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Chair

Mr. Lee Richardson

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• (1540)

[English]

The Chair (Mr. Lee Richardson (Calgary Centre, CPC)): I call the meeting to order.

We still don't have everyone, but we're going to begin. A couple of our people and some witnesses as well are a little tight for time today, so I'm going to get right at it.

We are going to begin a discussion and a study of free trade between Canada and the European Union. These are ongoing discussions and even negotiations. We are pleased to begin today with an overview from Canadian participants in those negotiations, including the chief trade negotiator in the Canada-European Union file. That person is Steve Verheul, who is in Vancouver today.

Thank you for taking the time out. I know you're busy with meetings in Vancouver, and I appreciate the time you've taken today.

We also have David Plunkett at the table with us. He is also with DFAIT and is a trade negotiator in bilateral and regional relations. From the Department of Agriculture and Agri-Food we have Gilles Gauthier, who is director general and chief agriculture negotiator. We're in good company today.

Our members are ready for questions, but I'd like to begin with opening statements. Because of the shortness of time and because we are a little late getting started, I'm going to ask Mr. Verheul to begin with an opening statement. Perhaps Mr. Plunkett would follow up with a statement as well. Then we'll get right to questions.

Mr. Verheul, how is your time? Have we got an hour?

Mr. Steve Verheul (Chief Trade Negotiator, Canada-European Union, Department of Foreign Affairs and International Trade): Yes, that's fine. There's no problem.

The Chair: Okay, we'll do it that way, and then we'll move immediately to questions. We'll probably wrap up this session by five o'clock, Ottawa time, if we can hang on that long.

With that, I'm going to ask Steve Verheul, chief trade negotiator, Canada-European Union, to start with opening remarks.

Please go ahead, Mr. Verheul.

Mr. Steve Verheul: Thank you very much, and thank you for the invitation to appear before you today.

I'm going to start by providing you with some context for these negotiations. Then I'll outline some of the key steps in the negotiations and the timelines going forward, and finally I'll provide

you with a brief overview of some of the key issues under the negotiations.

First of all, the successful negotiation of a high-quality, ambitious agreement with the EU is a key priority for the Government of Canada. These negotiations represent a significant opportunity. A CETA would provide us with preferential access to the largest market in the world. The EU, made up of some 27 member states with a total population of nearly 500 million and a GDP of over \$19 trillion Canadian, is already our second-largest trading partner. We have many historical, economic, and cultural ties with the EU, so the EU is an obvious trading partner for Canada.

Canada has been interested in a free trade negotiation with the EU for a very long time, and convincing the EU to negotiate a trade agreement with Canada was a long process. It involved extensive advocacy by Canadian political leaders and government officials and a great effort by the private sector. In the end, we were able to convince the EU that Canada was prepared to negotiate an ambitious agreement, and negotiations toward a CETA were officially launched in Prague at the May 2009 Canada-EU summit. At the summit, leaders agreed that we would aim for a high level of ambition in the negotiations. They also agreed that we would aim to complete the negotiations within a very short timeframe, within two years.

For Canada, this is by far the biggest free trade negotiation we have undertaken since the Canada-U.S. Free Trade agreement, which has been in place for more than 20 years, along with the NAFTA that came after it. In the CETA negotiations we are aiming to go further than we went in the NAFTA negotiations, both with respect to the range of issues to be covered and with respect to the depth of ambition. On the part of the EU, they too are aiming to go further than they have gone in any previous free trade agreement.

We are expecting an agreement with the EU to deliver benefits across many sectors, including industrial products such as wood, chemicals, plastics, aluminum, and autos and auto parts, as well as fish and seafood and agricultural products. We are also expecting significant benefits in areas of services and investment, such as energy, construction, engineering, information and communication technology, research and development, environment, and many others.

With regard to the timelines, we began the negotiations, as I mentioned, on May 6, 2009, and we've had three formal rounds of negotiations since then. The first was last October, and we've had two this year, one in January and one in April. We're holding two more rounds of negotiations in the coming months, one in July and one in October, and after that we will take stock to assess progress and plan the next steps in the negotiations. The view from both sides, from both Canada and the European Union, is that we have made very good progress in the negotiations so far, and we're aiming to complete the negotiations next year, in 2011.

One of the unique aspects of this negotiation is that because there is a strong EU interest in areas under provincial and territorial jurisdiction, provinces and territories are very closely involved in the negotiations. This involvement includes participating in negotiating rooms on issues under their jurisdiction. We have had between 40 and 60 provincial and territorial representatives at each of the negotiating rounds, and we have been meeting with them frequently, as we are this week in Vancouver. We also meet with them on the eve of every round as well as at the close of each day of negotiations. While this has been a complex and challenging process, it has generally gone well.

As far as more specific progress in the negotiations is concerned, we have been moving at a fast pace. In terms of text, we have a consolidated text covering all 22 areas of the negotiations. We've had that since last fall, and we have already completed or parked a number of chapters in the agreement.

We have also exchanged initial offers on goods, which would have 90% of all tariffs going to duty free immediately upon implementation of the agreement, which is a very aggressive initial offer, and we have exchanged detailed requests on government procurement, services, and investment.

I'll now highlight some of the key issues in the negotiations so far.

Government procurement is an important priority for the EU, particularly at the sub-federal level. It will be important for us to put a high level of ambition on the table on procurement, as this will, to some extent, set the level of ambition in other areas. We are working closely with the provinces and territories to ensure this happens.

On services and investment, we are pressing the EU to adopt the more ambitious approach of a negative list, which means everything is captured by the commitments in these areas except for specific exceptions.

● (1545)

This is the approach we have used in all our agreements, including the NAFTA, but the EU has never used this approach, relying instead on a positive approach, which involves taking commitments only in a specified list of areas.

We are also pressing the EU to go further in the area of labour mobility, both in easing the temporary entry of business people and professionals and in facilitating mutual recognition of qualifications to allow easier movement of professionals back and forth.

In the area of goods, the remaining 10% of tariffs that we have not made offers on yet will involve some sensitivities, including some with respect to agriculture on both sides, and for fish for the EU.

As part of the discussions on trade in goods, we are paying particular attention to non-tariff barriers, especially in the area of regulatory standards. Bridging gaps between EU standards and our standards—whether on a North American basis, a Canadian basis, or a provincial and territorial basis—will be essential to the free flow of goods between our two markets. We have already made significant advances in the area of regulatory cooperation, and we will have a chapter on this issue for the first time in any free trade agreement.

Intellectual property is also an important area, as the EU has been pressing us on copyright protection and enforcement and on the protection of geographical indications for some foodstuffs. The copyright bill tabled by the government a couple of weeks ago is likely to help us advance on some of these issues.

These are the main areas of focus overall, although we are looking to set high standards across the board, including in environment, labour, dispute settlement, areas of cooperation, and many more. We will be continuing to press forward with the negotiations as quickly as we can, while ensuring that we maintain a high level of ambition throughout all areas.

Thank you for your attention. I would be pleased to answer any questions you might have.

The Chair: Thank you very much.

Please go ahead, Mr. Plunkett.

Mr. David Plunkett (Chief Trade Negotiator, Bilateral and Regional Relations, Department of Foreign Affairs and International Trade): Thank you, Mr. Chairman.

With Budget 2007, Canada adopted a global commerce strategy that is designed to help our businesses be more competitive in today's global economy. This includes increasing our commercial presence abroad, securing competitive terms of access to global markets, and increasing foreign direct investment in Canada and abroad.

An aggressive trade policy agenda, including our negotiations with the European Union, is part of the global commerce strategy. The reality is that we still face a number of barriers in international markets. That is why our strategy recognizes the importance of continuing to push for free trade through the World Trade Organization, or OMC, and puts a strong emphasis on an unprecedented series of regional and bilateral trade negotiations as well.

● (1550)

[*Translation*]

Trade is an essential contributor to Canada's prosperity, productivity and growth.

The WTO is the best forum in which to build a more open, rules-based and equitable world trading system.

FTAs are effective tools to improve access to foreign markets and to level the playing field with competitors.

[English]

FTAs are also a key element in our response to the global economic crisis. They support economic growth while sending a strong signal against protectionism.

We have made good progress over the last year, including implementing agreements with EFTA and Peru. Legislation has been tabled recently with respect to Colombia and Jordan. Colombia passed into the Senate this week, and in mid-May we signed and tabled the FTA with Panama for review by the House of Commons. We have been active with Ukraine and are having a first round of negotiations in Kiev in mid-May.

Our existing North American Free Trade Agreement remains a key plank of our competitiveness. It allows businesses in all three countries to better realize their potential by operating in a larger and more integrated market, and we continue to work with our North American partners to improve the free movement of goods, services, and capital in North America.

In regard to investment, under the global commerce strategy the government has committed to an aggressive negotiating agenda for increasing the number of Canada's bilateral foreign investment promotion and protection agreements, FIPAs, and investment chapters in FTAs. To date Canada has made significant progress towards this goal, with 12 investment agreements, either as FIPAs or as investment chapters in FTAs, having been concluded since the implementation of the GCS, although some of these must still be signed and ratified.

Foreign investment links Canadian companies to global value chains and new economic opportunities, thereby enhancing their competitiveness and increasing the flow of goods and services between Canada and our trading partners. There are currently 23 FIPAs and three investment chapters in force, and we have an active program of ongoing FIPA negotiations.

Finally, on air negotiations, in 2006 a new international air transportation policy, called the blue sky policy, was announced by the government to help further connect Canadians to each other and to the world. Since January 2006, the Government of Canada has negotiated open, new, or expanded air service agreements with a total of 51 countries, including a comprehensive air transport agreement between Canada and the European Union's 27 member states.

With that, Mr. Chairman, I will stop and turn the floor back to you.

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

I should say that in the interest of time, we're not going to have another opening statement from Agriculture and Agri-Food specifically, but feel free to ask specific questions on agriculture if you have them. Mr. Gauthier is prepared to respond to those questions.

We're going to begin right away with a seven-minute round. I'd like to remind members and witnesses again that this will be seven minutes per member for questions and answers.

We'll begin with the vice-chairman, Mr. Cannis.

Mr. John Cannis (Scarborough Centre, Lib.): Thank you, Mr. Chair. I'll certainly stay within the seven minutes.

Let me first of all welcome our guests and those from out west as well.

It's very interesting as we approach this initiative with the European Union. You mentioned 27 states, but it's growing. The big concern I have—and I'm asked about this by my constituents and business people in my community—is about the arrangements that we're hopefully going to be agreeing to, as soon as possible, I suppose. As they grow, how will it apply to these new members that will be joining the EU, the 28th or 29th or 30th member states? Once we agree on terms and conditions, it will all of a sudden be rubber-stamped, I presume, is what they're saying, or will we have to do any additional fine tuning after that?

Could I get a quick answer on that for my constituents?

• (1555)

Mr. Steve Verheul: Could I respond to that? If the EU expands to include further members, those new members would be subject to exactly the same obligations that the European Union is taking on under this potential free trade agreement.

Mr. John Cannis: Thank you.

The issue of the movement of labour really caught my interest. There are two things: intellectual property rights, as you talked about, and labour movement.

If I recall—correct me if I'm wrong—they have the Schengen treaty, which allows free movement within the membership. Once we agree to the terms of this agreement in the future, does that mean that we too in Canada will fall under that agreement? Would members of the EU and Canada have free mobility of labour movement back and forth?

Mr. Steve Verheul: No, we don't anticipate that we would be able to get quite as far as the Schengen agreement, which applies between the European Union and a number of other European countries, including Switzerland and a few others.

Our main focus in labour mobility is more on the business side. We want to facilitate movement back and forth for business people and their spouses to follow investments, change jobs within firms, and do all of that kind of thing. We'd hoped to extend that to technicians as well. We're also emphasizing the importance of being sure that if you are going to work in one of the EU member states and you're qualified as an architect or engineer or something of that nature in Canada, you would also be able to work within the EU member states as an architect or an engineer. We won't be going as far as the free movement of people themselves.

Mr. John Cannis: You just triggered something else, Mr. Verheul, and that is the qualifications or certifications of professionals. For example, veterinarians could come from Europe and move to Canada. With this treaty, are we moving towards addressing this with the provinces and the territories as part of these negotiations? You mentioned that you're including all the provinces and territories in your negotiations and that you're very concerned and sensitive to make sure that we adhere to their specific jurisdictions. In your view, will we be working towards resolving that? Can you make a comment on that for me?

Mr. Steve Verheul: Yes, we have been working very closely with the provinces and territories in designing the proposal that we will put in front of the European Union. That proposal will apply to all the provinces and territories.

Our biggest challenge on this issue will be getting all the EU member states on board, because they will have to make the decisions individually as well.

Mr. John Cannis: With respect to intellectual property rights, we're all aware that this is an issue that we are also discussing here in Canada. I think personally it's an issue that must be addressed as soon as possible. Correct me if I'm wrong, but I'm reading your comments as suggesting that the Europeans have a model that is a little bit more effective or has more teeth—however you want to describe it—than ours does. Should we be looking towards the European model with respect to intellectual property rights, copyright legislation, etc.? Could you please comment on that?

Mr. Steve Verheul: Sure. The European Union does have a much stronger regime for copyright protection, for enforcement of intellectual property rights, and for a number of other areas as well.

The government has looked at the EU model, the U.S. model, and others in designing the bill that was put forward a couple of weeks ago, but I think the conditions in Canada are a little bit different in some respects. Our form of protection will not be exactly the same as the EU's or anyone else's, but our initial discussions with the EU last week indicated that they see the bill that we put on the table as going a long way towards addressing their concerns.

Mr. John Cannis: Thank you.

My last question is with respect to open skies and competition. I think it's very important. Could you just elaborate for us, David?

It's interesting that we're having a growing market here in Canada, but in many ways it is described as a restrictive market. Could you give us an overview? Are we going to have open skies that will allow airlines from the European family of 27 today, and other ones in the future, to come and compete fairly right across the country, both for domestic flights and for international flights?

• (1600)

Mr. David Plunkett: I will not even pretend to be a specialist in this area, sir.

This issue is obviously the subject of negotiation, as they all are. We try to work, as Steve said in another context, to what fits the best to a Canadian situation, recognizing that we have interests of carriers, travellers, airports, shippers, etc. No one size fits all, so as we go through the various negotiations with major partners or smaller partners, each situation will have to be viewed on its own.

If you want to drill down, we can give you the details and talk to our chief negotiator, Robert Ready. He is best placed to answer any technical questions.

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

The Chair: Thank you, Mr. Cannis.

Monsieur Laforest pour sept minutes.

[*Translation*]

Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ): Thank you, Mr. Chairman.

Welcome to all of our witnesses.

My first question is for Mr. Verheul. Negotiations seem to be moving along quite quickly. I think you are ahead of your essential deadlines. Is there is some rush, or are the obstacles less significant than you had expected?

Also, can you tell me which negotiation related aspects the Europeans want to further protect? And conversely, what concessions are they calling for most insistently? I am asking the question from the perspective of the European Union, and also from Canada's perspective. On what negotiation points are we the least inclined to compromise? On the other hand, what concessions are we asking of the Europeans?

[*English*]

Mr. Steve Verheul: Thank you.

To respond to the first part of your question, we made the original commitment to try to do this negotiation as quickly as we could, partly because we've seen a lot of negotiations, including some of our own, that have dragged on for years. And we both wanted to get to a conclusion quickly. We've both been through a number of negotiations, so we know what's involved and at stake.

We also wanted to find that we could have a lot in common when we were at the negotiating table. We've established a very good negotiating atmosphere, which has led us to make some very fast, early progress. The Europeans have characterized it as being about a year ahead of schedule, of where they thought they would be. So we are well ahead. But that's partly because the negotiations, so far, have gone more smoothly than we had thought they would, and we're also trying to do things quickly so that we can maintain the momentum. I should recognize, however, that we have more difficult issues ahead, and those might slow us down somewhat.

In answer to your second question, it is a complex negotiation, with some 22 areas under negotiation. We have important demands in virtually all of those, as does the EU. The EU's most important offensive objectives are clearly in the area of government procurement and intellectual property, as well as a handful of others. The offensive interests that are most important to us tend to be more in the goods area. We want to make sure we can get clean access for goods—whether they are agricultural or fish products or all kinds of industrial products—into the EU market.

Clearly both sides have some sensitivities as well. Both sides have some sensitivities regarding culture. We don't want to have an extensive negotiation on culture. The EU also has some sensitivities in areas where they have taken protection for things, such as genetically modified organisms and biotechnology. These are areas where they feel they have limited room to move. Both countries also have sensitivities in the general area of access for agricultural products, or at least some agricultural products. This will be the subject of discussion further on in the negotiations.

•(1605)

[Translation]

Mr. Jean-Yves Laforest: Regarding the participation of provincial governments—we know, for instance, that Quebec is taking part—how are our governments reacting? I would imagine the demands of some provincial governments are incompatible with those of others. What do you do to reconcile the demands of some with the restrictions of others internally, within your broader negotiations committee? I would imagine that are some specific points that are not working. Are these major obstacles? If so, can you expand on them?

[English]

Mr. Steve Verheul: We may yet get to some of those obstacles you describe, but the approach to date has worked quite effectively. It's mainly a matter of spending a lot of time with the provinces and territories, and talking about what kinds of priorities we have in common to fit into our overall strategy. But also, we've been asking provinces and territories to identify the specific priorities they have for their own areas, as well as specific sensitivities they may have for their own areas. It's a very long conversation aimed towards getting to a package that works for everyone.

One example is that there's a very strong interest in fish and seafood from the east coast, and to some extent from the west coast, but far less interest in that issue in other parts of the country. But there is a clear recognition among all provinces and territories that we will push very hard for good access to EU markets for fish.

[Translation]

Mr. Jean-Yves Laforest: Thank you.

Mr. Plunkett, a number of agreements have been negotiated, with Jordan, Columbia, Peru. You have begun negotiations with the Ukraine. Negotiations with Peru have been completed and there are some on the way with the European Union.

Does the Department of International Trade do strategic planning to have an overview of all these agreements? Could some signed agreements be an impediment to the signing of another potential agreement? This is a very general question.

[English]

Mr. David Plunkett: That's a very good question, because it's something I face on a daily basis.

In broad strokes, the global commerce strategy set out our broad game plan to begin with. We had—and it started before I got to this position—gone through and identified key markets that were of interest to Canada for a variety of reasons, whether in terms of key interests to our business community or as offensive interests. There were other areas in which our competitors were moving ahead, and we needed to level the playing field, and obviously there were some no-brainers, such as how we should deal with the likes of China, India, and some of the big players in the European Union.

We had worked out a plan that had short-, medium-, and longer-term objectives, some of which were to address some of the negotiations that were already in play. We've had mixed results on that. We've been able to conclude a couple of those, EFTA being

one, for example. Others, such as Singapore, which has long been on the books, we have still not found a way to wrap up.

In the meantime, as the world continues to unfold, opportunities arise. We hear from stakeholders, from provinces. We spend a lot of time, as does Steve, consulting with our provincial and business colleagues, and they push us and tell us we should be doing this or doing that. We obviously need to work carefully and make sure what each of us is doing is not inconsistent with what the other is doing. They build to a certain extent on the NAFTA model, but we long ago moved away from a pure NAFTA approach. I think Steve's negotiations will move us, in some areas, even further way. So it's a constantly moving process.

We engage a lot of lawyers who keep us honest by making sure what we're doing isn't inconsistent, looking either forward or back. It is a challenge to make sure that all the balls we have up in the air, including what we're trying to achieve in the Geneva context, in the World Trade Organization, aren't going in completely opposite directions.

•(1610)

[Translation]

Mr. Jean-Yves Laforest: Thank you very much.

[English]

The Chair: Thank you, Monsieur Laforest.

Mr. Julian.

Mr. Peter Julian (Burnaby—New Westminster, NDP): I thank our witnesses very much.

This is our first briefing on the CETA agreement. We had one meeting last Thursday, so it's very good of all of you to be available to provide some more information on how the negotiations are going.

I want to quote one of our witnesses from the meeting last Thursday. Roy McLaren said, in response to a question from Mr. Laforest on supply management:

Everything is on the table. We entered this negotiation, on both sides, Europe and Canada, by putting everything on the table, including agriculture.

My first question is for Mr. Gauthier. Is Mr. McLaren right? Is supply management on the table?

Mr. Gilles Gauthier (Director General and Chief Agriculture Negotiator, Negotiations and Multilateral Trade Policy Directorate, Department of Agriculture and Agri-Food): Thank you for your question.

At the time the negotiations were launched, there was an agreement that there was to be a no-exclusion a priori... That essentially left it open to each side to make proposals on anything of interest to them. So that's the operating modality we agreed on at the launch of the negotiation.

That being said, the European Union is perfectly aware of the government's position on supply management. We have made that view known during the negotiations, and we'll continue to do so.

Mr. Peter Julian: But at this point, supply management is on the table.

Mr. Gilles Gauthier: As I said, it's up to the European Union to make proposals that may relate to products under supply management. Our response remains the same, which is that the government strongly supports supply management. We have defended supply management in all our trade negotiations, and we'll do so in this one as well.

Mr. Peter Julian: Thank you for that.

I'd like to go on to Mr. Verheul.

I want to get a sense of the negotiations around government procurement between the provinces and the federal government. You mentioned earlier that there is a high level of ambition on the government procurement component of the agreements. Later on, if I understood correctly—and correct me if I'm wrong—you said there is work required to get all the provinces on board.

I'm wondering about the process. Is it that the provinces have come to the federal government and tabled offers on procurement, or is it more that the federal government has gone to the provinces saying this is the negotiating framework and are you on board with it?

Does it start with the federal government, or have the provinces started by tabling their offers on procurement?

Mr. Steve Verheul: It's actually a bit of a two-way dialogue, using both of those kinds of approaches. The provinces have come to us with an indication of what they would be prepared to put on the table; we've gone to them with a notional target of what we think would be needed for an effective negotiation. We're in the process now of identifying any gaps that might exist between the two and trying to move us toward a coherent package we could put in front of the Europeans at the right time.

Mr. Peter Julian: Is it fair to say that all the provinces and territories have tabled now?

Mr. Steve Verheul: Yes, it is.

Mr. Peter Julian: Okay. Thank you for that.

The third issue I want to touch on is regulatory standards.

Mr. Verheul, you mentioned the gaps between standards in the European Union and Canada. Of course in the European Union we have rules, such as REACH and food and product safety, which I think to most observers would be higher than Canadian standards.

Have there been negotiation instructions around raising Canadian standards, or is the objective at this point to maintain our standards at a lower level in those sectors and to try to get the type of exemption that some countries negotiating with the European Union have been unable, as you know, to get in the past?

• (1615)

Mr. Steve Verheul: Well, we're not looking to have a one-size-fits-all approach to this. In some cases we do expect we will harmonize our regulations with the European Union. In other cases they may harmonize theirs to ours, but those will probably be fairly limited cases. The more common outcome will be looking towards recognition of the process and each other's internal assessments and accepting those. A mutual acceptance that the regulations will

achieve the same kind of level of protection is likely a big part of where we will go.

That's in dealing with existing regulatory differences that we're trying to confront now. What we have a greater hope for is the whole issue of regulatory cooperation, where we're going to have a window into each other's regulatory systems that will allow us to either start off from the same direction initially or, at a minimum, be able to flag any concerns before the regulations are actually drafted and become law.

As a closing comment, the whole area of how we deal with regulatory standards has been agreed by my counterpart and me as an area that needs some brainstorming, a much more in-depth examination of what we can do to come up with a system that really works between our two regulatory approaches. We are putting a lot of effort into that.

Mr. Peter Julian: At this point we're aware that in most cases the European Union has tried to ensure that regulatory standards were higher in the countries with which they signed agreements.

I certainly understand the regulatory cooperation, but do you see this as a possibility, that the European Union would back off from that practice?

Mr. Steve Verheul: I don't think they would be doing that across the board, by any means, but I think we will be looking for accommodation in various areas, as will they. Europeans don't universally tend to have higher standards.

When it comes to things like auto standards, for example, their standards for the protection of children within autos are lower than ours. We're not about to lower ours to accommodate the EU standards. So it's a matter of going through each of the many hundreds of standards and trying to find an accommodation that allows for trade to occur without jeopardizing the intent of the regulations to begin with.

Mr. Peter Julian: Just around the issue of the involvement of the labour movement in civil society organizations, there's been some talk about having a model somewhat structured around MERCOSUR, where there is some direct involvement of the labour movement in civil society groups. Has that been discussed at this point?

Mr. Steve Verheul: We haven't had any discussions about an actual model going forward, but we have been consulting closely with civil society. I've been having a discussion with a broad group of civil society representatives after every negotiating round, and they've certainly made their views clear on the various issues.

We've been doing the same with the business community. We need the input from all Canadians who have an interest to get this to the right kind of place where it's going to be broadly acceptable and seen as providing real benefits to Canadians.

The Chair: Thank you.

We're going to start over on this side with Mr. Allison.

Mr. Dean Allison (Niagara West—Glanbrook, CPC): Thank you, Mr. Chair, and also thank you to our guests.

Mr. Gauthier, you talked about supply management. I come from an area that has a lot of supply management, and I know you've said we will defend that.

My questions are twofold. I appreciate the fact that we have sensitive areas in agriculture that we want to protect, and you've indicated we'll do that. I imagine the Europeans also have a number of sensitive areas with regard to agriculture.

Do you think defending our supply management makes it difficult, or they have something they want to protect so they understand that?

• (1620)

Mr. Gilles Gauthier: It's common that both parties will have some sensitivities. But you need to look at it not necessarily as trading off one to the other. This is a complex negotiation and it involves a lot of different issues. In agriculture alone, you're talking about a breadth of issues that is quite diversified.

You're not looking at it only from the same product on both sides and so on. You're trying to address each other's best export interests and sensitivities, and that's the process of a negotiation, trying to advance your interests across the board, whether there are more on the offensive side or more on the defensive side. I think in terms of these negotiations, Canada certainly has objectives in terms of enhancing our export interests in a number of areas: beef, pork, grains, processed products, so it's quite a breadth of different offensive interests.

The EU will also want to advance their interests across a range of products. It remains to be seen whether among their top interests there will be some interest pertaining to supply managed products. For now I think our position in the negotiations has been very clear, that on these products the government has stood firm in defending supply management. Therefore, maybe there are other areas where we can better accommodate their export interests and at the same time advance our own.

Mr. Dean Allison: I have one last question and then I'm going to pass it over to Mr. Keddy.

Based on your experience with negotiations, do they have some supply managed areas like milk or some of these areas that they...?

Mr. Gilles Gauthier: Agriculture, generally speaking, is a sensitive area for Europe. Traditionally they have always taken a fairly defensive position, whether it is in this negotiation with Canada or in other negotiations at the WTO or with other trading partners.

I think we need to be creative in trying to find solutions where we think Canadian exporters can serve their market in an effective way, competing on an equal footing with other countries, and supplying a fairly broad-based market. After all, the EU is a very large market. They're a net importer of foodstuffs in many product lines. So why can't Canada be competitive in these particular segments of the agriculture sector and therefore advance our export interests?

I think that's the objective we're trying to pursue in these negotiations.

Mr. Dean Allison: Thank you very much.

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

Welcome to our witnesses.

Specifically to Mr. Allison's question, in our discussions with some of the EU negotiators the other day, they stated that they do have quota on milk in a number of European countries, so I would expect that should be to our advantage. I don't know where we go with that, but it certainly should help us.

I've got a specific question on lumber exports. I'm sure you guys are very familiar with the problem of lumber exports coming from eastern Canada specifically being cut out of Europe or shut down from Europe for at least 15 years over the pine borer nematode. Products from Canada with bark or needles on them, forest products, are not allowed to be shipped to Europe. You know, we've got 500 years of history of shipping product to Europe, so this should be one specific area that we should be able to deal with, get away from the phytosanitary certificate and go strictly with inspection. We were always able to ship green lumber to the European Union as long as it didn't have bark or needles on it. That was a multi-billion-dollar industry in eastern Canada. We should be able to again, as long as we clarify the rules when we work this agreement out.

Have you folks looked at that, or perhaps, Mr. Verheul, have you looked at that?

• (1625)

Mr. Steve Verheul: Yes, we have. We're certainly aware of the level of interest in that particular issue from the east. Some of our highest priorities in the goods area generally include wood and wood products. We've certainly made that clear to the European Union.

The other thing we made clear is that when we're talking market access with the European Union, we're not going to talk simply about tariffs. We're going to take a much more global approach to the whole issue of market access. Our perspective is going to be asking what it takes to get our product into the EU market—not what it takes to lower the tariff, but what it takes to get the product into the EU market. That means we have identified specific sanitary and phytosanitary issues, including the kind you mentioned, as well as other technical barriers to trade that they have, which currently tend to block our exports. So by looking at market access in that more global kind of picture and orienting it towards what it takes to get into the market, I think we'll have a much better chance of getting real and lasting access.

Mr. Gerald Keddy: If I have time, Mr. Chairman, on—

The Chair: Not really. You'll have to get it in the next round. Sorry. That's it for this round. Thank you.

We're going to start a quick second round. I think we've got time for five-minute rounds.

We'll start with Mr. Brison.

Hon. Scott Brison (Kings—Hants, Lib.): Thank you, Mr. Chair, and thank you to our witnesses today for informing us on this important and quite distinct negotiation. It's distinct for a number of reasons. Have you seen a previous FTA discussion with as much provincial engagement as this one? One could argue provincial leadership on certain files, particularly Quebec.

Mr. Steve Verheul: I could answer that one. No, we have never seen anywhere near this kind of involvement of provincial or territorial officials in any previous negotiation. I think that's the case, not just in Canada, but it would be the same among other countries that have the same kind of federal and provincial, or federal and sub-national, government system. So by far, this is a degree of involvement we have not seen before.

Hon. Scott Brison: The discussions are also distinct from previous FTA discussions because of the regulatory discussion and also the discussions around professional accreditation, both of which, particularly professional accreditation, involve provincial governments in terms of the need for them to be engaged. How important has the provincial leadership and engagement been on professional accreditation, as an example, in terms of the discussions with the EU and, I would assume, the discussions with the professional organizations within Canada?

Mr. Steve Verheul: Well, that's certainly been a key part of the discussions on that issue. The provinces have been leading the way in wanting that issue to be one of our top priorities. There's a great desire in many of the provinces to have increased labour mobility into their provinces to address labour shortages in particular areas or professions. Obviously, it doesn't involve just the provinces and territories. As you mentioned, it also involves the professional associations themselves. We need to have them on board and supportive as well. But this has been very much an issue where the provinces and territories have been front and centre and pushing this issue in the negotiations.

Hon. Scott Brison: Yes, Mr. Plunkett.

Mr. David Plunkett: If I might just add, I don't want to leave the impression that while Steve's process has taken us into some new ground here in terms of involvement and whatnot, in previous negotiations, and even current negotiations, we're having to address some of these same issues—issues like labour mobility, temporary entry. If you look at the ones this committee has already passed through, you'll see that some of these issues are already being addressed. I think what we may be seeing is going further and faster in some instances, but we're having to confront some of these same issues in other negotiations as well.

• (1630)

Hon. Scott Brison: On the regulatory side, are you talking about, as an example, phytosanitary-type regulations? Are things like drug approval part of the discussion? I'm just curious as to what areas of regulatory cooperation or harmonization or mutual recognition you're exploring.

Mr. Steve Verheul: We have a very broad coverage to what we're trying to achieve in regulatory cooperation that excludes very little. It certainly covers all of the kinds of issues that you've been describing—all of the goods issues, including sanitary and phytosanitary measures, technical barriers to trade measures. It even

includes areas related to various services that we're looking at. So it's a very broad coverage we're looking at.

Hon. Scott Brison: On the status, I guess I'm focusing on the two areas—professional accreditation and the regulatory side—because they're areas where you're going further than previous discussions on previous agreements have involved.

This is a very tough question for you to answer, but I'm still going to pose it. What's the motivation to advance the discussion on the regulatory and the professional accreditation side? Is the impetus primarily from the provinces? How much success do you expect us to have on the professional accreditation and regulatory side? I find those two areas very important because they represent what have been significant non-tariff trade barriers in the past. It's logical that they're part of the discussion, but how successful do you think we'll be on those two files, given that it's fairly uncharted territory?

Mr. Steve Verheul: Starting with regulatory cooperation, the whole regulatory area, I think we will be quite successful. In fact, we've already essentially finished the chapter on regulatory cooperation. As I mentioned earlier, that's the first time we've ever seen a chapter on regulatory cooperation in a free trade agreement, in any free trade agreement. So we've made good progress there.

Addressing some of the existing regulatory standards that may act as barriers is more complex and it will vary from issue to issue, but I think we will make some significant steps forward there as well.

On professional accreditation, this one is more of a challenge because of the diversity among the EU 27-member states. Some are very open to this, and in fact, Quebec and France have already had discussions covering some 80 occupations. So there's been a good headstart there.

At the same time, other member states are going to be much more reserved in terms of opening up those areas. It's an internal problem within the EU already. There's still a concern about the Polish plumber phenomenon that went through Europe some time ago, when a number of the earlier EU member states, like the U.K., Germany, and a few others, were concerned about a flood of Polish plumbers coming in when Poland joined the EU. That didn't really happen, and I don't think they see the same kind of threat from Canada, but we will have some work to do among some member states on that issue.

Hon. Scott Brison: I had a septic tank backup at my house in the country over the weekend, and I wouldn't have cared where the plumber came from, to be honest.

Thank you very much for informing us today.

The Chair: Thanks for that.

Mr. Holder.

[*Translation*]

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

[*English*]

That actually defies description. Let's carry on.

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

As a member of the committee for the last 18 or 19 months, I find it interesting that this is the first time I've been involved when the deal has not been signed and we're talking after the fact. I think this is quite useful and helpful. So thank you all for doing this.

I have a few very quick questions, because time is limited. One thing I'm interested in really ties into issues of mobility, but from a couple of perspectives.

Canada has had some issues in the past with visas around the world—Mexico being one, Slovakia being another. To the extent that we have some challenges with some of the member states of the EU, does this deal touch on that at all? Is our sovereign right as a country still intact to be able to refuse automatic entry as a result of this, with respect to abuse?

I'm not sure who would take that question. I'm just trying to get a sense...

Mr. Plunkett.

• (1635)

Mr. David Plunkett: I'll let Steve answer about the EU, but I can broaden it out a bit afterwards.

Mr. Ed Holder: Mr. Verheul.

Mr. Steve Verheul: Within the EU negotiations we're certainly not addressing any of those issues, and full flexibility for the Government of Canada will continue to be maintained in those areas. We have had some criticism, particularly on the application of visas against the Czech Republic, but it has not come up in the negotiations at all, and we have no intention of going in that direction.

Mr. Ed Holder: It's rather interesting that you talked to a prior respondent about increased labour mobility and accreditation. I'm just wondering to what extent the negotiations we're having with the EU will assist Canada's own interprovincial issues related to labour mobility. I still think that's a huge issue. It may not apply to the EU, but to what extent will our qualification processes amongst provinces become more flexible as a result of this? Quite frankly, I find the current interprovincial circumstances very sad today.

Maybe that's more of a statement than a question.

Mr. Steve Verheul: Yes, but I would like to respond.

Certainly that whole issue has come up. The whole question of whether we might be able to improve some of our existing situations between provinces through this kind of negotiation is evident. I think there is the potential to deal with some of those issues.

On professional accreditation itself, just last year the agreement on internal trade managed to agree to a provision that if professional accreditation is accepted in one province, that acceptance extends across the rest of the provinces automatically, with some limited exceptions.

We have a bit of a dilemma in the negotiations with the EU, because when we agree that an architect with a degree and training from the EU will be able to work in Canada, if that's originally negotiated by Alberta it will apply to all of Canada. So that architect will be able to work in any province in Canada. Unfortunately, from a negotiating perspective, it won't work the same the other way for

us. If we negotiate an agreement on accreditation between Canada and France, it will work for France but it won't necessarily work for Germany, the U.K., or other countries. We will have to negotiate this almost on a member state by member state basis.

Mr. Ed Holder: In the deals I've seen to this point we've had side agreements on labour, environment, and, most recently, human rights accords. Is the EU deal intended to be within or outside of the actual free trade agreement?

Mr. Steve Verheul: We agreed with the EU early on in negotiations that instead of having side agreements, as we had previously in some of our FTAs, we would have both labour and environment as chapters inside of the agreement this time around.

That was partly a matter of accepting that the EU tends to do it that way, although they tend to have a single chapter on sustainable development that covers both of those issues. But it's also a recognition that this is where we thought it would ultimately make more sense in negotiations with the EU. It's also the direction in which others, such the U.S., have since gone after NAFTA. We think it's partly catching up with how others are doing it now, as well as just having a better fit with the EU.

The Chair: Thank you.

Monsieur Guimond, you have five minutes.

[*Translation*]

Mr. Claude Guimond (Rimouski-Neigette—Témiscouata—Les Basques, BQ): Thank you, Mr. Chairman.

Good day, gentlemen.

My question is for Mr. Gauthier.

In Europe, there have been designations such as *appellations d'origine contrôlée* for a long time, as well as geographical indicators. That is the European trademark, specifically in the area of agriculture. They have managed to market their products based on these types of classifications. There is some concern, mainly in Quebec, on this point. Will this be included in the agreement?

For instance, in Quebec, we produce a number of cheeses, hundreds of types of cheese. We are already using terms such as “brie”, “gouda”, “feta”, “parmesan”, which are controlled and geographical classifications in Europe. So, where do discussions stand on geographical indications?

• (1640)

Mr. Gilles Gauthier: Thank you for your question.

With respect to geographical indications, that fits within a series of European proposals on intellectual property. The Europeans, as you mentioned, have quite an elaborate system for the protection of geographical indications. In Canada, we do not have the same system. It exists, in part, for wine and spirits, under a bilateral agreement signed with Europe several years ago, but only for wine and spirits.

What we have in Canada is a trademark certification system. So currently, the focus of negotiations is to compare these two intellectual property protection systems to see whether there are potential areas of agreement to ensure better intellectual property protection. The European system is rather different from ours. It is true that there are a number of terms, with respect to cheeses, which are protected in Europe by geographical indications, whereas we tend to use these terms on the basis of common or generic designations, for which one would have cheese manufacturing standards.

The discussion has to do with the way in which a European geographical indication approach could apply within the Canadian context, given the generic use of the terms just mentioned in Canada, and also given our trademark protection system. So, the debate revolves around the way in which we can find commonalities between our two systems.

Mr. Claude Guimond: We need to find communalities, or negotiate to ensure that once we have signed an agreement the Europeans cannot take us to court because we are using the word “feta” in a generic sense for cheese produced in Quebec, is that right?

Mr. Gilles Gauthier: Absolutely.

Mr. Claude Guimond: Mr. Verheul was saying earlier on that agriculture was an important aspect of the negotiations. That is normal. We feel it, and it is interesting.

However, what agricultural sectors could benefit here? Have assessments been done on that?

• (1645)

Mr. Gilles Gauthier: Many Canadian agricultural sectors are export-driven. For all of these sectors, Europe is a potential market. Let's take beef for example. The European Union consumes 8 million tonnes of beef per year whereas we only currently export 5,000 to 6,000 tonnes there. You can see how the European market is gigantic in comparison with the current level of trade. The European market also consumes approximately 19 million tonnes of pork annually. Yet we only export a few containers per year. That would be one company in Quebec. Again, it is a market with great potential for all our red meat sectors.

When it comes to grains, Europe has historically been a major market for our wheat, our durum wheat, our flax and other grains. It really is a significant potential market. There is also the entire processing sector we should not lose sight of. It represents great potential for Canada. Given our capacity to produce raw materials, we can also produce processed goods. They could potentially benefit from preferred access to a market of 500 million people.

Mr. Claude Guimond: That is to say that if we manage to maintain supply management in the agricultural sector, the agreement should be a win-win, specifically in global agricultural terms. I know that the issue of supply management often comes back to the fore.

Mr. Gilles Gauthier: I would say that the purpose of all negotiations is to arrive at a win-win solution for all.

[English]

The Chair: Thank you.

[Translation]

Your time is up.

[English]

Mr. Trost.

Mr. Brad Trost (Saskatoon—Humboldt, CPC): Thank you, Mr. Chair.

I hope I'm not jumping too far ahead, but one of the things that I think irritates a lot of Canadians whenever we talk about trade with the U.S. is the disputes. I'm not sure if you're at the point to talk about dispute resolution mechanisms, but are you discussing that with the Europeans. If so, how are you making sure that the dispute resolution mechanisms we will have with them will be effective, efficient, and of course quick, which is the one thing that I think we all want?

I think it would probably be best to start with Mr. Verheul.

Mr. Steve Verheul: Yes, thank you. We are paying a lot of attention to the whole chapter we're going to have on the dispute resolution mechanism. We've looked at the kind of dispute settlement process we have under the NAFTA and we've looked at the process under the WTO, and both of those now go quite a way back in time. We've had quite a bit of experience under those kinds of mechanisms and the opportunity is there to learn some lessons.

Positions between us and the EU are still far apart, but what we're trying to do in this agreement is to take all the flaws that we've seen in those earlier systems and find ways to address them.

Certainly the issue of speed, how quickly you can come to decisions, is an important factor. We also want to make sure that the consequences to being offside an agreement or a provision are clear and that compensation for that should start from when the offending measure was first put in place. We've also looked at approaches that would allow us to get panels formed more quickly than in the previous processes.

We're virtually looking across the board to try to improve the system.

Mr. Brad Trost: Some of the other questioners dealt with this in a more general sense, but again, it seems that the biggest problems are going to be the non-tariff barriers. I was wondering if one of the witnesses might be able to help group and organize where the non-tariff barriers tend to be and give us a generalized approach as to how we're dealing with them. Are we dealing with the non-tariff barriers on a broad, principled basis, or are we looking at each specific non-tariff barrier on a more specific, case-by-case basis and dealing with them as individuals rather than taking a rather broad principled approach?

I know you've dealt with some of that in regulations. Who would be best suited to respond?

Go ahead, Mr. Verheul.

Mr. Steve Verheul: Thank you.

I would say that we're looking at it from both perspectives, actually. First of all, we're starting with the principles of what are we trying to achieve, which is effective entry into each other's market without these kinds of barriers, so we're designing a system that includes some of the various elements that we've talked about: bridging the gaps between existing regulations where they exist; moving forward on regulatory cooperation; finding approaches to mutual acceptance of regulations in some cases; recognizing each other's conformity assessment bodies, which is another way of cutting through a lot of the extra complications. But at the same time, we've both identified lists of specific barriers that we're trying to address concurrently with the negotiations. Those include a number of sanitary and phytosanitary barriers that exist now, and they also include a number of technical barriers to trade that exist now. So we've got a parallel process ongoing to try to deal with those issues, while in the negotiations themselves we're also trying to develop a structure that will put us in a position where we don't have to face these in the same way in the future.

Mr. Brad Trost: Mr. Cannan wanted a brief question.

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

I think we'll have one more chance to go back and forth yet.

Thank you for this time. I have just a quick question or comment about the magnitude of this agreement. I concur with 300 million versus 500 million, or NAFTA versus the EU, so it's not just distinct; it's of historic proportion. I wonder if you could clarify something. Something we've talked about in this committee—I've been on it for four years—is the idea that when we have free and fair trade and we talk about other countries that have a free trade agreement, there is something called a “transversal clause”. So if we were negotiating and another country came along in a couple of years and had an agreement with the EU, would we get parity with that agreement so that we'd always be on equal terms?

• (1650)

Mr. Steve Verheul: That's certainly one of the objectives we have, and we suspect that we wouldn't have too much difficulty agreeing to that. We do have that in some of our previous agreements, but in most areas we would see that if the EU went on to negotiate with another trading partner and took further liberalization steps with that trading partner, those benefits would accrue to us and be incorporated into our agreement as well.

Mr. Ron Cannan: Excellent.

Could you, for the committee's sake, enlighten us as to the process and the timeline, from their perspective, to ratify this free trade agreement with Europe?

Mr. Steve Verheul: I have to confess that some of that is a little hazy now, since they just recently passed the Lisbon Treaty and are sorting out some of their respective roles within the European Union. Generally, when we reach agreement on all of the substance of the negotiations, that will be between us and the European Commission, so we will do an initial sign-off of the agreement. We'll then have to go through a legal scrub to ensure that all the provisions are going to have the legal effect we intended. We will have to have the agreement translated into 23 languages, which is what the European Union requires, which will take a considerable amount of time too.

At the end of the day, the European parliament will need to approve the agreement formally. Because we're going beyond where a lot of traditional trade agreements would go, and going right into some of the responsibilities of individual member states, member states will also have to approve the agreement, or at least all 27 will have to ratify it. It will be a long and complicated process. We're hoping to accelerate it, and there is even the possibility of the provisional application of the agreement while some of this is happening. It will be a complex process.

Mr. Ron Cannan: Thank you. I think you have a busy year and more ahead of you. Good luck.

Mr. David Plunkett: If I might, the European Union recently concluded a free trade agreement with Korea. So some of the issues that Steve has just highlighted, they are now having to work through vis-à-vis that agreement. Hopefully some of the uncertainty and the newness will have worked their way out by the time they get to us, and it will be a little more efficient than I suspect this first one will be.

The Chair: Thank you, Mr. Cannan.

Mr. Silva, you have a quick five minutes.

Mr. Mario Silva (Davenport, Lib.): I would just say that Mr. Plunkett is too optimistic about European bureaucracy and its efficiencies.

Part of my question actually was raised earlier by Mr. Trost, and I think it's been answered, but I just want to maybe touch a little bit on the issue of the dispute settlement mechanism—how it's going to work and whether a new framework is going to be established that is unique when compared to the ones we already have with NAFTA, and so forth.

I say that because my understanding of the European system is that it's very much protectionist and a very closed shop. In their procurement procedures they tend to put out specifications and certain provisions and processes that really, at the end of the day, only favour their own different countries. In fact, I have heard of incidents where some of them would work with certain private companies to actually get the procurement to be the way they want it and exclude any foreign type of procurement. That's the way they get around the idea of exclusionary biases they might have. But at the end of the day, the specifications are really much more tailored to their domestic and national interests.

How does one deal with these types of issues? Have you given some thought about this, and what type of mechanism is going to be in place? As I said, is it going to be a totally different framework that will look at these issues?

The question is open to anybody who wants to answer.

• (1655)

Mr. Steve Verheul: I'll try to respond to that. I think there are a number of different avenues we're going to be looking at when it comes to dispute settlement.

The main dispute settlement between states that will be in the agreement is the one I was referring to earlier. That will be a modification of the NAFTA and WTO approach that has been in place for so long, and an improvement over that. We will also have separate approaches, most likely in areas such as environment and labour, where there will be a different kind of process to be followed. We will have a different kind of process when it comes to investor-state disputes. Again, we'll be looking at modifying what has been used in the past under NAFTA chapter 11 and others.

Part of the issue you're asking about, particularly as it relates to government procurement, is also tied directly to the negotiating process. We're very much aware of the extent of the flexibilities the Europeans have in their government procurement system, and we're having a very detailed discussion in the negotiations about what those flexibilities are and what, if anything, they intend to do with them. If they do not intend to reduce some of those flexibilities, then we will incorporate those flexibilities into our own offer to the European Union. In other words, we're aiming for something that's going to be a level playing field.

Mr. Mario Silva: I think that answers my question.

The Chair: Monsieur Laforest, a quick one.

[Translation]

Mr. Jean-Yves Laforest: Thank you, Mr. Chairman.

One would assume that to the European Union, access to the American market is just as important and attractive. Would you say that the fact that Canada is a member of NAFTA and has to respect the rules of origin is an additional asset for the European Union to sign an agreement with Canada? In other words, because we respect the rules of origin, can we expect that the Europeans will make significant investments here, specifically in leading sectors or high value-added sectors like the auto industry and green energy? If they were to invest in Canada, would that not serve as a springboard to access the American market? Would this be a potential strategy for them, and are we going to promote that as a major asset for Canada?

My question is for Mr. Verheul.

[English]

Mr. Steve Verheul: Yes, I think that is an important consideration of their assessment of the negotiation with Canada. They already have an agreement with Mexico, but the agreement they have with Mexico is a far more modest one than the one we are aiming to achieve here.

I think Canada is in a fairly unique and strong negotiating position by being both a part of NAFTA—in particular, the United States' biggest trading partner—and having this negotiation with the European Union, the largest market in the world. So how we resolve a lot of the issues between us and the European Union will have a direct impact on the relationship between Europe and North America in some ways. We are well positioned for this, and I think the EU is certainly aware of the benefits of the Canadian economy being so close to the U.S. economy.

[Translation]

Mr. Jean-Yves Laforest: Thank you very much.

[English]

The Chair: Thank you, Monsieur Laforest.

Very quickly to wrap it up, Mr. Keddy.

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

I'd just like to go back to the question that I was trying to articulate as I ran out of time, and that is specifically on our inspections of our fish plants, our abattoirs, our meat-packing facilities, our slaughter facilities, and how they'll dovetail or merge with the existing practices in the EU, because the EU does not have a totally different standard, but they have many different standards. Some of them are very similar; some of them are totally different.

Specifically with fish, for the dried fish market, to be able to air dry... There's not much air drying going on anymore, but they use wooden racks; they don't use steel racks. A lot of that is because it affects the quality of the fish. Those are practices that we will want to be able to continue in Canada, and those are some of the practices that we seemed to be getting mixed messages about from CFIA, the Canadian Food Inspection Agency.

• (1700)

Mr. Steve Verheul: I'm looking to whether Gilles is going to start that—or would you like me to go first?

Mr. Gerald Keddy: I think it's you, Mr. Verheul.

Mr. Gilles Gauthier: I can briefly mention the slaughterhouse issue. Yes, this is an issue where in fact there has been quite a lot of work done, because we currently have a veterinary agreement with the European Union, where veterinarians on both sides meet on a regular basis and look at the inspection system and try to have a common understanding of the processes.

This is an issue that we have identified as potentially an area where we should perhaps go further and see how we can improve on the recognition of our respective systems and how we can try to ensure that we are not caught by surprise by new requirements introduced by either side. So this is an area that obviously requires a lot of technical expertise and a regular dialogue between Canada and Europe. That has started, and I think you said the Canada-EU agreement provides an opportunity to even beef that up further.

Mr. Gerald Keddy: Perhaps I could just expand quickly on that, on where I'm coming from. For instance, there are a number of by-products from fish, where the skins, the skeletons, are used to make high-quality gelatin products. Those products are used in pharmaceuticals, they're used in food additives—they're used everywhere in the world. That process is totally contained. It's usually inside stainless steel vats, and it gets CFIA inspectors who are concerned about whether there is a crack in the floor or not. There's never anything that touches the floor except the wheels of the forklift. We need to somehow or other make sure that we're expecting the same standards from our plants as the Europeans are expecting from theirs, and we have to differentiate between lines and products that actually touch food and assembly lines that don't touch food.

Mr. Steve Verheul: If I can respond to that, that's exactly the kind of approach we're trying to take. We need to find practical ways of achieving common approaches that are going to be able to allow the trade to move back and forth freely. The EU has experienced this very much in the same way within the 27 member states. They don't all follow these practices exactly the same way. That's why we're looking into this much more deeply. If you have different practices but they achieve the same end in terms of quality or safety of the product, then why should we be too concerned about it? That's the kind of discussion we've been having with the EU and that's where we want to end up. Let's not invent artificial barriers. Let's make sure we're achieving what the regulations are intended to achieve.

The Chair: Thank you.

Thank you, Mr. Keddy, and again to our witnesses. I appreciate we've gone over the time we told you we might have to be here today.

Mr. Verheul, continued success with your negotiations out there and throughout. Thank you for appearing here today.

To our witnesses, thank you for being with us. I'm sure we'll see you again. I appreciate the advice you provide to us outside the meetings as well. It's very helpful.

With that, gentlemen, we're going to adjourn. We'll be back on the same topic on Thursday with some lobbyists from both sides.

Thank you.

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