good, but there's another $50 million, I believe, in the economic action plan in this current budget to promote wood products, new wood innovations, new use of pine-beetle-infested or damaged wood, for example.

I'm thankful the Liberals have indicated they're going to support the economic action plan. We would hope that those who have an interest in the forest industry in the other parties would support it as well, because we'll get that $50 million out around the world telling other countries, other people, that Canadian wood products, Canadian forest innovation, is leading edge. We're going to go a long way to bring the forest industry back to life again.

So that was for the benefit of some of our colleagues here.

I'm interested in a comment, and I guess it was Mr. Beck who talked about investment and about science and technology as a key driver in trade investment. So I'm wondering, from an international trade investment viewpoint, can you give me a specific example in the area of science and technology where the government has made an investment? And what kind of investment specifically was made on even one project, so I would have an understanding of how the government would spend money investing in science and technology, for example?

● (1025)

Mr. Stewart Beck: I think the point was more that science and technology is an attractor of investment. We gave examples, and I talked earlier about having clusters in a knowledge-based industry. So if we're talking pharmaceuticals, for example, we can market the cluster arrangements we have in places like Montreal, Toronto, and Vancouver to companies because we have the talent, the educational infrastructure, and the physical labs and infrastructure. CFI has put money into different things. So we use that as a way to attract the big pharma companies in Switzerland or Germany, or even small companies, to set up operations in Canada. As part of our marketing program, we invest some of our marketing money in promoting the science and technology attributes we have here in Canada.

Mr. Richard Harris: The investment then is in the marketing and promotion of Canadian science and technology from your department's perspective.

Mr. Stewart Beck: Yes, because the actual investment in the infrastructure is being done by different organizations that have been fed through the science and technology strategy, for example. So CFI is investing in R and D infrastructure. Genome Canada is investing in the life sciences sector—proteomics, and genomics. Sustainable Development Technology Canada is investing money in clean technology and sustainable development technology.

So lots of money has been invested by the government in specific areas. It's our job to promote that so multinationals or companies in other countries realize we have that type of capacity in Canada. It makes it easier for us to do that from an attractive perspective.

Mr. Richard Harris: Thank you very much.

I'll share my time with Mr. Holden.

The Chair: I think you have a minute and a half.

Mr. Ed Holder (London West, CPC): Thank you very much.

This question is to Mr. Beck. I was struck by your comments. You said that Honda Canada invested more in research in Canada than Canadian firms do. In my city of London, Ontario—the tenth-largest city in Canada, for those who don't know—our University of Western Ontario is very big into research and development.

Your comment that we ranked out of the top 15 in taking ideas to market concerns me. I'd like to know what our ranking is, please, and what's our plan to move up in the rankings?

Mr. Stewart Beck: I believe we're number 16.

Mr. Ed Holder: Okay.

Mr. Stewart Beck: That's in the OECD.

In the types of programs I described with India and China, we have money allocated that allows us to connect. Just to give you an example of a typical project, two research institutions in Montreal, with Pratt & Whitney, together with a research institution in India, are developing biofuels for the next generation engine for regional aircraft. This allows a more focused commercialization of R and D that's being done at the university level. It tries to direct our researchers to work with companies so that we get a product at the end of the pipeline. In this case, and I talked about the leverage, we put the seed money in—because it's a competition, people know the money is there—and we leverage that with other organizations. Pratt & Whitney will put money into that arrangement.

The Quebec government may be putting money into that arrangement as well, because they have money that's associated with India. They can't do it directly with India because of the nature of the relationship. The Indian government prefers to work binational; they don't work with sub-national governments. So both Ontario and Quebec—and Alberta, for that matter—have money in the India program, and that helps us leverage up these projects. You end up with international research working on a specific product that will come out to the benefit of a Canadian company.

● (1030)

Mr. Ed Holder: Thank you, Mr. Chair.

The Chair: Thank you, Mr. Holder.

We're going to move now to Mr. Guimond. Oh, unless you want to begin, Monsieur Cardin.

[*Translation*]

Mr. Serge Cardin: That is what we were intending to do.

[*English*]

The Chair: Just start.

[*Translation*]

Mr. Serge Cardin: Thank you, Mr. Chairman. I will be brief, in order to leave some time for my colleague.

You have a significant number of trade commissioners in various parts of the world. The figure you gave was 700, if I am not mistaken. You say that you want to focus on the multilateral track, but at the same time you are engaged in a frantic race on the bilateral track. Other than the United States, which has just brought in a new political order, what is the state of our trade with countries with which we do not currently have an agreement, as well as with those we do have an agreement with?

What is the status of negotiations with the European Union, which could lead to a free trade agreement?

With respect to the shipbuilding industry, it is a fact that Norway has received a lot of subsidies. We also know that the 15-year period may be a precedent, but it might also have been a precedent to completely exclude the shipbuilding industry.

What plans does Industry Canada have to make the shipbuilding industry competitive, not including procurement?

[*English*]

Mr. Ken Sunquist: I think Mr. Plunkett will answer this one in his role as the lead negotiator on EFTA and on Canada-EU.

Mr. David Plunkett: Just to deal with the first question, as of right now we have FTAs in force with the U.S. and Mexico through NAFTA, and with Israel, Chile, and Costa Rica. We have concluded the EFTA, Peru, Colombia, and Jordan, so there are another four that gradually will work their way to this committee and into Parliament.

We have ongoing negotiations with Korea, with Panama, with the Dominican Republic, with the Caribbean community—the so-called CARICOM, with Singapore, and with the Central American four, which are Guatemala, Honduras, Nicaragua, and El Salvador. I'll come back to the EU, which has 27 member states.

[*Translation*]

Mr. Serge Cardin: I was not asking about negotiations with all of these countries. Instead, I am interested in knowing to what extent we currently trade with the countries we have an agreement with, as well as with those with which we do not have an agreement.

Right now, you are using my time to answer my colleague's questions.

[*English*]

Mr. Ken Sunquist: I think we certainly owe you a response. Through the clerk, we'll get back to you with a good breakdown of that. But if you take the U.S., depending on the year, it's somewhere between 75% and 80%. Since we have a free trade agreement there, it's a very small percentage elsewhere.

But let us get back to you, because I think that's a good question, and one that we have not—

[*Translation*]

Mr. Serge Cardin: I did not include the United States.

Mr. Ken Sunquist: Yes.

Mr. Serge Cardin: I basically only talked about the European Union and the shipbuilding industry.

[*English*]

Mr. David Plunkett: The other thing to keep in mind, which was touched upon by both Ken and Stewart, is that when you talk about agreements, you have to remember that we also have other agreements in place, such as on foreign investment protection, science and technology, and the air negotiations. So if you're talking about agreements, there is a whole range of tools that we use, as was mentioned, to assist Canadian business across the country.

On the EU, if you go back to the Canada-EU summit in October of last year, you will see that the Prime Minister and Mr. Sarkozy and Barroso announced that we would be looking to obtain our mandates to launch negotiations for comprehensive trade negotiations sometime as early as possible in 2009.

Since the summit we have been working with the European Commission on what is referred to as a "scoping exercise", trying to map out the scope, the breadth, and perimeter of what could potentially be negotiated in an agreement, should it be launched. We've made a lot of headway in the last little while, and we are hoping that this part of the process will be concluded shortly.

Ideally, what we would like to see at the next Canada-EU summit is a formal launch of negotiations with the European Union, but there are still a number of steps before that. We first have to conclude the scoping exercise we're involved in, normally referred to as an "exploratory process", which we do with every trading partner. Basically you sit down and try to determine what would be part of a negotiation and what would be excluded. Then once we have a sense of what the lay of the land could be in a negotiation, we will then have to go and seek a formal mandate from cabinet, whereupon the negotiations would proceed.

So we are working our way on a step-by-step basis. This is essentially the same process that we would do with all of our trading partners. We are dealing with the European Union, because they have, as I said earlier, 27 member states. Anything you do with them is usually a bit more complicated than dealing with an individual country.

So it's just a process that's working its way through. But for the moment, we are—

● (1035)

[*Translation*]

Mr. Serge Cardin: Mr. Plunkett, thank you very much. I think I understood your answer.

Is there any time left for my colleague, Mr. Chairman?

[*English*]

The Chair: Sorry.

[*Translation*]

Mr. Serge Cardin: Is there any time remaining for my colleague?

[*English*]

The Chair: Yes, go ahead. A quick one, Monsieur Guimond.

[*Translation*]

Mr. Claude Guimond: Thank you, Mr. Chairman. I would like to put a very practical question to Mr. Beck.

In your presentation, you said that Canadian firms have access to adequate financing. I mentioned earlier that I live in Rimouski, which is a rural area. Where I live, 25 to 30 per cent of the population do not have access to high-speed Internet, including many small- and medium-sized businesses.

Do you have a strategy aiming at providing small businesses everywhere with additional tools—tools as practical as access to high-speed Internet—so that they can get on line and market their products all over the globe?

[*English*]

Mr. Stewart Beck: I understand the importance of having that type of facility, but I don't think it falls within the mandate of our department to work with that. I know our colleagues at Industry Canada have done quite a bit of work in providing high-speed Internet across the country. I don't know what the situation is in Rimouski, unfortunately. Certainly I take your point. It's fundamental in this globalized world to have the types of communication tools that will make a company more competitive.

One of the new programs that's being offered by BDC, the Business Development Bank of Canada, is a market expansion loan. A market expansion loan is offered at very favourable rates and it will help a company expand their business domestically and, ideally, internationally. I would say the restrictions on that loan are quite flexible. I would encourage your constituents to go to the local BDC office and discuss the market expansion loan with them, because that will help them build the capacity they need to do more work domestically and internationally. That's a form of instrument that will be quite supportive to them.

● (1040)

Mr. Ken Sunquist: I'd like to add to that.

You raised a very good question about the geographic and sectoral impacts of SMEs and how they get into the game.

Minister Day has a small and medium-sized enterprise advisory committee. It's completely comprised of companies that are small to medium-sized at best, and it addresses many issues that could be a problem or a restriction. One by one we figure out which ones go to our department, but those that are not necessarily for our department are referred tothe Department of Finance, Industry Canada, other departments, or provincially—we have a very good relationship there too. It's an important aspect; you raised the right issue.

Mr. Stewart Beck: I'll add that the minister's SME advisory board recommended the market expansion loan. They worked on it for a year through EDC and BDC, which resulted in a product that addressed a problem with SMEs. If you take a look, it's almost like a credit card, but at a very reasonable rate for a company.

The Chair: Thank you.

Mr. Keddy.

Mr. Gerald Keddy (South Shore—St. Margaret's, CPC): Thank you, and I welcome our witnesses.

I have a couple of quick questions on EFTA.

I think the discussion about shipbuilding is important. It has certainly been one of the contentious issues in the EFTA agreement. What we seldom hear in the discussion is the fact that for many years Canada had an overcapacity in shipbuilding. Some of that overcapacity is gone now, but that certainly affected the industry. Of course that was compounded by the fact that much of our foreign competition—in particular, Norway—had certainly subsidized their industry.

So I think we need a little bit of an update, because there have been significant changes both in Canada—there's not nearly as much overcapacity as there was ten years ago—and in Norway. I think it's been three or four years now since the Norwegian subsidy system was removed.

That's my first question.

Mr. David Plunkett: Let me give you the information as far as I know it, and if Marvin has anything in addition, he can add it.

During the course of the negotiations and the repeated consultations we had with the industry, the issue of Norwegian subsidies was brought to the table by many players. We used our posts and our colleagues in Industry Canada, and the knowledge and expertise that Marvin's group has, to track this down on more than one occasion. It's our understanding that the Government of Norway indicated that it had eliminated its shipbuilding subsidy programs in 2005, and in 2006 it formally advised the WTO that it had no plans to implement any other programs to fund the domestic production of ships.

Fast forward to more recently: under the WTO there is a trade policy review mechanism whereby, on a regular basis, countries come forward and have the entire WTO membership grill them about various issues that are of relevance. The Norwegians went through this in October of 2008, so just recently. Norway again confirmed that it continues to have no subsidy programs related to marine production and has no plans to reintroduce similar programs. We will continue to monitor this situation as closely as we can, but for the moment my understanding is—and Marvin, if you disagree, chime in—that was the situation as of just a few weeks ago.

Mr. Marvin Hildebrand: The only thing I would add to that statement, which I agree with, is that Norway, aside from whatever internal disciplines it has and whatever WTO-related disciplines apply in this situation, is also a member of the European Economic Area, which includes the EU countries, Norway, Iceland.... They also have disciplines in this area.

One of the citations from Norway's own public accounts documents from some years ago indicated—and this was in the context of the winding down of the subsidies initially in 2003, and then there was a two-year transition program until 2005, which is the date that David referenced in his comments just now—that financial assistance would no longer be permissible under EEA rules. So I just mention that there is that additional layer of discipline that applies to Norway in this context.

● (1045)

Mr. Gerald Keddy: This is more of a comment, I guess, than anything else.

That is combined with the 15-year exemption, diminishing tariffs for Canadian-built vessels, and ten years for others that are less sensitive, and three years of status quo in all reality. We have tried, I think, to accommodate Canadian industry as much as we can within this agreement. And the flip side of that is that with a newer, more modern industry, we have great capacity and should be able to compete, quite frankly, anywhere in the world.

The part of this that we always leave out is that especially in eastern Canada, there are dozens and dozens of shipyards that can produce smaller-tonnage vessels—those under 50 tonnes—and produce them on a regular basis and sell them all around the world. So we do have a small-vessel industry that's very competitive. They sell vessels in Africa. The majority of New England fishing vessels come out of southwestern Nova Scotia. They sell them in South America. They sell them in Iceland. I think that's the other flip side of that, which we shouldn't forget. There's not a one-size-fits-all in the industry.

The other part of the EFTA agreement is the over-quota on dairy. I know you mentioned it, but I think we should be clear that there's been no change in over-quota, that there's still a tariff system in place. Maybe you could just go over how that tariff system works.

Mr. David Plunkett: Do you need to introduce our colleague from Agriculture Canada?

The Chair: I want to get it right the first time. Nathalie Durand is the director of the trade negotiations division at Agriculture and Agri-Food Canada.

Go ahead, Ms. Durand.

Ms. Nathalie Durand (Director, Trade Negotiations Division, Department of Agriculture and Agri-Food): Thank you.

Just to be clear on the current system in place with regard to supply managed products and to give a bit of context, we have what we call tariff rate quotas in existence as a result of our 1995 WTO agreement. We have those tariff rate quotas for a number of our supply managed products. TRQs are basically quantities that are allowed to come into Canada at a low tariff rate. Above that quantity, a higher tariff is applied.

For supply managed products, those tariffs are about 100% to 300% above the quantity that has been negotiated at the WTO. What we have agreed to with the EFTA countries is to go duty free on some supply-managed products within the quota quantity limit. So this is really within access, and of course all of our alliances that are over-access have been excluded from the agreement, which is consistent with our position at the WTO and which is consistent with the position we have taken, as well, in our other FTAs.

● (1050)

Mr. Gerald Keddy: Okay. Thank you.

The Chair: Great. Thank you very much.

Well, that gets us through all the members, but not with as much time as everyone had hoped for, I'm sure. But I do have other business, so I want to wrap up this round.

Go ahead, Mr. Julian.

Mr. Peter Julian: Sorry, Mr. Chair. I don't see anything in our agenda mentioning other business, and I think some of us have additional questions for the witnesses.

The Chair: Well, I'm sorry, but it would be some time before we got to your question in any event, Mr. Julian. I have some motions that need to be brought forward to allow witnesses to come on Thursday. We didn't do that at the last meeting. So if you don't mind, we'll carry on with this. It is just about that hour, and I wanted to give another minute or two to our witnesses, because it's been a bit confused today with the scheduling.

If there was anything you felt was missed, Mr. Sunquist, Mr. Beck, or Mr. Plunkett, particularly if you had any closing comments you wanted to make or any answer you wanted to further elaborate on before we close, I'll give you that minute now.

Mr. Ken Sunquist: Thank you, Mr. Chair.

My closing comment is very simple. We owe, through the clerk, information for Mr. Cardin, Mr. Harris, and Mr. Julian, in particular, and we will get that back to you.

I guess the only comment I'd make is that on “buy American” and its success or failure, the fact is that through Minister Day, through the G-20, the Prime Minister and others, and through the WTO, we're looking at anybody who's backsliding on any of the commitments to keep the world economy open. So through a plethora of fora—G-8, G-20, bilateral—we're very aggressively watching and making representations.

I think if you take a look at how “buy American” started out, where it may end up will be quite different. I think President Obama has made comments to that effect as well. We'll wait to see what the final is, but we'll probably have to go back to you on a few additional questions.

Mr. Chair, maybe that's enough from me on behalf of DFAIT, but perhaps my colleagues would like to say something.

Thank you very much for this opportunity. It really is useful, especially as you do your work program. And we look forward to comments and direction from the committee.

The Chair: Thank you, Mr. Sunquist, and all of our witnesses today. Again, I appreciate your opening remarks, but also the answers you gave our committee members. We very much appreciate your appearance, and I'm sure we'll see you all again.

Thank you. I'll let you go, and I'll move on with committee business. Thank you again.

The one thing that we need to do before we can have witnesses is have the committee adopt the budget for bringing those witnesses to us. I understand that members have submitted lists of potential witnesses to the clerk. The clerk is contacting these people to appear before the committee on Thursday. That will involve, as usual, some expense, I think, and we need to pass the motion to pay those witness expenses.

Mr. Silva, did you have a comment, or are you going to move the motion?

Mr. Mario Silva: No, that's fine. I move adoption.

The Chair: Mr. Silva moves that the committee adopt a budget in the amount of $18,050 for its study of Bill C-2, the Canada-EFTA Free Trade Agreement Implementation Act.

Monsieur Cardin and Monsieur Guimond, did you get that?

Mr. Richard Harris: I second it.

The Chair: It's seconded by Mr. Harris.

Mr. Julian.

Mr. Peter Julian: Mr. Chair, I assume that the provision for witnesses from Vancouver is in regard to the B.C. marine workers.

The Chair: I'd have to ask the clerk.

At this point, it's a general budget. The clerks advise me that they are still in contact and trying to see who can get here for Thursday. They got some of the list as early as Friday and began to make these calls. We'll conclude this in the next couple of days, presumably.

Go ahead.

● (1055)

Mr. Peter Julian: Just on that, Mr. Chair, I believe I wasn't the only one, because I believe Mr. Brison submitted names from Nova Scotia as well, and I don't see any transportation from Nova Scotia. If this is a general budget, we're not limited—

The Chair: We just want to make sure we're not—

Mr. Peter Julian: Okay. So I can assume, then, that the Nova Scotia marine workers and shipbuilders are part of the witness list.

The Chair: Yes. It's safe to assume that any people whose names have been submitted will be contacted by the clerk. We're trying as best we can to get it together for Thursday. That's where we start.

In any event, I have a motion and we have people waiting to use the room.

(Motion agreed to)

The Chair: Fine. It's carried. That will conclude it. We'll see you again here at 9 a.m. on Thursday for a discussion of EFTA.

Sorry. Before we conclude, Mr. Brison.

Hon. Scott Brison: I can submit this in writing later on. Is it required that it be submitted in writing to request that Industry Canada officials appear before committee on Thursday to talk about the shipbuilding provisions? I think we should have a finance department official as well, because the accelerated capital cost allowance is a finance issue.

The Chair: Yes, you have just done it. We require notice and you have just given notice.

Mr. Keddy, are you okay with that?

Mr. Gerald Keddy: Yes. I support it.

The Chair: Fine, then. We will have those people included as well. I think that's a good suggestion. Thank you for that.

With that, the meeting is adjourned.

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

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

Also available on the Parliament of Canada Web Site at the following address:
Aussi disponible sur le site Web du Parlement du Canada à l’adresse suivante :
http://www.parl.gc.ca
