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Chair

Mr. Lee Richardson

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● (0910)

[English]

The Chair (Mr. Lee Richardson (Calgary Centre, CPC)): I now call to order the fourth meeting of this session of the Standing Committee on International Trade for our ongoing review of Bill C-2, an act to implement the free trade agreement between Canada and the states of the European Free Trade Association.

Appearing as witnesses today are Jean-Michel Laurin, vice-president, global business policy, Canadian Manufacturers and Exporters; David Stewart-Patterson, the executive vice-president of the Canadian Council of Chief Executives; and Sam Boutziouvis, vice-president, economics and international trade, at the Canadian Council of Chief Executives.

We have been here before. I think everybody knows the procedure. We're going to ask Jean-Michel Laurin to begin with an opening statement of five to ten minutes, followed by Mr. Patterson, after which we will go to rounds of questions. I'll begin first with a seven-minute round by Mr. Cannis and then we'll proceed around the table for the first round. Seeing that we have a little bit of business towards the end of the meeting, I'm going to suggest that we try to wrap up by about 10:45.

If that's all in order, then I'm going to ask Monsieur Laurin to proceed.

Mr. Jean-Michel Laurin (Vice-President, Global Business Policy, Canadian Manufacturers & Exporters): Thank you, Mr. Chair. *Bon matin, tout le monde.*

As the chair indicated, my name is Jean-Michel Laurin. I am with the Canadian Manufacturers and Exporters Association. I thought I would just give you a little bit of background today in terms of the business context that manufacturers are facing these days, but also some of the business opportunities we see out there and in which this proposed free trade agreement fits.

As you know, the manufacturing and exporting sector is a significant part of our economy. You know that 16% of GDP is directly accounted for by the manufacturing sector. When you take exports into account, it's more than one-fifth of our economy that depends on our ability to trade across the world. Manufacturing is a big business in Canada, with over \$600 billion in sales last year and more than \$400 billion in export sales. So it's an export-driven sector. It has almost two million jobs, so it still employs a fairly large number of Canadians. These are the innovative companies. More than 75% of our private sector research and development in Canada is done by manufacturing companies. So in a large part the

innovation that drives our economy originates from the manufacturing sector.

We've heard a lot in the media and in the House of Commons about the challenges that manufacturers are facing these days. It seems that we've had bad news after bad news over the last couple of weeks, whether it was the announcement just yesterday about retail sales plunging in Canada, or the previous week that Canada was in a trade deficit last December for the first time in I don't know how long. We heard as well about significant job losses in December, with 5% of manufacturing jobs shed in December, in large part due to the downturn in the market. So the challenges are there. When you talk to companies that are managing manufacturing companies these days or are doing business outside of Canada, you hear them talk about how difficult it is to manage a business when there's so much uncertainty in the market, when there's so much volatility, whether it's with currency markets or commodity markets and energy prices. There's a lot of over-capacity in the market right now for industrial goods, so I think people are concerned right now. Everybody wants to know when the market will rebound and especially when we will see a rebound in industrial goods in the United States.

One of the key issues that our members have been facing lately is access to credit. I'm sure that you've heard some of our positions leading up to the federal budget. We hope that some of the measures that are in the budget bill will be approved very soon. I think there are some significant opportunities in markets right now, but we want to make sure that our farms and our companies are in a good position to take advantage of them.

On the challenges, we'll be releasing a survey tomorrow that we did of manufacturers and exporters across Canada. One of the questions we asked them was do you expect new orders in the next three months to increase, to decrease, or to stay the same? We're quite concerned with the results. Although 18% of companies are saying they're expecting orders to increase, which is good, 27% think orders are going to stay the same, and the rest, or 56%, expect a downturn. What's even more of a concern is that 15% of companies are expecting a downturn of more than 20% in sales over the coming three months, despite the fact that sales already declined quite significantly over the last three months. So if you're looking at what's ahead in the next couple of months, I think we're going to see more job losses, more bad trade numbers, more bad news originating from the manufacturing sector, just because the demand isn't there any more for a lot of our industrial products.

Obviously, we're hoping that the stimulus package in the U.S. and the federal budget here in Canada will jump-start the economy and help us to regain some of that market. On the other hand, I think credit is the key issue, especially for Canadian companies right now, in light of the opportunities that we see in markets here in Canada, but also around the world. That's what I hope we're going to be spending more time talking about today.

[Translation]

Canadian businesses can now pursue business opportunities in the countries named in this free trade agreement. Currently, businesses are having to abandon market shares to competition, as some of these businesses have been more weakened by the economic situation. Many businesses believe that today's market is conducive to takeovers. In the last six years that I have been working for the association, I have never seen so many manufacturing businesses so eager to develop new export markets. It's unbelievable the number of calls we are receiving. People are seeking information and are willing to invest even if they do not have money now. Everybody is betting on developing new markets and new products. There is a realization that demands of the traditional clientele in Canada and the United States are not what they used to be; yet, there are still foreign markets which are expanding significantly. As you know, international trade data proves that very fact. Our exports towards other markets tend to grow a lot quicker than exports to the United States. I do not want to say that the United States is not important, but I believe that Canadian businesses have many growth opportunities beyond North America.

As regards specifically the proposed free trade agreement, 35% of the growth in value of our exports in the last 10 years can be attributed to trade with the countries that make up the European Free Trade Association. For last year alone, growth in value was 7%. This is a small figure relative to total trade, since a large portion of our exports goes to the United States. The European market is still expanding, which is rather interesting, because that's where different types of exporters will be doing business. We export a lot of raw materials, but also a lot of manufactured goods. A few examples are aeronautics material and pharmaceutical products, etc. Those markets are diversified and developed. They are markets in which there is a demand for our products and services.

Each year, our association carries out a survey among our members to set and validate our priorities and policies. When the time comes to talk about our international trade priorities, our members always mention the signing of bilateral and multilateral free trade agreements under the WTO. This has always been a priority for our association. Certainly, our members believe that what is most important is for the government to assist in improving access to foreign export markets.

• (0915)

[English]

To conclude my opening comments, I want to say that CME is supportive of open markets. We need to help our exporters do more business internationally by negotiating trade agreements and by taking down trade barriers, especially in today's context.

I think that beyond the current economic circumstances we're in, companies are looking to expand in global markets. They're seeing

their market increasingly as a global market rather than as just a North American market. I think this free trade agreement and the free trade negotiations about to be launched with the European Union are a huge opportunity for us in Canada to improve the competitive position of Canadian products and Canadian companies, especially when we consider our main competitor to be the United States. This is a huge opportunity for us to improve our companies' competitive position in the European market, which is a very important market.

Obviously, we also need to make sure that we have a level playing field and that we provide, here at home, the right conditions for our manufacturers and our businesses so that they flourish. Again, we have high expectations with regard to the European Union deal. We're seeing this as another deal with a European free trade area, and we're hoping that it's going to pass very soon so that we can focus our efforts on the bigger picture, which is the free trade negotiations with Europe.

Just to conclude, I think this free trade agreement is a step in the right direction. A free trade agreement with the European Union would be another great step in the right direction, but we shouldn't say that once we've done that, we're okay. I think we need to work more closely with the government to make sure that the resources are out there to help exporters get into these markets. Obviously, if you have, for example, tariff reductions or tariff eliminations for industrial goods, that is a huge plus for companies that are trying to get into that market, because they will be more price competitive. On the other hand, there are a lot of small and medium-sized companies right now that are looking to expand beyond their traditional markets. The free trade agreement is, as I said, a good step in that direction. But we need to pull more resources together to actually help companies get over there and grow into that market. Our economic future depends on our ability to trade globally, and the European market is a significant part of that.

Thank you.

The Chair: Thank you, Monsieur Laurin.

Mr. Stewart-Patterson.

Mr. David Stewart-Patterson (Executive Vice-President, Canadian Council of Chief Executives): Thank you, Mr. Chair.

I'm probably going to repeat some of the same sentiments that my colleague here has expressed, but I do appreciate the opportunity to appear and talk about this bill and the free trade deal with the European Free Trade Association.

I know that a lot of people are going to ask if the years of negotiations we've spent getting to this deal are worth the trouble. I suspect that a lot of Canadians would be hard-pressed just to name the four members of the EFTA, but I do want to make the point this morning that this deal matters, and it matters for three reasons, one of which my colleague here has touched on and I'm going to come back to.

Let me deal first with the significance of this agreement in itself. Canada's commercial relationship with the EFTA is actually more significant than a lot of people realize. We're talking about two-way trade worth \$12.9 billion in 2007. It's our fifth-largest export market. Canadian companies sell more to these four countries than to all of South America. I think we ought to keep that in mind.

Even though this agreement is limited to trade in goods, it's remarkably complete. It's eliminating all tariffs on industrial goods immediately, with the single and important exception, of course, of Canadian imports of ships, where duties are going to be phased out over an extraordinarily long 15 years.

We've also been able to negotiate deals on agriculture with the individual members of EFTA. I think that's important, given the problems we've had over the years in trying to do that at the multilateral level.

The signs of progress in this deal are important. It's going to save Canadian exporters in the agricultural sector \$5 million a year.

The second reason that I think this matters to Canadians comes back to what my colleague touched on here: it represents our first bilateral trade deal with European countries. Given the EFTA's close relationship with the European Union, that in itself is going to help Canadian companies plug into supply chains with the broader European Union.

It also, I think, offers huge symbolic value at a time when Canada is finally engaged in serious discussions with the European Union. The 27 member states of the EU represent the world's largest market, of course, if you measure it by GDP, and also the world's largest exporter, largest importer, and largest investor.

At the October 2008 summit in Quebec City between Prime Minister Stephen Harper, European Commission president José Manuel Barroso, and French president Nicolas Sarkozy, in his role as president of the EU at the time, the leaders agreed to launch discussions that could lead to a truly groundbreaking agreement.

We've been working with our colleagues in the European business community. We've been calling for a wide-ranging accord with the European Union, one that could include, for instance, the elimination of all remaining tariff and non-tariff trade barriers; the opening of financial and other services markets; broader reciprocal access to public procurement; mobility of skilled people; stronger intellectual property protection; a sustainable energy and environment agreement; an ambitious regulatory cooperation agreement; convergence in competition policy and tax administration; and a binding dispute resolution mechanism. In other words, we're calling for an agreement that will go well beyond the traditional notion of just a free trade deal.

Government officials from Canada and the EU are currently working out what will and will not be included in the negotiations. We are hoping to see a report back from officials on that scoping exercise very soon and a formal launch of negotiations later this spring. We've already had one important step forward with the groundbreaking open skies agreement that was signed in December. It's going to increase labour mobility, lower barriers to investment, promote more competition in that industry, and also stimulate tourism in both directions.

Obviously, a broad Canada-EU agreement could have significant benefits to Canadian enterprises across a lot of sectors, especially, I think, if the recession in the United States proves deeper and longer than we're currently expecting. In this context, failure to ratify the Canada-EFTA agreement now would send a profoundly negative signal about Canada's interest in pursuing closer ties with Europe as a whole and about our ability to follow through in ratifying a successful negotiation with the European Union.

That leads me to the third and final point I want to make this morning. We are now in the throes of what is clearly a severe global recession. There is an understandable temptation in any recession to turn inward, to react to a downturn by shutting out competition from abroad in an effort to save jobs at home. The world learned the hard way during the 1930s that putting up walls offers only false hope. I think that lesson is even more important today, because countries around the world are more dependent than we were in the 1930s on the smooth flow of goods and services across borders.

● (0920)

We've seen a clear example recently of protectionism in action in the United States Congress, which insisted on including a "buy American" clause in its economic stimulus package. Obviously Canadians were greatly concerned about the potential impact of that protectionist measure on our companies, on our exporters, and both we as Canadian business leaders and our government were working hard to dilute, even if we didn't succeed in eliminating, that provision.

I want to point out that the strongest opposition to the "buy American" clause in the American stimulus package came from the American business community itself. To cite one example, 50 business associations and 50 individual companies signed a letter to the Senate leaders while this debate was going on. It stated bluntly that, if enacted, these provisions would backfire and harm American workers and American companies across their economy. I quote:

The resulting damage to our export markets and the millions of high-paying American jobs they support would be enormous.

The business community in the United States recognizes that the "buy American" protectionism is counterproductive. United States President Barack Obama made that clear during his visit to Ottawa last week. He acknowledged the universal tendency to push what he termed beggar-thy-neighbour policies, but he stated unequivocally that trade ultimately is beneficial to all countries and assured Canadians that he wants to grow trade, not contract it.

As a trade-dependent economy, Canada has every reason to work with our partners in Europe, in the United States, and around the world to keep trade flowing as smoothly as possible. I can think of no better way right now to do that than by moving ahead quickly with agreements, such as the Canada-EFTA deal, that bring walls down instead of putting new walls up.

Thank you very much, Mr. Chair.

• (0925)

The Chair: Thank you, Mr. Stewart-Patterson.

We're going to begin the first round of questioning. I think everyone is familiar with it. We'll go in order and try to keep the questions in the first round to seven minutes for the questions and answers.

I welcome Mr. Dechert and Mr. Garneau, who are joining us today.

We'll begin the questioning with Mr. Cannis.

Mr. John Cannis (Scarborough Centre, Lib.): Thank you, Mr. Chairman.

Mr. Stewart-Patterson, I appreciated your closing few words, that we move quickly and bring walls down. I'm not quoting you verbatim, but I think they were along those lines, and I couldn't agree with you more. I think part of the success that previous governments had, in the early 1990s, was from being very proactive in getting out to seek markets.

I had the privilege of chairing this committee under Jim Peterson a couple of years ago. Part of the efforts were to make sure that the commercial attachés or trade commissioners, or however you want to title them, had extended tenures so that they could become more effective.

As a start, have you seen change in that area, from your perspective?

Mr. David Stewart-Patterson: To make a general comment, we've always paid close attention to the impact our commercial representatives have abroad. Different governments have made different decisions over the years about where to focus efforts, sometimes putting more effort into the United States, for instance, sometimes more effort into trying to diversify away from there. I think Canadian companies consistently take advantage of the assistance government is able to provide in helping to open up new markets.

Mr. John Cannis: Allow me to pick up on what you just said, about Canadian companies sometimes picking up or taking advantage of....

First of all, we all know on the government side that we're more than willing, whether it be through legislation or representatives' offices or putting in more money. We heard the other day that government is planning more offices in China, for example. We're very onside, on the government side.

But we've heard from witnesses in the past that Canadian companies would go out and just go it alone at times. I'm sure you've heard of this, and Mr. Laurin might comment as well. They were out there on their own, plugging away. They might or might not secure business, but government and organized businesses didn't seem to be on the same page. Have you sensed that yourself?

Mr. David Stewart-Patterson: What you may be dealing with here is perhaps a differentiation of the capabilities and knowledge base of individual companies. Some of our member companies are already active in dozens of markets around the world. They have

their own networks in place, and so on, and perhaps don't need the assistance of embassy posts to the extent that small or medium-sized enterprises breaking into export markets need them.

My colleague may want to speak to that.

Mr. John Cannis: I was going to ask Mr. Laurin whether there is something we could do. Is there something we are not doing as a government? Is there something you could suggest that we can do? We're trying through legislation, but is there something else we can do to enhance your position, so that Canadian manufacturers or businesses can have an equal kick at the can?

Mr. Jean-Michel Laurin: I can say we're in constant discussion with the Department of Foreign Affairs and International Trade. They actually seek feedback because they want to continuously improve their service, and as you mentioned, they have opened some new offices abroad. One thing we're certainly very happy about is that they've also opened new offices in different regions in Canada. I know, for example, they just placed somebody in Windsor, and they just placed somebody in Kitchener. This is very good, because they're closer to the local business community and can establish connections with local businesses in these different areas. When you go abroad, as my colleague indicated, different companies have different capabilities.

I think we can say in some cases that there are some trade commissioners abroad who might not necessarily have been able to provide the level of service that some companies were expecting, but they could also come back to us and say that they've seen some companies go out there, and they could have tried to help them, but the companies weren't ready and actually hadn't done their homework.

There are some growing pains when you're trying to grow into new markets, but I think overall the trade commissioner service is an excellent service, and we actually refer members to them all the time. If you know that you want to go into a specific market, the service can be a valuable resource. A few bad examples may have been reported to you, and that's often what happens, but I know they've been very helpful for a lot of our members in many areas.

• (0930)

Mr. John Cannis: I have two more questions, if I may.

The Chair: John, I think Sam wanted to say something.

Mr. John Cannis: Oh, I'm sorry.

Mr. Sam Boutziouvis (Vice-President, Economics and International Trade, Canadian Council of Chief Executives): It's just a quick comment, Mr. Cannis.

The Department of Foreign Affairs and International Trade has made great efforts to improve their services under the auspices of their global commerce strategy, which we have strongly supported.

Secondly, the Canadian Council of Chief Executives is on the record calling for more resources to be put into the international trade and foreign affairs sides, basically saying that this is an area where we need to have more money if we can.

Finally, I'd say that the CCCE experience with respect to the posts abroad is extremely positive. Whenever we get in contact with a post, whether it's a consulate or an embassy, there is very much an open-door policy, and they strongly support whatever missions the CCCE has taken abroad or help whenever individual CEOs request help. As you know, people feel that large corporates don't need help in going abroad. That actually is not the case. Our large corporates, our membership, and our CEOs really do need to be able to have access to the consulates and the embassies abroad. They rely on them, and by all accounts, they are very strongly supportive and have nothing but positive comments.

Mr. John Cannis: I'm pleased to hear that, only because, as the saying goes, you have to invest a dollar to make a dollar, or invest an effort to get a return.

I have just two last questions, if I may.

Mr. Laurin, you talked about credit and access to funds, without which, of course, efforts to do anything, and especially in this area, will be impeded. What support systems are there to help? I know globally everybody's going through some turmoil at the moment, but obviously governments have other mechanisms to create or help grow the economy, etc., through various organizations. I'm not going to name them; I leave that up to you. But are those organizations there, on the government side or whatever? Is the mechanism there? Is it satisfactorily accessible so that we, as Canadian companies, can make a good go of it when we're out there?

Mr. Jean-Michel Laurin: If I had been here six months ago I would have said the credit market is working fine. When there are some issues that need to be resolved, we can take them to the private sector institutions or to EDC. I don't know if that's the institution you were alluding to, but EDC plays a significant role helping Canadian exporters grow into international markets.

I would say that the situation since October has changed dramatically. Access to credit is a big issue for our members, and it's not necessarily anybody's fault, it's just that circumstances are like that. We have to keep in mind that almost half of the credit that was provided to our members was provided by foreign institutions. We've talked about asset-backed commercial lending. A lot of that has disappeared. Venture capital has pretty much dried up in Canada. There are a lot of credit facilities or different types of credit that are just not available right now, so I think there's a strong role for the government to step in and take some of the risks that the traditional banks are not able to take right now and get into some of the markets that some institutions are getting out of in the Canadian market.

So yes, I think there's a very strong role for the government to temporarily occupy the space that the private sector has left void. That's why we made our first request for the federal budget to ensure access to credit for competitive companies. We're not asking to put money in failing companies, but some of our members are in a good position to grow in international markets, and just because they happen to be in the wrong industrial sector or in the wrong area, they're not able to access credit and that constrains their growth as a company.

What was announced in the federal budget was a significant step in the right direction. As far as I've heard, the bill that those measures are in has not been adopted yet, so I don't think BDC and EDC can

actually go out and put new products and services on the market. But we're working with them very closely to make sure that whatever they come up with is going to respond to the needs of our members.

● (0935)

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

The Chair: Thank you, Mr. Cannis.

Monsieur Cardin.

[Translation]

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

Good morning, gentlemen, and welcome. Each one of you talked about what we are currently experiencing: this economic crisis is perhaps the most severe we have ever experienced. Today, there are various tools at our disposal that were not available in the past. Relatively speaking, the current crisis is an extremely significant one.

People working within your respective organizations are constantly on the lookout and monitoring events. Did you see the crisis coming? If so, since when?

Mr. Jean-Michel Laurin: That is a good question.

[English]

I'll give my colleague some time to think.

I think we saw it coming. I don't think anybody was expecting it to be....

[Translation]

I don't believe that anyone was able to predict that the crisis which has struck us so quickly would be so severe. Especially if we consider the sources of growth for the Canadian economy over the last 5 to 10 years... But when we get back to the basics, an economy grows when we create value. Value emerges from the creation of value-added goods and services.

The manufacturing crisis did not occur overnight. The peak in employment was reached at the end of 2002. Since 2003, Canada's manufacturing sector has undergone significant restructuring. There were rather important problems. Your colleagues from the industry committee have delved into this issue extensively.

In recent years, a good portion of our economic growth was due to high commodity and energy prices which, in a way, inflates our figures on exports and economic growth. The fast appreciation of the Canadian dollar struck our goods and services exporters very hard. This had a direct impact on profitability, as the statistical data shows.

We saw it coming. It was just a matter of time before reality struck us. We were very much aware of what was happening to the real estate market and the boom in energy and commodities was not going to last forever. What would remain once everything tumbles? Manufacturing and production of value-added goods and services. Today people realize that these sectors are the pillars of our economy. We have to be concerned. We have to make sure that businesses are successful and are able to develop new markets outside of Canada and North America.

[English]

Mr. David Stewart-Patterson: Well, perhaps I'll make just a couple of comments.

I think with any situation like this, by definition, people don't see it coming. I think we had some indication ahead of time. Certainly when our members met in October of last year, we were already having discussions among ourselves. It was clear things were going to get worse, but I think the speed with which the economy has gone down has caught everybody by surprise. If you look at the economic forecasts, everybody pretty much got it wrong.

That said, I think we can overreact on the other side too. I mean, every downturn comes to an end sooner or later. The only questions are how bad it is going to get and how long it is going to go on. So I think there has been a considerable amount of surprise around the event.

On the other hand, I have to point out that a lot of this crisis has to do with financial markets. Canadian regulators and Canadian financial institutions were much more prudent than the rest of the world coming into this crisis, and the result is we are actually, relatively speaking, in a much stronger position to get through the crisis and come out the other side of it.

I think, if I can speak for the Canadian economy as a whole, we did some important things right.

● (0940)

[Translation]

Mr. Serge Cardin: Let me reassure you right from the outset. The Bloc Québécois believes in this free trade agreement, obviously. However, there are two points which we believe are worth mentioning: the shipbuilding industry and supply management in the agricultural sector. You probably have members or businesses that work in the shipbuilding industry or in the agrifood or agricultural sectors.

What is the feedback your people are giving you on this free trade agreement, as concerns specifically shipbuilding and the safeguarding of supply management?

[English]

Mr. David Stewart-Patterson: Mr. Laurin.

[Translation]

M. Jean-Michel Laurin: There are numerous products that are subject to supply management but there are many others that... Some of our members want free trade agreements such as these to open new markets. There is a lot of innovation in the agrifood sector, in Quebec and elsewhere in Canada. Businesses are a bit disappointed that the agrifood debate is dominated by sectors that are subject to supply management. I'm not saying that we have to set supply management aside, but I believe that the overview of the agrifood sector is much more complicated than the media would have us believe.

When it comes time to review the Free Trade Agreement and specific provisions for these two sectors or other sectors, our association has always advocated for greater openness in markets for industrial products and Canadian goods and services exported abroad. However, there has to be equal footing for everyone. The

two sectors that I mentioned, shipbuilding and agricultural products, do not really exist in a free market, in every corner of the world. The agricultural sector is hugely subsidized. The shipbuilding sector is perhaps even more complicated.

On the one hand, we cannot take these two sectors and decide not to open our markets because certain sectors of our economy are perhaps not ready to face competition, or are in a good position to develop these markets. On the other hand, we have to reassure these industries that the business climate in Canada and Quebec is good, and that they will be able to compete in the same environment as their foreign competitors. This applies just as much to the shipbuilding sector as it does to the agrifood production sector; in addition to other sectors such as steel, and ones that were not mentioned. These are subject to a high degree of protectionism.

[English]

Mr. David Stewart-Patterson: I think, as my colleague has said, these are both sectors that have heavy government involvement in a lot of countries. My sense is that Canadian negotiators in this agreement have gone to great lengths to make sure the interests of those sectors are properly protected. If we want to discuss some of the specifics, that's fine, but I think the agreement has found a good balance.

[Translation]

Mr. Serge Cardin: Thank you.

[English]

The Chair: We had very good questions. That was an interesting exchange.

Mr. Julian.

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

I've got a lot of questions, so I'd like brief answers.

I'll start off with you, Mr. Stewart-Patterson. I have looked at the list of the members of the Canadian Council of Chief Executives. Are there any shipyards represented?

Mr. David Stewart-Patterson: Not directly. We have a member from the Irving Group, but from the oil side rather than the shipbuilding side.

Mr. Peter Julian: Yes. As you know, the Irving shipyards have said that this deal will be catastrophic for the shipbuilding industry. There are actually no members of the Canadian Council of Chief Executives who are impacted in the shipbuilding domain. That's important for the committee to know.

I would like to continue. I would like to take issue with your comments around the “buy American” provisions and the strongest opposition coming from the American business community itself. As you well know, those were businesses in the United States that actually had strong operations. We're very much in favour of the “buy American” provisions. The companies that had essentially shut down their American operations and moved overseas for sweat-shop operations were the companies that were opposing “buy American”. Regardless of the fact that there was as much support in the American business community as opposition, the reality is that the Democrats were elected on a fair trade mandate. That is why “buy American” got through. “Buy American” is there. It hasn't been opposed by President Obama. Quite the contrary, he was very supportive of that. I take issue with your comments around that. Would you not agree that it's a bit misleading to say that there was opposition from the American business community when the American business community was divided on this issue?

Secondly, we have President Obama. He's made a call for fair trade, for renegotiating NAFTA on a fair trade model. There are stronger labour and environmental provisions reducing the negative impacts of things like chapter 11. Do you support or oppose that approach on NAFTA?

● (0945)

Mr. David Stewart-Patterson: If you don't mind, I want to come back to this question of the “buy American”.

We work closely with our counterparts in the United States. We're talking about a business round table, similar broad-based business association with the U.S. Chamber of Commerce, the largest and most inclusive business organization. The letter I referred to in my opening remarks was signed by 50 different associations across the board as well as a whole series of major U.S. companies. My point is, the U.S. business community, writ large, understands the extent to which the United States, like every other major industrialized economy, depends on trade to maintain and to grow jobs.

Mr. Peter Julian: You admit that American businesses were also supportive of the “buy American” provisions?

Mr. David Stewart-Patterson: Our work with the U.S. business—

Mr. Peter Julian: That's all I wanted you to say.

Mr. David Stewart-Patterson: In any democracy there are going to be people on both sides.

Mr. Peter Julian: Exactly. That's my point. You didn't reflect that in your presentation.

Mr. David Stewart-Patterson: Where is the balance of opinion in the American business community? I'm confident that it was in opposition to the “buy American”.

Mr. Peter Julian: Okay, thank you.

I'd like to move on to Mr. Laurin.

You had an excellent report from the Canadian Manufacturers and Exporters, February 2008, *Renewing Canada's Infrastructure: An Opportunity to Invest in our Future*. It's an excellent report. I'll reference it particularly for my Conservative colleagues. On federal funding and Canadian content, the CME recommends that the Government of Canada make its funding for projects realized by

provinces, municipalities, and agencies under their responsibility conditional to the application of rules and regulations favouring Canadian content—a “buy Canada” program.

You went on in recommendation three to say that this must be a common strategy as well for provinces. It's a very strong series of recommendations and is very much in keeping with what the NDP has been saying all along.

Would you not agree, then, that having the “buy Canada” provisions that you support and putting those into place would allow us to negotiate managed trade sectoral agreements on things like iron and steel with the United States? In other words, use our “buy Canada” to offset and leverage the “buy America” provisions and essentially allow, because of the integration of those industries, the mutual use of Canadian and American materials in government procurement.

Mr. Jean-Michel Laurin: First of all, thank you for your comments about our report. I appreciate them.

When you look at this issue, I think there's been a lot of politics played over the last few weeks. I would echo the comments my colleague just made in terms of how this fits into the overall or big picture. When you look at those markets specifically, any federal funding in the United States provided for highways, roads, bridges, airports, and mass transit projects had “buy America” provisions even before we started talking about the federal stimulus package in the U.S.

“Buy America” has been around since 1933. When we took that report, we had members coming to us saying that they were not asking for protection; they just wanted to make sure that there was a level playing field. That comes back to what I was saying in response to Mr. Cardin's question. I know that when you talk about sectors in which trade is not open, and when there are subsidies or preferences given, well, we need to make sure that our Canadian companies have the same or a similar business environment as exists in other countries. And when you look specifically at those sectors we outline in our report, what hurts in the United States and in Mexico, China, and Europe—actually, pretty much all around the world—is that there is some level of support or preference when it comes to infrastructure spending. So our call to government when we issued that report was to say that we have major infrastructure spending coming up, so let's make sure we use it in a way that is providing our manufacturers with a level playing field.

That being said, we strongly object to what's proposed right now in the United States, and we actually worked very closely with our U.S. counterpart, the National Association of Manufacturers. As my colleague David mentioned, there is strong opposition within our counterpart organization in the United States to that bill.

I think we need open markets. It is what we were asking for. And what we need to realize is that these are markets in which traditionally there has been some level of preference. Our members were able to do business in the United States before this federal stimulus package in the U.S. We've been able to do business for a number of years in sectors where “buy America” applied. It's just that there are some preferences for U.S. suppliers, so they have a little bit of a price advantage. But we can still do a lot of business in the United States.

Now we're concerned that we're going to be pretty much excluded from that market when it comes to federal infrastructure spending, so we're obviously quite concerned. I think this is an issue the government needs to take a look at in terms of providing a level playing field and of being in line with whatever countries are doing around the world.

• (0950)

Mr. Peter Julian: Yes, and it makes sense to have “buy Canada” and use that as leverage. So we support each other, the NDP and the Canadian Manufacturers and Exporters.

The Chair: Mr. Julian, I'll give you an extra minute. I think Mr. Boutziouvis wanted to respond as well.

Mr. Sam Boutziouvis: Thank you.

I just want to say, Mr. Chair and Mr. Julian, the following. The Canadian Council of Chief Executives is an organization, yes, that's made up of 150 chief executives of some of Canada's largest enterprises and of chief executive officers and entrepreneurs. But one of the unique aspects of the organization is that one of the requisites is that the CEOs who come must contribute to the organization and to the priorities of the organization. In particular, they have to leave their corporate interests, essentially, at the door, and they must come and provide input on policy priorities that are in the Canadian national public interest.

To that end, the Canadian Council of Chief Executives is here today because our members have basically said to us that this deal, this Canada-EFTA agreement, is in the national public interest. That's why we're here today. We strongly support it.

We also are supportive of the government's exercise over the past ten years of engaging in a very broad consultative exercise, especially in the areas associated with the sensitivities of this deal, namely shipbuilding and agriculture. In particular, with respect to shipbuilding, the government has reflected the views of a broad number of stakeholders, especially in the shipbuilding industry, and to our mind, they have come up with the best deal they can possibly put together with respect to the shipbuilding industry. In some instances, the specifics of the shipbuilding provisions in this deal are unparalleled. This is about the longest phase-out of tariffs, certainly, we have had with another developed country.

I'll just finish in 30 seconds, Mr. Julian.

In another study that was tabled with this committee last year, a legal expert suggested that in her study of 100 FTAs, this was only the second FTA that actually had such a long phase-out provision for such products. We'd be happy to reintroduce the study to this particular committee as it goes through its deliberations. But last year's report actually referenced it as well.

So with those comments, thank you.

The Chair: Mr. Julian.

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

My point is that there are no shipbuilding entities within the Canadian Council of Chief Executives, so you can have a theoretical approach; we have to deal with the practical realities.

I'm not asking a question, sir, I'm making a comment back. I do have other questions, so please allow me to make them.

The concerns that have been raised by shipbuilding—they have been very clear that this will be devastating for their industry—are in part linked to the fact that there has been very little government action. We've had specific recommendations about a carve-out in EFTA, and certainly the committee will be looking at carving out shipbuilding. There are also concerns about the lack of support with any sort of structured financing facility.

You raised the issue, Mr. Laurin, of credit. That's extremely important for all manufacturing sectors, including the automotive sector, the accelerated capital cost allowance.

My final question is for both of you. Do you support those provisions—certainly a carve-out, but also the structured financing facility and the accelerated capital cost allowance—so that we don't lose our shipbuilding industry in a country that has the longest, by far, coastline in the world?

Mr. Jean-Michel Laurin: I can go first.

In terms of reopening the agreement that's already been negotiated with EFTA, I'm concerned that this would just add to the length of time it would take to actually get this trade agreement implemented. That's something we're obviously quite concerned with, given that it has already been ten years. When we look at a specific sector like shipbuilding, I think we should take a sector-by-sector approach. We should look at such things as capital cost allowances and different sector-specific strategies and measures that can be put in place to make sure that they have a level playing field on which to compete.

I'm not familiar with the specifics of what was negotiated with regard to shipbuilding. I think you might want to invite them just to hear their thoughts and comments.

Overall, if we look at the big picture, we need to make sure that this trade deal gets implemented quickly. We have looked at it and discussed it with our membership. We're supportive of the agreement as it's been negotiated. Are there some things that we would like to have seen in there? Maybe. But it's a trade agreement; you have to give and take.

Again, if you look at specific sectors, let's work to make sure that, within our own country, we do everything we can to put chances on their side rather than try to reopen the agreement, which could lead to more delays. As I said, I think we should shift our focus now to the European Union agreement, which has a lot of potential for Canadian exporters.

• (0955)

The Chair: Mr. Stewart-Patterson, very briefly, please.

Mr. David Stewart-Patterson: Yes, I'll keep it short.

I would simply note that when this committee studied this in the previous Parliament, it suggested that we should in fact move ahead with the agreement, but recommended that the government implement an aggressive maritime policy. I note that in the latest federal budget, a total of \$175 million was allocated for coast guard procurement, refits, vessel extension.

Taking your point, Mr. Julian, I won't presume to speak for the shipbuilding industry in terms of whether that's adequate. However, I did note the testimony at this committee a couple of weeks ago by Karl Risser of the CAW shipbuilding council. He was, as you were, emphasizing the importance of such measures as capital cost allowance and putting more money into the structured financing facility.

I can't speak to how that would affect the individual industry, but I would note that as a broad-based association, we've been supportive of capital cost allowance measures as a tax strategy that is useful across the board. We also, on the budget, emphasize that the most important part of the budget, in our view, wasn't so much the stimulus spending side of it but what was done in terms of improving access to financing. We've commended in particular, for instance, the extension of more capital for the Business Development Bank and for the Export Development Corporation, which of course speaks to the ability of Canadian companies in shipbuilding and other industries to improve their export performance.

So in principle, better access to financing, better tax rules? We can support that.

The Chair: Thank you, Mr. Julian.

Mr. Harris.

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

I did have some other questions, but I want to just make a couple of responses to the NDP's opinion on this.

It seems to me that just about two weeks ago we had representatives from the shipbuilding industry, including a union leader. As I recall, in some of the closing comments they said they were pleased with a number of things. They expressed some pleasure with the 15-year extension in the tariff arrangements, the structured financing provisions, and also, of course, the accelerated capital cost allowance, which all things go into. On the overall look at EFTA, there are things that will assist some of the things that may appear to be not quite good enough for the shipbuilding industry. This will help offset those things, and I think they've done a good job.

As I think was stated by Sam, when you're doing these free trade agreements, the countries involved have to be acting in the broad national interest of business in their countries. And while there are some on this hill who like to kind of cherry-pick the negative parts and base their arguments on those, I think in this case we truly are acting in the broad national interest. And while there will never be a perfect free trade agreement between any countries, it's the broader interest that has to prevail at the end of the day.

Now I have a couple of questions.

Mr. Laurin talked about some opportunities that existed even in these challenging times. We all know that challenges do bring opportunities. I just wonder if you could touch on a couple of opportunities specifically that exist now, or that you see, and how we, as a government, can make sure maybe some of these come to fruition.

And then Mr. Stewart-Patterson could perhaps talk on how these times have forced Canada to look at a much broader global market.

We've been very comfortable having most of our eggs in the U.S. basket. I mean, it's convenient, it's profitable, but it's times like this that show us that maybe we should have been expanding our vision of our global trade opportunities to kind of mitigate things like this that happen.

I'll just leave you gentlemen with that.

• (1000)

Mr. Jean-Michel Laurin: Thank you for your question.

You asked me what are some of the opportunities for businesses out there, and what can the government do to better help them. I'll give you a story.

One of our members is a company that manufactures automotive parts, a sector you would think must be hurting really badly right now. Yes, that sector is being affected dramatically. But on the other hand, they're making a part that's sold in the after-sales market. In other words, if you're not buying a new car, chances are you'll try to extend the life of the one you have, and chances are you'll be buying some parts if you need to change them. So their market is growing. They've actually been able to grow their sales in the U.S. and throughout the world. They're exporting heavily into Asia and other parts of the world and they're confident. They have a lot of room to grow.

This is not a major corporation; most of you have probably never heard of it. I don't want to name them, because it's not about them specifically, it's just to give an example. Yet one of the things they need to grow.... Those of you who have businesses or have worked with businesses know that you need working capital. You need an operating line of credit. You need to have some room to manoeuvre when you're growing your company at a very fast pace.

This company is not able to grow right now because they're not able to access credit. They're going to banks trying to extend their operating line of credit and the banks have been told to reduce their exposure to the automotive sector. But they happen to be in that sector. They're one of the companies that came to us and asked if we could do something. It doesn't make any sense. That's why we've been asking the government to step in and play part of the role traditional financial institutions would play.

We're very confident that what's been announced in the federal budget is going to help. I think we need to make sure the bill is passed quickly so that EDC and BDC can respond with new products, new services on the market to help companies like the one I was talking about. We're in constant discussions with both these institutions. We've extended our help in terms of how we can best structure these programs to make sure they get on the market very quickly, but we also understand these two institutions don't want to spend all that money within two weeks. They want to make sure they can respond to the needs of businesses without putting money in businesses that would fail otherwise. If I can give just one example, I think that would be the one.

I think there are a lot of opportunities for Canadian companies to grow in international markets right now. I go around the country quite a bit. For the last five years, I would say, whenever you visited a plant, or you talked to somebody running a small or medium-sized manufacturing business, they would always talk to you about.... I don't know if any of you did plant visits during the last election campaign, but if you did, they probably showed you some of the continuous improvement they were doing within their plant. That's important. But now if you talk to them and ask if they had an additional dollar to invest, where would they put it, I think they would say almost unanimously they would put it in new market development, because they realize they need new customers to keep their business afloat. Obviously, as I said, access to credit is a key part of that, because you need capital when you're trying to grow your business into other markets.

Mr. Richard Harris: Thank you.

Mr. David Stewart-Patterson: Coming back to your question, Canadian companies are exporting to the world, whether directly or indirectly.

First, it's important to recognize that in strengthening our integration with American partners, we are not just selling goods and services to Americans; we are working with Americans to produce products for sale to the rest of the world. That's why anything that gets in the way of Canada-U.S. flows can be particularly destructive. So when you look at the trade statistics and say the U.S. dominates, we have to keep in mind that's not necessarily the final destination of what we sell.

That said, we've been very active in encouraging stronger relationships with key partners around the world. We worked very hard with our European counterparts in the business community there to encourage the launch of these Canada-EU discussions. My colleague Sam Boutziouvis was instrumental in working with his counterparts in the Confederation of Indian Industry in launching a process we hope is going to lead to some serious negotiations on a bilateral basis with that country.

I think we have to recognize that it's not a matter of trying to choose whether we should focus on the U.S. or focus anywhere. The fact is, in a world of integrated supply chains, exporting is a universal activity, if I can put it that way. In that sense, what's really important is taking the kind of measure that is going to help across the board.

For instance, I would note one of the important measures in the latest budget was the unilateral decision to bring down or eliminate tariffs on imports of industrial goods. Why? Because that's recognizing that free trade is going to help Canadian companies make the investments to expand their operations, invest in new technologies to grow their export sales. I think similar measures were taken in terms of capital cost allowance.

I hope the committee is taking due note of the fact that the New Democratic Party is in favour of corporate tax cuts on that front. I'm really glad to see that. I take note of that and take great encouragement from it.

• (1005)

The Chair: Thank you, Mr. Stewart-Patterson; and thank you, Mr. Harris.

We'll turn now to Mr. Garneau.

Mr. Marc Garneau (Westmount—Ville-Marie, Lib.): Merci.

My question again is about the shipbuilding industry. In the briefings that I'm receiving from the shipbuilding industry I'm being told that despite the fact that there is a 15-year phase-out of the tariffs and despite the fact that there is access to either the accelerated capital cost allowance or the structured financial facility program, this will not create a level playing field for the shipbuilding industry and ultimately it will wither.

I'd like to receive for the record, Monsieur Laurin, your opinion on whether you feel that Bill C-2 as currently written offers a level playing field for the shipbuilding industry in Canada—and of course if the Canadian Council of Chief Executives cares to comment as well, although I suspect I already know your answer on that one.

Mr. Jean-Michel Laurin: Thank you, Mr. Garneau.

Again, I don't want to speak on behalf of the shipbuilding industry specifically. When you look at this trade agreement, it's one element. When you talk about our strategy with the shipbuilding industry, this trade agreement obviously will affect the Canadian shipbuilding industry, but we need to look at what other things we can do to make sure that our local shipbuilding industry will be competitive and will stay in business.

You mentioned the capital cost allowance, which is something that's positive. You mentioned financing mechanisms that are being provided, which is another positive. Is it enough? You seem to have indications from that specific industry that it's not enough. Maybe we should look at doing more. That's more of a question, but I'm not sure we need to do it within the free trade agreement. I think, as best as we can, we should try to do that outside the trade agreement.

I think there are a lot of things we can do to help manufacturers, whether they're in shipbuilding or in other sectors, to be more competitive, just by streamlining regulations, making sure they can reduce their cost structure and be more competitive in Canada and in international markets. Again, I can't speak on the specifics of the shipbuilding industry, but as much as we can do that outside the trade agreement specifically, the better it would be, because there is strong support overall for this trade agreement. But I wouldn't want to say just forget about shipbuilding. That's not what I'm saying. I think they're an important part of the Canadian manufacturing sector.

This has been ten years in negotiation. I think we should do our best to try to get it passed, but at the same time I think we need to address the specific concerns of the shipbuilding industry—if possible, outside the trade agreement. But this is something where I'm sure they can speak on that specifically.

Mr. Marc Garneau: May I just pursue one more question? Would you agree that if a free trade agreement is signed, then to make changes afterwards, as you say, outside the free trade agreement, is very problematic? If a treaty has been signed, and then, in a sense, you're asking to change the rules, can you see the problem involved with that?

•(1010)

Mr. Jean-Michel Laurin: Maybe I need to explain myself more clearly. I'm saying there is a trade agreement on the one hand and there are a number of things being negotiated related to market access and other things; but when you look at our policy in general related to manufacturing, there are a lot of things we can do without reopening the trade agreement. We have a trade agreement with the United States, and there are a lot of things we can do to help manufacturers be more competitive in the U.S. markets without reopening the agreement.

The accelerated capital cost allowance for manufacturers across Canada is something that has been very beneficial. Should we look at specific measures for specific industries that need additional support so that they can have a level playing field? Yes, we are certainly in favour of that. As I said, there are things we can do to improve the competitiveness of shipbuilding and other industries, but if we can look at things we could do outside this trade agreement without reopening it....

There are a lot of things we can do outside trade agreements in general. The government should sit down with this specific industry and come up with a plan that ensures that this industry can compete on a level playing field.

Mr. David Stewart-Patterson: If I may, I think that's the point here. The Canada-EFTA agreement as it is now structured gives Canada all the room it needs to do whatever is necessary to trade on that level playing field. We're talking about a 15-year phase-out. There's no reduction of tariffs at all for the first three years. There's provision for a three-year reversion in the event of injury during the 15-year period. There's a lot of time to figure out whether we are doing enough to ensure the viability and competitiveness of that industry—as well as any other industry, for that matter—and to take appropriate measures within the field of domestic policy. There's no need to change the agreement. The agreement gives us enough room to do whatever is necessary.

I think your colleague Mr. Brison made that point at the last meeting of this committee in talking about the structure of financing, accelerated CCA, and the importance of government procurement in this sector, which also is not restricted by the Canada-EFTA agreement as it's now structured.

I don't see any problem in going ahead. I think we need to move ahead quickly with the agreement, not only for its own inherent benefits, but for the symbolic value as we launch these broader discussions with the European Union, which I think are going to have very important benefits for Canadian companies across all sectors.

The Chair: Thank you, Mr. Garneau.

Mr. Keddy.

Mr. Gerald Keddy (South Shore—St. Margaret's, CPC): Thank you, Mr. Chairman.

Welcome to our witnesses.

Not to pursue this to the end of the world, but maybe we could have a little more discussion on the shipbuilding policy. Mr. Stewart-

Patterson, could we get your comments, and Mr. Laurin's as well, on the ability to pursue this issue outside of the agreement?

You know, I've met with shipbuilding associations for the nearly 12 years that I've been a member of Parliament, and consistently they've asked for a number of things. They've asked for improvements to the accelerated capital cost allowance, as did industry and business. As a government, we made those improvements, and the former government made improvements to it.

The other issue they asked for, and it was very legitimate, was an improvement to the structured financing facility. An extra \$25 million has been put into that. You reiterated that there's three years where nothing changes and then there's a 15-year phase-out. That's the greatest phase-out ever negotiated by Canada in any free trade agreement at any time.

I think somewhere along this line we have to ask ourselves the question. Certainly we recognize that other countries, Norway in particular, had a lot of assistance to their industry over the years, but that assistance stopped three or four years ago. We're protecting our industry for 15 years, and at the end of that 15 years, quite frankly the playing field should be level.

I said this at the last meeting, but Mr. Garneau wasn't here. I think it's incumbent upon us to have some faith in our shipbuilding industry. Canadian industry has adapted to changes worldwide. We're competitive in any market and any marketplace in the world. We've given them the protection they need to get to that point. Plus, there's \$35 billion of procurement on the table over the next 20 years that will go to Canadian shipyards. That doesn't have to go to foreign marketplaces; it's government procurement.

After \$35 billion worth of procurement, changes to the tax rules, and 15 years—

•(1015)

Mr. Peter Julian: Point of order, Mr. Chair.

The Chair: Mr. Julian.

Mr. Peter Julian: Mr. Keddy should be asking a question.

The Chair: Mr. Keddy has the floor, Mr. Julian. We listened to you for 13 minutes.

Mr. Keddy, carry on.

Mr. Gerald Keddy: The point I'm making is that it's always difficult to do business on the world stage. However, in the case of shipbuilding I think our government and the previous government have adapted government policy. I do think at the end of 15 years we're going to have a level playing field and the ability for shipbuilding to compete. They already are competing. The smaller yards are competing all around the world. There are a number of small yards in South Shore—St. Margaret's, the riding I have the honour to represent, that sell fishing boats up and down the eastern seaboard of the United States. They sell boats in Iceland. They sell boats in West Africa. They're competing very well right now.

I think the shipbuilding issue has been beaten to death. I quite frankly think that if there is room to pursue it outside the agreement, possibly.... But the protection is there.

I just wanted to enlarge on those points. Thank you.

Mr. Sam Boutziouvis: If I may say, those are great points, sir.

I just want to add that this discussion on shipbuilding has been very much a defensive discussion. There's nothing wrong with being a little more offensive in our discussion. And to Mr. Garneau's excellent question and to your comment as well, there is nothing wrong with engaging our trade commissioner service to go out there to those four countries and work on behalf of our shipbuilding industry to get more contracts. That's what they are there for. We should push them to do it. If they need more money to do it, we should support them. But we should be more offensive. We have a tremendous opportunity with the shipbuilding industry we have, and the one that's going to transition toward a better one, to actually go out there and try to get some contracts with Iceland and Norway. Let's compete with the Norwegians. Why not? Let's be more offensive with respect to our interests.

Mr. David Stewart-Patterson: On that point, I'm not going to presume to speak for the shipbuilding industry in terms of what specific measures are going to be most helpful in enabling them to go out and compete globally. But I will note that I know the industry has complained about the damage Canadian shipbuilders suffer from protection of shipbuilding in other countries, particularly the Jones Act in the United States. I don't want to suggest there is any hope of getting rid of the Jones Act any time soon, but the reality is that it is in Canada's interest to do whatever possible to bring walls down. This particular treaty takes an important step forward in that respect, while doing so in a manner that enables our industries too.

Canadians are resourceful. They are adaptable. My favourite example is what we've seen in the wine industry, which everybody predicted would be devastated and destroyed by the Canada-U.S. free trade agreement. Yet what are we doing now? We now produce premium wines that sell very well and for high prices around the world. I am confident in the abilities of Canadians.

Mr. Gerald Keddy: Actually the wine analogy is a very good one. Of course it is driven by competition. It's a very good analogy. Fifteen years ago we looked at Canadian wine and we wouldn't look sideways at it, and today we serve it to our friends at the table and we're quite proud to do so. So there has been a dramatic change in the wine industry in Canada.

The other issue I want to touch upon is supply management, and I realize it may not be your area of expertise. Supply management has been protected in the EFTA agreement completely. Our dairy over-quota has been protected, our industry has been protected, and the EFTA countries are signed onto that; so that's not about to change.

On the other hand, we're talking about a greater deal with the European Union. The European Union seems to be slipping in the other direction, with more protectionism creeping in and a lot of concern from trading partners around the world, partners in trade with the EU, on their protectionism on wheat, pork, and now on dairy, and export subsidies. That is exactly what I'm talking about. Where do you see that headed in the long term for the EU? Because this is a step toward a greater agreement and continued closer ties to the European Union.

• (1020)

Mr. David Stewart-Patterson: The agricultural sector is a very sticky issue in just about every country around the world, and that's

what stalled progress at the multilateral level for year after year after year. We have to recognize that it is a difficult issue. It's not just difficult in Canada, but ultimately it's about sitting down at the table and figuring out how to bring barriers down, bring walls down in a way that's fair to everybody and in a way that enables domestic producers in each country to be treated fairly and to have opportunities to continue growing.

Mr. Gerald Keddy: Thank you very much.

I think I'm getting the word. Am I finished, or do I have 30 seconds?

The Chair: All right, you have 30 seconds just because Mr. Julian is so attentive to what you're saying.

Mr. Gerald Keddy: The other issue I see at risk here, quite frankly, is that we do have a change in global economic climate. You mentioned the \$12.9 billion of trade we're doing with the EFTA nations, two-way trade between Canada and the four member states. I see this at risk at this present time, if this agreement is not passed, and I see Canada's credibility at risk worldwide. If we can't sign a free trade agreement that we negotiated for nearly ten years with four important trading partners with Canada, but relatively small trading partners on the world stage—Iceland, Lichtenstein, Switzerland, and Norway—then how do we proceed with countries like China, Korea, India, and the European Union and, quite frankly, diversify away from our dependency on the United States?

Mr. David Stewart-Patterson: I take your point. This is an important agreement, not only in its own right, but in terms of Canada's credibility, in terms of being able to negotiate new agreements with other partners, and in terms of being able to deliver when we reach an agreement, to ratify that. That's why I would urge the committee to approve and help this process move forward as quickly as possible.

Mr. Sam Boutziouvis: As well, we'd like to be able to come back in three years and argue the case for revisiting the EFTA and expanding it to include intellectual property, services, and investment provisions. We will probably have a long list to bring to this committee on making improvements and expanding upon the EFTA or building on the EFTA to make this a full-fledged economic partnership agreement in the broadest comprehensive sense.

Mr. Gerald Keddy: That's a great suggestion.

The Chair: Thank you, Mr. Keddy.

We're going to move to Monsieur Cardin.

[Translation]

Mr. Serge Cardin: Earlier, Mr. Laurin, you said that the economic crisis we are going through currently is amplified or exasperated by the "doping" of resource and commodity prices. Allow me to make an editorial comment: doping is forbidden in sports; could it also be prohibited in the business world, the financial world? Business and finance carry a lot of influence today. Earlier, each one of you said that the business sector is looking for new markets to grow. Philosophically speaking, in the context of business and economy, it is still aberrant to maintain the same economic growth principles. Growth has limits. There are 200 countries in the world, each one seeking to trade with the other. To this end, countries must produce more than they need for domestic markets. There is, therefore, overproduction, whose goal is to spur over-consumption. There are limits to this. I would dare hope that your respective economists will start to think about this seriously, because at some point, we are going to have to strike a more human and realistic balance.

You also talked about equality of chances, and business leaders seem to be in agreement with you. Since we are talking about equality of chances, let's take shipbuilding as an example. For decades, Norway benefited from subsidies, whereas Canada and Quebec were not able to take advantage of similar subsidies. It has been 15 years. If, for the last 15 years, nothing was done to restore balance between the industries in Canada, Quebec and Norway, one can presume that things will become worse over the course of the next 15 years. You talked about being in favour of a level playing field, at least that's what I'm gathering from your comments. That means that notwithstanding the agreement, government, as the Bloc Québécois believes, must support this industry during a period of crisis. Research and development, innovation, and modernization of technological equipment must be supported by government.

Have I properly understood your definition of equal chances in this context?

•(1025)

Mr. Jean-Michel Laurin: Absolutely, I believe that your comments accurately summarize my own thoughts. When considering all that can be done outside the context of this agreement, we can look at how public procurement was used in the last 15 years alone... I believe that procurement in Canada is not used sufficiently to truly sustain economic development. Here, in Canada, very often there is too much fear of violating free trade agreements. I'm not saying that this is bad. Canada relies heavily on international trade, so we always have to be careful when we are putting measures forth. However, there is significant leeway that we enjoy when implementing and complying with free trade agreements to which Canada has signed on.

As regards shipbuilding specifically, there is a lot that can be done, in the area of research and development, tax measures, procurements, agreement compliance; all of these things can help us develop our own industry and keep it competitive. As my colleague, Mr. Sam Boutziouvis said earlier, the industry must be able to develop new markets, be it in Norway, or elsewhere in the world. However, as my colleague David Stewart-Patterson said, unfortunately, because of the Jones Act, it is difficult if not impossible to trade in the United States.

As for the Canadian shipbuilding industry, we have the expertise and know-how. It would be a pity to allow the sector to disappear. In my opinion, we can do a lot of things in compliance with this agreement, if it is passed, that would allow the industry to restructure and place itself in a better competitive position and develop new export markets.

As for your first comments, your brief editorial on the speculative bubble, etc., there is a lot of debate within the community of economists on the subject of monetary policy. The Bank of Canada sets inflation targets, and takes into account the consumer price index. I know that some economists argue that the price of assets, such as real estate, stocks, indexes, etc. should also be taken into account. There is a lot of debate within the community of economists on this very topic. There is no consensus. We, as an association, do not have a position on this subject, but I believe that it is important to remind people that there is no consensus. There is therefore no magical solution to this problem and no way of preventing other speculative bubbles from happening which temporarily artificially inflate the economy.

As you were saying though, fundamentally, we have to add value to our economy if we want to remain competitive, if we want to maintain prosperity as we know it.

[English]

The Vice-Chair (Mr. John Cannis): You've gone one minute over your time, Monsieur Laurin. Merci.

Mr. Jean-Michel Laurin: Okay, I'll just close on that.

[Translation]

Mr. Serge Cardin: That's not my fault, Mr. Chair, it's theirs.

[English]

The Vice-Chair (Mr. John Cannis): I'm noted to be a fair chairman.

•(1030)

Mr. Jean-Michel Laurin: No, it's okay. I'll just yield my time to my colleagues.

The Vice-Chair (Mr. John Cannis): Do you have a quick comment before I go to Mr. Holder?

Mr. David Stewart-Patterson: I have just a quick one.

I would suggest that there is more to creating a level playing field than simply preserving the status quo. What we need to be looking at is how to help Canadian companies, whether in shipbuilding or in other industries, be more competitive in terms of adding value into the global market.

You've touched on some of those things: more research and development, and how do we encourage more modernization of equipment. That kind of forward-thinking policy, of how do we enable Canadian companies to be more successful in a global market, can be applied in every industry. And it's that long-term question of how do we improve our competitiveness that I think is particularly important to look at in a time of economic downturn, like we're in right now.

The Vice-Chair (Mr. John Cannis): Merci, Monsieur Cardin.

Mr. Holder, the floor is yours.

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

I'd like to thank our witnesses for being here today.

Mr. Stewart-Patterson, you said that a failure to ratify the Canada-EFTA agreement would send a profoundly negative signal about Canada's intent in pursuing closer ties with Europe. Personally, I agree with that.

I'm struck by the fact that we've been in negotiations with our partners for just over ten years now. To me, it feels somewhat like the never-ending story—and I'm not sure if that's our fault at the political level.

I really ask our colleagues around this table, is that our fault at the political level? I underscore this twice, because our European partners have approved this deal. We've been in negotiations for ten-plus years. For all of us who care about this country and about the Canadians who make up this country, I would like to ask the opinion of our witnesses, what is the impact, from a financial perspective, of our delaying approval of EFTA? What's the impact on the Canadian worker? What's the impact on Canadian business—which, ultimately, comes down to the Canadian worker—because if that's not what we're caring about when this is said and done, then why are we here? So I would respectfully ask our witnesses if they have any thoughts on the impact of delay.

Mr. David Stewart-Patterson: Perhaps I can just put it in terms of how we deal with the current economic downturn.

One of the most important elements of recovery is restoring confidence. I think to restore confidence you have to give people hope that there is a better future, that we can grow, and that we can move forward, as opposed to just hunkering down and hoping for the best.

Trade talks always seem to take a long time because they involve a host of complex issues. That's understandable. It's even more understandable, obviously, at the multilateral level. I cut my teeth as a rookie journalist back at the beginning of the 1980s talking about softwood lumber. It's only in the last couple of years that this has gone away—and who knows, it may not stay away.

So I think it is particularly important when we have an opportunity like this, when we've got a deal negotiated, to act decisively to show that there is hope for a better future, that we can negotiate deals, and that we can bring down walls at a time when too many people around the world are talking about putting them back up again, even though we know that's the wrong thing to do and it's going to hurt everybody.

That element of confidence, that element of credibility, and Canada's willingness to move ahead and move in the right direction is a very important signal to send at this time.

Mr. Sam Boutziouvis: If I may add, Mr. Holder, we've been talking a lot about trade but we haven't talked enough about investment. We have a positive investment account with respect to the EFTA countries. We have more investment from the four EFTA

countries than we have invested in those countries. And I would say to you that if we were to not ratify this deal, that balance could be affected.

I'm sure there are companies ready to invest and that have been ready to invest in Canada as a result of this deal, and I'm sure there are Canadian companies that are looking—sort of kicking the tires—and seeing whether or not to invest in that country as a precursor to doing more trade.

I would put it to you that we believe this overall agreement to be a net win for Canada, especially in the agriculture sector but also in other sectors of the economy, like wood, metal products, apparel, cosmetics, and other areas as well. On the investment side we look to potentially see more investment coming to Canada from the companies based in EFTA countries, and that would be more positive for Canada, because we need more investment; we need more liquidity and capital moving around.

Mr. Ed Holder: Mr. Laurin.

• (1035)

Mr. Jean-Michel Laurin: I can add a few comments.

I think the higher the stakes are going to get, the likelier it is that it will take time for an agreement to be resolved, just because of the nature of what we're talking about.

Where I think there is some potential and where I'm optimistic is with the timing. If you're looking at passing an agreement now and launching negotiations with the European Union over the coming years, I know from our membership and from the business community in general.... I haven't been around long enough to make an historical comparison, but I would say that in the recent past this is the best timing we could hope for in terms of getting the support from the business community. As I said before, businesses, exporters that are seasoned and companies that don't have a lot of experience doing business outside of North America, are actively looking to grow their business outside of Canada and the United States. And Europe is a logical market outside of North America for a large proportion of manufacturers and exporters.

So in terms of the political will and the timing, I know you can expect support from the business community I represent, and I'm sure it's the same thing for my counterparts for any trade agreement that would be negotiated with industrialized export markets.

Mr. Ed Holder: Thank you for your response, sir.

Mr. Stewart-Patterson, you said in your comments, and Mr. Boutziouvis said in his, "if we don't ratify this deal". I don't sense there is the political will to not ratify this deal. I come back from the standpoint of how long it takes to get this. Here I look at this and we have been at this over ten years now and we're trying to do a broader European free trade arrangement and it just seems that we're stuck in neutral on a few points. Frankly, they are key points, but we're stuck in neutral and we've got to move this forward. If we have any hope, as free traders, of moving this forward we've got to be able to deal with four countries that represent almost \$13 billion of two-way business. I'm just challenged by how much time it takes to get that far.

This will be my final quick question. How crucial is it that we do this fast—and I say fast, but this has not been fast—that we do this now?

Mr. David Stewart-Patterson: We need to do it now because I think we're on the eve of launching something very important with the 27 countries of the European Union, and that's something that is going to matter a great deal to a great number of Canadian workers and to a great number of Canadian enterprises. I think it's really important to move this deal through ratification as almost a stepping stone to those broader negotiations.

Mr. Ed Holder: For Canada's sake.

Mr. David Stewart-Patterson: It is important for Canada to do this now.

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

The Chair: Thank you, Mr. Holder.

Mr. Silva.

Mr. Mario Silva (Davenport, Lib.): A lot of the questions I had were already posed by members, so I don't want to be repetitive. Obviously, I realize that there were issues of concern that people had, as well people who were expressing their support for the agreement.

The shipbuilding industry was one issue that came forward, and they certainly raised some issues. I tried to state some possibilities to lessen some of their concerns, but I wasn't sure whether I got support for my suggestions or not.

However, as important as committee work is, at the end of the day it is the prerogative of the executive of the government to decide trade deals. We're either going to support this or not, but at the end of the day we're not going to be able to amend it here on this committee, that's for sure.

We're all fond of European countries; they're healthy democracies; they're global leaders, friends, and allies. Trade with Europe is very much something we're interested in pursuing, and there are no problems there that we might have with other countries on issues like human rights, for example. These are wonderful countries and we're all very proud to have good relationships with them.

But there is one thing we also have to keep in mind in these deals. Having grown up in Europe and having studied European politics, I know they are protectionist in their own way and they know how to take care of themselves. The various European loans that are handed out—by certain major partner countries in particular—tend to always have strings attached, such as buy from this country and that country, and rarely do they tend to go outside of their own market. It's been a very good success story. We should all be very proud of the European economic union. It's been a huge success story for most Europeans and it has brought a lot of countries that were impoverished into first-world status, so it's a major plus.

I know that you are supportive of the deal, but maybe you can help me understand the European perspective. How much are they trying to get a deal that would basically be lopsided towards them, and how much is it from our side? Like I said, Europeans are free traders within their market but they're very protectionist as well.

● (1040)

Mr. David Stewart-Patterson: I take it you're talking now about the broader European potential here. I think any country or group of countries going into a trade negotiation is looking to come up with a deal that is to their advantage. The whole point of doing trade agreements is that we all gain somewhere. Inevitably there are things we have to put on the table, and you have to give things to get things. You're aiming for something that on balance is going to be good for your side. The nice thing about trade is that more open trade flows tend to be better for both sides. We're waiting to hear what officials have been able to hammer out between them in terms of the scope of the negotiations, and I'm hoping to hear on that front soon. What's on the table at the moment in the initial discussions is a very broad range of topics that goes well beyond the notion of a trade agreement. It's about how we work together more effectively, and it includes things like regulatory convergence, a topic that has come up a lot in terms of the financial crisis.

But more to the point, one of the things you have to keep in mind is what might be in this for the European Union. Why should a 27-country bloc like that be that interested in negotiating with Canada on a bilateral basis? One reason is that Europe has been so much within itself, in terms of its commercial flows. Similarly, since we did our deal with the United States and then with Mexico, North America has become a highly integrated bloc. The Canada-EU discussions offer an opportunity to bridge the Atlantic in a way that hasn't been done before. We may be able to work out on a bilateral basis the kinds of things that may set precedents in Europe's ability to negotiate with the United States and perhaps open up that broader transatlantic flow.

So we have an opportunity to be pioneers here, and doing so could be very much in Canada's interests as well as in Europe's interests. I think that's an area of potential we should keep in mind. The Canada-EFTA agreement is a precursor and sends a signal that we have the potential, as Canada, to negotiate with the broader European Union. However, those Canada-EU discussions have broader implications in terms of what can be done between North America and Europe and perhaps on the global stage as well.

The Chair: Great. Thank you, Mr. Silva.

I think we have time for one more. That would be Mr. Allison for five minutes, and then we're going to have to move to committee business.

Mr. Dean Allison (Niagara West—Glanbrook, CPC): Thank you, Mr. Chair.

I do want to thank Mr. Stewart-Patterson for mentioning the wine example. Ron and I represent probably half the wine industry in Canada, and certainly the sky was also falling in the 1980s. There were some concerns about whether we could compete globally. I think we need to remind ourselves that as Canadians, given the opportunity and a level playing field, by all means we'll compete with the best in the world, regardless of who that is. I think we looked at replant programs. We looked at trying to deal with some of the issues in the industry, and I would say that our wines are certainly up there in terms of quality. Our biggest challenges are not international. They're actually across borders between provinces. So it's kind of funny. We have a harder time moving product across Canada than we do selling internationally.

I say that in context, because I believe the government has been listening, and I believe when I talked to one of the witnesses from one of the shipbuilding unions we had in last time, he said he was optimistic. The proof will be in the pudding. We'll wait to see what happens, but we liked the measures of procurement, and we liked the measures of CCA, which my NDP friend agrees with as well.

So while it may not be perfect, I think we're heading in the right direction, and that's one of the thoughts that I think we need to continue to mention. While maybe we couldn't have competed 10 years or 15 years ago, this is a chance to get our A game on and move forward. I believe our ship industry is able to compete with the best in the world.

Just in the context of that, do you know how much shipbuilding actually represents in terms of a percentage of the deal? Do we have any context for that? I'm thinking we're not selling too many boats to Switzerland and Liechtenstein, not to diminish it at all. Do we know what kind of percentage this may represent for a free trade agreement?

• (1045)

Mr. Jean-Michel Laurin: I know we sell some boats, but in terms of proportion, they're mostly pleasure boats. I know some are in your colleague's riding, actually. But in terms of the types of ships that we're talking about here, I don't have any specifics.

Mr. Dean Allison: That's fair enough, because I realize you guys don't represent the industry specifically.

I want to change gears a little bit, because I think it's important in terms of the precursor for what we're doing for free trade and things. One of my concerns has been R and D and technology and the stuff that we drive here in Canada. We spend a disproportionate or at least a comparable amount of money in R and D, and our biggest challenge is getting the R and D commercialized.

Do you have any comment for us? I mean, this is going to affect us all as we're looking for new products and new services. I have a follow-up question, but what kinds of things do we need to do to create a climate in this country to get our R and D commercialized so that we can then export these things around the world?

Obviously, lack of capital is going to be a huge issue, but aside from that, what are the things that we can do as a government to encourage the commercialization of all the great R and D we're doing around this country?

Mr. David Stewart-Patterson: Well, it's an interesting and well-timed question, because we actually had a session on that at the last meeting of our members in January to raise this issue. I think that is the next big policy question when it comes to how we can improve Canada's competitiveness in the long term so that we come out of this current downturn stronger than ever.

I think there are a lot of different elements to that question. Some of them deal with access to capital—not only access to loans, but also access to venture capital. Some of them deal with incentives for research and development. I think we're engaged in a discussion even within the business community now in terms of which of those levers might be more effective on a dollar-for-dollar basis. So at this point I wouldn't want to say to you that here are the one, two, or three silver bullets that would solve the commercialization issue. I think it is complex, and there are going to be quite a few pieces to the puzzle. But that is a subject we are working on actively right now.

Mr. Dean Allison: Great. Well, I certainly hope our committee can look at this in the future, because I think it's one of those key things in terms of being a strong exporter, even in manufacturing, that we could do to increase our competitive advantage.

I have one more quick question, but go ahead, Mr. Laurin.

Mr. Jean-Michel Laurin: I just want to make a few comments in terms of your question.

When you talk about innovation—I know you're familiar with this—it's very complex, right? You have many different parties involved and it's like a fragile ecosystem that you have to let flourish.

You are asking what the government can do to help, and I know you've heard us mention this before, but one thing would be to provide refundable tax credits for companies so that even if they're in a loss position, which is the case for a lot of our members right now, there's an incentive out there for them to invest in research and development.

Also, we were quite pleased to see that the budget for the industrial research assistance program, IRAP, has been increased, because a lot of our members work very closely with IRAP in developing and commercializing new products into the market.

And finally, as my colleague Sam indicated before, we need more supports for businesses that want to go out there and grow in export markets. Our international trade department plays a significant role in that, and I definitely think they deserve to have more resources to do their job.

Mr. Dean Allison: I have one last quick question.

What are your thoughts on the government's direction to try to make us one of the lowest tax jurisdictions in the world from a business point of view? Do you see an inflow of businesses? I almost think this may be a rhetorical question, but do you see a shift of head offices coming to Canada in the next few years, given our health care, etc., given the direction the government is trying to head in terms of a low tax jurisdiction? I mean, we're going to be lower than the United States, which is pretty incredible.

Do you see that having some effect?

Mr. David Stewart-Patterson: There's no question it will have some effect. I think what we have to recognize, again, is that there's more than one dimension to that—for example, the corporate tax side, in terms of the effective tax rate on investment, which gets affected by things like provincial sales taxes versus value-added taxes. It would have a huge impact here in Ontario if Ontario would harmonize or go the Quebec route on value-added taxes.

• (1050)

Mr. Dean Allison: Yes.

Mr. David Stewart-Patterson: We also have to recognize, when you talk about head-office activity or research activity, that when you're getting into higher-income individuals, the personal tax structure may have as much influence as the corporate tax structure.

The other element that's important to mention here, of course, is that you can make Canada a very attractive jurisdiction from a tax point of view, but if people and goods can't move smoothly back and forth between Canada and the United States, that's going to be a huge negative in the equation. Because any business that's going to operate globally from a Canadian base is going to involve both people and goods moving across the border between Canada and the United States—integrated supply chains and just the normal functions of the management and executive teams of a company operating internationally.

Mr. Dean Allison: All right. Thank you.

Mr. Jean-Michel Laurin: Can I add something very quickly?

Just to answer your question on head office, one thing we didn't really talk about today is the impact of this proposed free trade agreement with EFTA. Also, if we talk about Europe in the broader sense, this could really help attract plants to Canada, in some cases probably North American head offices, because Canada would enjoy a significant or better market access into Europe, and that's an advantage. If you're considering where to put a plant or put an office, in the U.S. or in Canada, that's certainly a benefit to putting it in Canada—you have privileged market access into Europe.

Mr. Dean Allison: Thank you.

Mr. David Stewart-Patterson: If I may, that was the point I was making about the potential for Canada-EU discussions to be a bridge across the Atlantic, where Canada could play a key role.

Mr. Dean Allison: Perfect, thanks.

Mr. Sam Boutziouvis: The Americans don't have a FTA with EFTA. We will have that, subject to approval, of course; and then hopefully we'll have a deal with the EU, which will make it very attractive for EU enterprises to invest in Canada as a base for a North American platform.

Mr. Dean Allison: Perfect. Let's go clause by clause.

The Chair: There you go.

Shall we deem clause 1 passed?

Some hon. members: Oh, oh!

Mr. Ron Cannan (Kelowna—Lake Country, CPC): That got Peter's attention.

The Chair: Thank you, Mr. Allison.

Thank you to our witnesses today from the Canadian Manufacturers and Exporters, Jean-Michel Laurin, and from the Canadian Council of Chief Executives, David Stewart-Patterson and Sam Boutziouvis. Thank you again for coming. I do appreciate it.

If I could ask the committee, we'll just take a couple of minutes to bid farewell to our witnesses with our thanks today, and we'll reconvene in three minutes to discuss some business.

• (1050)

(Pause)

• (1055)

The Chair: We have two motions we need to deal with. Some have been withdrawn for the day. The motions we're going to deal with include one with regard to a working lunch with a delegation from the European Union.

We have a visiting delegation coming from the European Union, which has asked to meet with the committee. Our suggestion, which I think we discussed briefly at committee, is that our meeting on March 5 start at 10 o'clock rather than 9 o'clock, and that it go till noon. That would be for the purpose of having our committee business from 10 till 11, and then from 11 to 12 we would have somewhat of an informal meeting of the committee with the delegation from the European Union. At 12 o'clock we would adjourn the meeting and proceed to the parliamentary restaurant, where we would host our guests for lunch.

Monsieur Cardin, we're working on getting some translation for you there. I hope it can be worked out.

That's the general notion of what we've worked on with our colleagues from the European Union.

As well, for the convenience of everyone, we will move the meeting to the Centre Block for that day. We will go to Room 253-D on March 5 to accommodate everyone.

With that, we have distributed a proposed motion on a working lunch with a delegation from the European Union.

Mr. Holder, would you like to make that motion?

Mr. Ed Holder: I'd be pleased to move that motion.

The Chair: Perhaps you could read it.

Mr. Ed Holder: Yes, thank you.

I move that the Standing Committee on International Trade meet with a delegation from the European Union on Thursday, March 5, 2009, and that the clerk, in consultation with the chair, make the necessary arrangements for a working lunch with members of the Standing Committee on International Trade, members of the delegation, and essential staff, in accordance with the guidelines specified in the Financial Management and Policy Guide for Committees.

The Chair: Thank you.

Is there a seconder for that motion?

Mr. John Cannis: Mr. Chair, I think it's important that you include in that statement that every effort is being made to provide translation.

The Chair: Fine, thank you. So that's included at the request of Mr. Cannis.

[Translation]

Mr. Serge Cardin: Yes, of course.

[English]

Mr. John Cannis: It's automatic, but I think for the benefit of all, it should be included.

The Chair: There you go. That's a friendly amendment, seconded by Mr. Cannis.

(Motion agreed to) [See *Minutes of Proceedings*]

The Chair: The second item on our agenda is a motion by Mr. Keddy.

Mr. Gerald Keddy: Thank you, Mr. Chairman.

Mr. Chairman, I'm just trying to move this study along. We studied this bill at length prior to 2008. It's been on the books for nearly a decade. There are a couple of small obstacles yet, but I think we are ready for clause-by-clause consideration.

I suggest that we begin on March 3. I think we can be ready by March 3. We're going to bring the industry minister in on Thursday. There are a few other questions on which he should be able to satisfy members, I believe, after Thursday. We really do have to deal with this important treaty and trade agreement, and then move on to a number of other ones.

The Chair: We have a motion from Mr. Keddy that the Standing Committee on International Trade complete its study of Bill C-2 on Thursday, February 26, 2009, and complete clause-by-clause on March 3, 2009. Do I have a seconder?

Mr. Dean Allison: I second.

The Chair: Discussion? Mr. Cannis.

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

Mr. Chairman, I agree with Mr. Keddy's motion. It's well placed. I personally don't have a problem supporting it on our side as well. I do agree with his comment in terms of the decade he emphasized, and he's correct. I appreciate the fact that he indicated the minister will be here. I believe he will be here. As such, I will be moving an amendment, a friendly amendment, that will say "and that the Minister appear before the completion of the study on Bill C-2".

We set certain parameters. We would like the minister to be before us as it's completed. I take the member's word that the minister will be here by Thursday, but you never know what could happen, and we might have to go to one more sitting.

• (1100)

The Chair: For clarity, the minister being the minister of...?

Mr. John Cannis: The Minister of Industry.

The Chair: Okay. I think that is understood. Is that not the case, Mr. Keddy?

Mr. John Cannis: He's confirmed as well, if I understand.

Mr. Gerald Keddy: Yes, he's been confirmed.

The Chair: Thank you.

Mr. Julian.

Mr. Peter Julian: Mr. Chair, I'm going to speak to this motion, but I'm hoping Mr. Keddy will signify he's willing to withdraw the motion. I understand he's doing his job. As parliamentary secretary his job is to move things along. I don't think anyone on this committee has been trying to delay this.

Mr. Gerald Keddy: I would disagree.

Mr. Peter Julian: What we've been saying is that we need to hear from certain key sectors—the B.C. marine workers, for example, the Shipbuilding Association of Canada. Those names have been submitted to the clerk, and we're in the process of setting up those witnesses now. So where witnesses have appeared before us before and have said they do not intend to come back on EFTA, I'm fine with that. But we do have the responsibility to let those witnesses come forward. Mr. Keddy's motion would essentially eliminate those workers from coming.

If we have these people available next Tuesday, it is quite possible once we've completed those witnesses that we would move to having clause-by-clause consideration the following week. I don't think that is any untoward delay for consideration of clause-by-clause. But for this committee to say we don't want to hear from those witnesses I think would be completely inappropriate. I think it would be irresponsible. We've heard from witnesses the government brought forward who have nothing to do with shipbuilding. We heard today from the Canadian Council of Chief Executives, and they admitted they don't have any shipyards as members. We heard from the Canadian Manufacturers and Exporters, and it was very interesting, particularly the section around the "buy Canada" act. I found that extremely interesting. They admitted they don't know much about the shipbuilding industry.

The government is choosing to bring these representatives forward, and that's fine. I don't mind our due diligence including representations or witnesses who are speaking more to the theoretical implications of the agreement. But we have some very clear, practical implications to examine. The B.C. Ferry & Marine Workers' Union testified before. They've expressed a willingness to testify again. We need to allow that. This motion eliminates that possibility. Mr. McArthur, of the Shipbuilding Association of Canada, has indicated he wants to appear by teleconference. That eliminates it.

So if Mr. Keddy is willing to simply withdraw the motion on the understanding that there isn't any untoward delay—

Mr. John Cannis: Mr. Chair, a point of order. I know you're very prompt with time, and I apologize to my good friend Peter Julian, but I don't want a repeat of what happened last time when we didn't do our business. So with all due respect, I will ask if we can summarize and move on, because I looked at the clock.

The Chair: All right. I think we have the question.

Mr. Peter Julian: Mr. Chair.

The Chair: I'm sorry, Mr. Julian, I'm calling the question.

Mr. Peter Julian: Mr. Chair.

The Chair: I'm sorry, Mr. Julian, we're out of time. We've given you more than adequate time. The question has been called.

Mr. Peter Julian: Mr. Chair, this is absolutely outrageous.

The Chair: I've heard your comment, Mr. Julian.

Mr. Peter Julian: That is a violation of the rules of order.

[*Translation*]

Mr. Serge Cardin: I had asked to speak.

[*English*]

The Chair: We have accepted the friendly amendment.

Mr. Peter Julian: It is absolutely outrageous—

[*Translation*]

Mr. Serge Cardin: I had asked to speak.

[*English*]

The Chair: We've accepted the amendment.

I'm moving to the motion as amended by Mr. Cannis.

Mr. Peter Julian: Absolutely outrageous.

The Chair: You're out of order, Mr. Julian.

Mr. Peter Julian: No, Mr. Chair, you're out of order.

The Chair: Mr. Julian, you're out of order.

Mr. Peter Julian: You can interrupt for a point of order, and then you reference back to the speaker, as you well know. Unless this committee chooses to limit—

The Chair: Those in favour of the motion as amended by Mr. Cannis, please raise their hands.

Mr. Peter Julian: No, Mr. Chair. You simply cannot do that. You've not allowed the Bloc member to speak, and—

[*Translation*]

Mr. Serge Cardin: Mr. Chair, I had asked to speak.

[*English*]

The Chair: The motion has been agreed to.

The meeting is adjourned.

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