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## **Standing Committee on International Trade**

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**EVIDENCE**

**Thursday, May 17, 2012**

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**Chair**

**The Honourable Rob Merrifield**



## Standing Committee on International Trade

Thursday, May 17, 2012

• (1100)

[English]

**The Chair (Hon. Rob Merrifield (Yellowhead, CPC)):** We have our witnesses and enough members at their seats, so we will call the meeting to order and continue our study of a high-level economic partnership agreement between Japan and Canada.

We want to thank our witnesses for coming forward. We have from the Canadian Council of Chief Executives, Sam Boutziouvis. Thank you for coming.

We have from Food Secure Canada, Paul Slomp, youth vice-president of the National Farmers Union, and Diana Bronson, executive director. Thank you for being here as well.

We'll start with you, Sam. The floor is yours, and we welcome your presentation.

**Mr. Sam Boutziouvis (Vice-President, Policy, International and Fiscal Issues, Canadian Council of Chief Executives):** Thank you, Mr. Chairman.

Chairman, committee members, thanks for the invitation to appear before the committee on international trade.

The Canadian Council of Chief Executives has a long history of support for measures to strengthen Canada's economic relationship with Japan. The negotiations toward an ambitious economic partnership agreement with Japan will deepen the bilateral relationship and complement our long-standing cultural, political, and social linkages.

We were founded in 1976, as a not-for-profit, non-partisan organization including 150 CEOs of Canada's largest enterprises. Member companies collectively administer \$4.5 trillion in assets, have annual revenues of about \$850 billion, and are responsible for a lot of Canada's exports, investment, research and development, and training. The council is represented by almost every sector of the Canadian economy.

CCCE's strategy for international engagement includes developing a relationship with the business community in the priority country. The organization also does its best to get the perspective of senior government officials, political leaders, think-tank heads, and other key stakeholders in order to develop an understanding of both the challenges and the opportunities with the priority country as the Government of Canada considers an EPA, an FTA, or other important treaties.

The CCCE worked closely with Keizai Doyukai, which is essentially our sister organization in Japan, to support the launch of negotiations towards an ambitious EPA.

Chair Merrifield, I have provided copies of a joint statement between CCCE and Keizai Doyukai for submission into the record and for the benefit of this committee. I won't refer to it more directly than that. In addition CCCE has worked closely with Nippon Keidanren to advance the bilateral commercial relationship over the past three decades.

Last September, the Honourable John Manley, president and CEO of CCCE, visited Japan along with the CEO of Manulife, Donald Guloien, and a group of CEOs. I understand from testimony last week that the senior vice-president of Manulife appeared before your committee and provided some testimony in this regard. The purpose of the visit was to discuss the joint study and possible launch of EPA negotiations and to survey the incredible results of the tragic triple disaster that occurred last year in Japan. The CEOs had fantastic discussions with Japanese business and political leaders, and it's clear that business ties between Canada and Japan are strong.

On a more recent visit, we learned of the incredible perseverance and resolve of the Japanese people to overcome the challenges of the earthquake, tsunami, and nuclear disasters. The recovery efforts have been nothing short of miraculous. The rebuilding efforts are ambitious and comprehensive.

Canadian business leaders took note of the importance of energy and food security for the Japanese people and their government. They realized that Canada was pushing on an open door with respect to enhancing the relationship, and there is a lot of goodwill toward Canada, especially given the immediate assistance provided by the Government of Canada and by Canadian companies in the aftermath of the earthquake. The Government of Canada, particularly our team in Tokyo as well as here in Ottawa, deserve commendation for the incredible job they did to help Japanese and Canadians during this trying period and for the determination to enhance our ties with Japan.

All these observations suggest not only that we know each other well but that we have before us an important opportunity. That's why we believe that we have taken an important step to enhance our relationship with the launch of these negotiations.

Just to be clear, we have a 100-year commercial engagement history. We are linked through global value chains all over the world, and we have tremendous business-to-business relationships. As per testimony over the past two weeks before this committee, you know that Japan has a diverse and technologically advanced economy. It's ranked third in the world with a GDP of \$5.8 trillion.

Mr. Chair, in the interest of time I won't go over the statistics, which have already been presented before this committee. I will only say, moving to page 4 of my brief, that there is nothing like a global crisis to focus the mind. Canadians, however, as well as Japanese, are now experiencing a third wave of global economic uncertainty, this time centred around rising political and fiscal risk associated with the recent elections in Greece, France, and even a couple of länder in Germany. As Canadian workers and private sector employers of all sizes face slower growth in the United States and in parts of Europe, the time is ripe for a re-intensification of our work with Japan.

• (1105)

Canada and Japan should not delay the negotiation of an ambitious and comprehensive agreement. Ensuring effective and equitable market access for businesses from both countries will revitalize the existing economic relationship and yield mutual economic gains.

To ensure an ambitious and meaningful agreement, CCCE respectfully suggests that a Canada-Japan EPA should result in the elimination, either immediately or over the short term, of substantially all remaining tariffs as well as the removal, in so far as it's possible, of substantially all non-tariff barriers; liberalization of services trade; simplified rules of origin that facilitate the use of preferences; clear rules to settle future commercial disputes; regulatory coherence and cooperation, including a framework to promote transparency and mutual recognition; improvements to each of our principles regarding competition policy and alignment therein; enhanced labour mobility using a negative-list approach for enhanced movement of business professionals; high levels of protection for intellectual property; more transparent and simplified customs procedures; lower barriers and lower risks for investors with comprehensive provisions in the EPA; alignment of policies on government procurement; cooperation on safety standards regarding food and other products; and, importantly, greater cooperation in the areas of energy and food security, in the promotion of investment in third countries, and in support of an equitable two-way flow of manufactured goods; and, finally, institutional cooperation in security and trade matters, including cyber security, an important matter of increasing concern.

The U.S. remains Canada's largest trading partner, and Canada is highly integrated into the North American economy. We all know that. However, Canada does need to diversify its trade relationships and build stronger partnerships in Asia and elsewhere. As the U.S. looks to enhance access to the Asian markets, Canada must do so as well to ensure Canada's future prosperity. Asia's rise—and this is a pretty bold statement—is the single most important force transforming the world economy. As a Pacific nation, Canada must look towards Asia—China, Japan, and other priority countries. Successful conclusion of an ambitious EPA will give Canada a presence in Asia

and could be the first in a series of economic partnerships in the region.

The CCCE has been active in promoting engagement with priority Asian countries. Most recently, we launched an initiative called Canada in the Pacific century. It seeks to identify and promote key policy solutions to enhance Canada's ability to succeed in a transforming global economy, to raise awareness, and to improve Canadians' understanding of the resulting challenges and opportunities for Canada. A key conference will take place on September 24 and 25 here in Ottawa. It will address several key matters including the issue of food security.

The rise of Asia is changing the global economic landscape. The time has come to diversify our trade relationships. Both Canada and Japan are also seeking to join the regional Trans-Pacific Partnership negotiations, and both of our governments are engaged in consultations with TPP members.

Mr. Chairman, Canada should not wait for an answer to its request for entrance into the TPP to enhance its trading relationship with Japan. Japan has the largest market of current and prospective TPP participants with whom Canada does not have an FTA.

Securing an agreement with Japan will give Canada a first-mover advantage in a significant market like Japan, especially in the area of agriculture. I understand that previous testimony has attested to that notion as well. We totally agree with the issue of first-mover advantage. We brought it up within the context of the FTA that this government negotiated with Colombia. Canadian exporters of agricultural food products and other products benefited immensely because we successfully negotiated the Colombia FTA first. We're going to be at a similar disadvantage given that the United States has negotiated and finalized its FTA with Korea. Our agricultural producers who are export oriented are quite worried about losing market share in a country as large as Korea.

We should maintain a high degree of ambition and agree to conclude these bilateral negotiations hopefully within two years so that Canadians can benefit as soon as possible from this enhanced and very important relationship.

Thanks.

• (1110)

**The Chair:** Thank you very much.

We'll now move to Paul Slomp, who is doing the presentation on behalf of Food Secure Canada, and we have Ms. Bronson for questions and answers as well.

Go ahead, Mr. Slomp.

**Mr. Paul Slomp (Representative, Youth Vice-President, National Farmers Union, Food Secure Canada):** Thank you very much for giving us the opportunity to make our presentation here today.

My name is Paul Slomp, and I'm the youth vice-president of the National Farmers Union. I'm also a beef producer. I farm beef cattle just south of Ottawa.

The National Farmers Union is a non-partisan nationwide democratic organization made up of thousands of farm families from across Canada, who produce a wide variety of commodities, including grains, livestock, fruits, and vegetables. The NFU was founded in 1969 and chartered in 1970 under a special act of Parliament.

The NFU is a member of Food Secure Canada, the national network that works for zero hunger and for healthy and sustainably produced food in Canada. Recently Food Secure Canada produced *Resetting the Table: A People's Food Policy for Canada*. That has been shared with this committee.

The NFU supports trade in agriculture as long as it is fair trade, it supports the livelihoods of family farmers in Canada and those of our trading partners around the world, and it ensures each country has the capacity to feed itself.

The National Farmers Union has monitored the impacts of Canada's increasingly trade-dependent agricultural policy for over 20 years. We have observed that while trade has increased dramatically, so too has farm debt. At the same time, realized net farm income has remained stagnant at a very low level, in some years even dropping below zero. Furthermore, the number of farms and farmers in Canada has steadily dropped, most dramatically those farmers under the age of 35. In the last 20 years, Canada has lost 69% of its farmers under the age of 35.

The expansion of trade in Canada's agricultural sector has not benefited farmers. Furthermore, yesterday the United Nations special rapporteur on the right to food reported that Canada's food and agricultural policies are not even adequate to feed our own people properly.

In our presentation today, we would like to point out some key areas of the proposed economic partnership agreement with Japan that will result in further losses of farmers and a reduction in Canada's ability to realize the right to food for all of our people.

The comprehensive and high-level economic partnership agreement with Japan, like NAFTA, and the comprehensive economic and trade agreement go far beyond matters of trade between countries. They set up rules that on the one hand limit the ability of elected governments to make laws and regulations in the public interest, and on the other hand provide for protection and privilege of global businesses, which are not citizens of any country, even if they claim the legal rights of persons under the law. The advantages gained by these companies are matched by the losses imposed on individuals, small businesses, and local or regional companies in countries on both sides of the trade agreement.

If the trend of comprehensive economic partnership continues, national governments will be rendered virtually impotent, unable to protect their voters, their public sector, or their independent businesses. It is stated in the report of the joint study that if this EPA is expected to build momentum towards the realization of a free trade agreement with Asia Pacific, the intermediate step would be the Trans-Pacific Partnership, or the TPP, which could cause Canada to abandon our supply-managed system in order to acquiesce to New Zealand demands.

The NFU strongly supports supply management. These sectors of Canada's agricultural system represent one area in which farmers are making a decent livelihood and do not require support payments, and one where consumers can be confident that the products they are buying are produced in Canada, to Canadian standards.

The joint study suggests that an EPA will result in dramatic economic growth for both Canada and Japan. When we review the impact of Canadian trade expansion policies to date on farmers, we see a clear pattern of loss in the number of farmers and a concentration of production in fewer, larger units. We also note that these largest farms are also the ones that have benefited the most from our safety net programs.

• (1115)

The joint study indicates that the proposed EPA would guarantee considerable freedom to capital, by allowing capital to go where it wants, to stay as long as it wants, and to sue governments that attempt to regulate it in the public interest. Global corporations are becoming extremely wealthy and powerful. The imbalance between these companies and farmers is severe.

The investor-state dispute resolution mechanism allows a company to sue a government if it passes a law or implements a regulation that effects that company's profit-making ability. This curtails the ability of duly elected legislators to carry out their duty to the public.

We are also concerned that because Japan has adopted the UPOV 91, the plant breeders' rights regime, there might be pressure on Canada to adopt UPOV 91 as a harmonization process. This would severely restrict farm-saved seed practices and dramatically increase seed costs for farmers. Currently, patents are being used in Canada to allow global seed corporations to charge high prices. As a result, patented canola seed costs have increased dramatically. Farmers are now paying \$600 per bushel for seed, yet that same farmer sells his or her crop for only \$13 a bushel. Under UPOV 91, such lopsided pricing situations would also occur with non-patented seed varieties covered by plant breeders' rights.

The joint study mentions intellectual property rights enforcement as one of the areas to be included. We are concerned that such measures would unfairly affect farmers, in light of the 2004 Supreme Court Schmeiser decision that declared a farmer to be infringing on patent rights no matter how the patented genes were introduced into the crop. Genes are transferred by wind and insect pollination, and weeds are often spilled from trucks and railcars along roads and railways. Pedigreed non-GMO seed stocks have been documented to contain GMO seed contamination.

This EPA would include public procurement measures that, like CETA, reach into sub-national governments. This would impinge on the ability of provincial and local governments and schools and hospitals to adopt a local food procurement policy.

With the destruction of the Canadian Wheat Board as our farmer controlled marketing agency for wheat and barley exports, access to Canadian grains supplies is something that Japanese companies are interested in as they seek to expand and consolidate their control over Asian food markets. I can expand on this in the discussion.

Currently Canada's top agricultural exports into Japan are beef, pork, canola, and soy. Under the proposed EPA, it appears that sellers of these commodities would seek even more access to the Japanese market. The bulk of Canada's canola and soy crops are genetically modified, yet Japanese consumers are very averse to GMOs. Japan has strict labelling regulations, and there is virtually no consumer demand for food made from genetically modified crops.

Canada's beef and pork processing sectors are highly concentrated, with about 80% of beef being packed by Cargill and Excel Foods, and about 70% of pork being packed by Olymel and Maple Leaf Foods. I would like to point out that these interests are being represented by my fellow witness here today.

An NFU study shows that beef prices for farmers are kept artificially low because the packers own vast feedlot herds, allowing them to manipulate prices. In pork, Canada has lost thousands of farmers since NAFTA was signed. Many of those remaining must contract their production to one of the two big packers and take the price that is offered. The beneficiaries of increased exports of beef and pork are the four big meat-packing companies, not farmers.

Japan has very strict rules around food safety regarding mad cow disease in beef. Canada's record in dealing with mad cow is poor. As long as the current system is in place, Japan is unlikely to change its age-specific rules.

● (1120)

We would also like to emphasize that trade between Canada and Japan will continue, regardless of whether or not a proposed bilateral agreement is made. Both countries are members of the World Trade Organization, which can also be used to resolve international trade disputes if they arise.

The ultimate goal of this EPA is the complete penetration of global corporations into every facet of economic life. In the process, the culture of farming and food will be transformed by the imperatives of corporate efficiency and profitability. We believe that international relations must be based on mutual respect for the whole of each society, that trade can be conducted fairly, without destroying the

cultural and economic institutions people have built, and that democracy means that people have a real say in the economic choices that affect their lives.

We also suggest that Canada needs a national food policy and that international trade should be a component of that policy.

Thank you very much.

**The Chair:** Okay, thank you very much. It sounds as if we have varying views in the testimony this morning. It should add to a very interesting question and answer period.

We'll start with Mr. Davies. The floor is yours.

**Mr. Don Davies (Vancouver Kingsway, NDP):** Thank you, Mr. Chairman.

I'd like to thank all of the witnesses for being here today.

Yesterday I met with representatives of the canola industry, the pork industry, and agribusiness generally in Canada. They gave me a very clear indication that they're speaking on behalf of a wide diversity of agricultural interests. They said that pursuing multi-lateral negotiations through GATT, and I realize that those are stalled right now, is far and away a preferable way to be dealing with issues.

I'd like both witnesses to give a brief comment, if you could, on what your position on that would be. Do you think that we should be trying to get multilateral negotiations back on track? If so, is this process of pursuing bilateral agreements, instead of focusing on multilateral negotiations, harmful towards that end, or is it not?

**Mr. Sam Boutziouvis:** The Canadian Council of Chief Executives has always supported the Doha development agenda and multilateral trade liberalization. We have been front and centre in several of the rounds in the 35-year existence of the organization.

Of course, we strongly supported the Canada-U.S. FTA because there were severe competitiveness concerns back in the 1980s.

The hard reality, as you have articulated, is that the Doha Development Agenda is stalled. Our very able team in Geneva is trying very hard to come up with alternatives, such as plural lateral agreements in certain sectors to try to unstick what's going on in Geneva. They're even thinking about making progress in very limited, narrow, specific areas to ensure that we don't fall off the bicycle of the global trade agenda.

In the meantime, as you know, trade agreements have proliferated bilaterally and regionally, but they are of varying quality, especially on the regional front.

Irrespective of what I think previous testimony has suggested, Canada has benefited enormously from some of those bilateral deals we have done over the past several years.

This is my last comment. Japan, after being a staunch defender of the multilateral agenda, along with Canada, has embarked on a series of EPAs and FTAs, especially in the Asia-Pacific theatre. It is currently negotiating with Australia. So we view it as essential to try to advance the trade agenda for small, medium, and large enterprises, and not just for large enterprises, contrary to what my colleague has said.

We want to advance Canadian prosperity. We want to do it in the most effective, efficient way possible. We are—

• (1125)

**Mr. Don Davies:** I'm sorry, Mr. Boutziouvis. I'm going to cut you off, because I have limited time and I want to give the other witnesses a chance to answer, and I have a few other questions. Thank you.

Mr. Slomp, or Ms. Bronson.

**Mr. Paul Slomp:** I'm also going to speak to part of this.

I think what's important to acknowledge is what we are trying to accomplish with these trade agreements. Multilateral trade can be beneficial, but it cannot come at the cost of a nation state being able to meet the demands and meet the needs of the people within its own nation state.

If negotiating a multilateral agreement prohibits Canada from implementing policy to make sure that certain types of investment are going towards policy objectives that put Canada first, such as feeding our people, such as making sure that people in Canada can make decent incomes working in decent jobs, then I don't think those multilateral agreements are actually of benefit.

**Ms. Diana Bronson (Executive Director, Food Secure Canada):** Simply to add to that, I think there is a preference for multilateral trade rules over bilateral deals. One of the reasons for this is that a more level playing field results from the former versus a bilateral situation in which poor countries are obviously tremendously disadvantaged in bilateral negotiations with a large economy. It also contributes to a proliferation of different deals.

Most of the bilateral treaties that have been negotiated recently have been bilateral investment treaties in fact; they are not primarily about trade but about investment, with all the investment dispute problems we know about.

I guess those are the main points I have to make.

**Mr. Don Davies:** I'll turn to investor-state provisions, too. I think you touched on these, Mr. Boutziouvis, in your presentation.

First, you suggest that an EPA with Japan would lower barriers and risks for investors with comprehensive provisions. What risks for Canadian investors does Japan presently present?

**Mr. Sam Boutziouvis:** Japan and Canada have pretty extensive investment provisions that they negotiate with other countries, and Japan has negotiated several investment treaties with other countries. There's a high degree of congruence between principles associated with investment treaties between our two countries. The issue is to

ensure that there's alignment between each of our respective sets of provisions regarding our bilateral investment treaties and theirs.

As an example, we have several companies that would very much like to be able to sell more services into Japan. They view the recent changes with respect to Japan's postal service to be tremendous progress, but they would obviously like to see more. I suspect that issues regarding non-discrimination and reciprocity would be very clear.

• (1130)

**Mr. Don Davies:** In terms of investor-state provisions, would you suggest that we have an investor-state provision in our agreement with Japan, Mr. Boutziouvis?

**Mr. Sam Boutziouvis:** Yes.

**Mr. Don Davies:** You also say in your brief that you'd like regulatory coherence in a framework to promote transparency.

**The Chair:** Be very quick.

**Mr. Don Davies:** I'll be quick.

One of the problems with an investor-state provision is that it kicks off dispute resolution to a tribunal that is conducted in private with no public record, no access for media, and no transcript. That's hardly a transparent process.

How would you square your call for promotion of transparency with your call for an investor-state provision that is really anything but transparent?

**The Chair:** I'll allow a very short answer.

**Mr. Sam Boutziouvis:** Japanese officials did ask us several questions related to investor-state dispute settlement provisions per chapter 11 of NAFTA. We provided some information regarding how Canada has fared under chapter 11 on investor-state provisions. I'd be happy to provide the same information we provided to those Japanese officials. It was with respect to the TPP negotiation.

A short answer is Canada has benefited dramatically from chapter 11 of NAFTA and has not been negatively affected by the five, six, or seven cases where Canada has been taken before the tribunal for chapter 11 dispute settlement.

**The Chair:** Thank you very much.

We'll now move to Mr. Hiebert, who I believe is splitting his time with Mr. Shory.

**Mr. Russ Hiebert (South Surrey—White Rock—Cloverdale, CPC):** That's correct. ●(1135)

I'd like to start with Mr. Boutziouvis. You indicated in your opening remarks that the 150 companies you represent basically span all industry sectors covering the country geographically.

Based on the fact that the economic model suggests that trade with Japan through an EPA like we're discussing would benefit Canadian companies to the tune of between \$4 billion and \$9 billion a year, and would benefit Japan between \$4 billion and \$5 billion a year, could you tell us which sectors, which industries, which regions of the companies you represent would benefit most from the elimination of trade barriers?

**Mr. Sam Boutziouvis:** We'd like to think that as many sectors as possible will benefit. Our conclusion is that if there is fair and equitable competition, every sector can benefit. Will there be winners and losers? I understand there's been testimony in that regard and some back and forth, but the answer is yes, there are going to be winners and losers. I can't point to where the losers are going to be.

**Mr. Russ Hiebert:** That was going to be my next question.

**Mr. Sam Boutziouvis:** You can't point to where the losers are going to be. Just as with the Canada-U.S. FTA, everyone had surmised and concluded that the wine industry would be wiped out. That clearly hasn't happened. You can't vouch for entrepreneurship—the capacity of Canadians to be able to be innovative and creative in accessing the markets. What we have observed with respect to Japan is that there is a tremendous capacity for small, medium, and large enterprises, for one-, two-, or three-person operations, in every sector of the economy but especially in services and high value-added creative industries, to engage with Japan. Our presumption is that Canada broadly will benefit. I know it's probably not a sufficient answer for you, but we expect it will be win-win for Canadians in net terms. There are going to be losses. There will be gross job losses, but in net terms there will be job gains.

**Mr. Russ Hiebert:** Mr. Slomp, do you see any positives or any benefits to increased trade liberalization with Japan? You have talked a lot about the negatives, but do you see any benefits?

**Mr. Paul Slomp:** I do work with farmers who are working with export-driven commodities. I do think they might see some gains in this trade agreement with Japan. The reason I'm so hesitant, though, is that I think these benefits to farmers will fluctuate. For example, one year they might see benefit, but the next year they might not. If you look at the overall general trend, because of the market concentration of key players in each of these agricultural sectors... I talked about it briefly in the beef and pork packing sectors. Also, if you look at the grain trade, there are very few very large corporations that are actually responsible for shipping this grain. The key to their operation is making money. For them to make money, they need to buy their input—whatever the farmer is producing—at the lowest price they possibly can, and sell it for as much as they possibly can. Individual farmers really don't have the market power or market share to be able to really get the full potential from a trade agreement. The people and players who do have that market power and the resources to do that are the larger players.

**Mr. Russ Hiebert:** Wouldn't that apply no matter whom the farmers sell their grain to, whether it's export-driven or domestic?

**Mr. Paul Slomp:** What we've seen with these trade agreements is a real trend to internationally competitive businesses. That means for Canadian companies, or companies that are working on an international scale, to be competitive, they virtually need no competition in Canada. If there is too much competition in Canada, then they can't be competitive on an international scale.

**Mr. Russ Hiebert:** I'll pass my time to Devinder Shory.

**Ms. Diana Bronson:** Could I just add something briefly to that, please?

**The Chair:** Perhaps you can in the next question. We only have two minutes left, and we want to give Mr. Shory an opportunity to at least have a crack this.

**Mr. Devinder Shory (Calgary Northeast, CPC):** I'll only be a few minutes. Thank you, Chair.

Thank you, witnesses. I won't waste much time.

Mr. Boutziouvis, you talked about the importance of food security in Japan. You also said it's a very important opportunity we have before us this time. The most important comment you made, which caught my attention, was when you talked about diversification. You said that even though our largest partnership is with the U.S., Canada needs to diversify its trade relationships and build stronger partnerships in Asia. Why do you think it is so important to diversify our markets at this time? If we do not do that, what is there to lose—if there is anything?

**Mr. Sam Boutziouvis:** Just in macroeconomic terms, over the past two years 80% of global growth has been attributed to emerging markets, including a lot of Asia, versus several years ago when it was less than 40%. Growth increasingly is coming from emerging markets. Wealth and prosperity is increasing dramatically in these emerging markets, in particular in Asia. For example, in China, we all know the story about 400 million people being lifted out of poverty—I'm not saying that they're out of poverty, but they've been lifted out of poverty. When that happens, the demand for protein, other cereals and other products increases, and the demand for energy increases. The demand for all sorts of goods for what is hopefully going to be a rising middle class will increase dramatically.

So Canada can play a role in energy, food products, other commodities, and manufactured goods, as these input into supply chains as the middle class in Asia rises, and as growth shifts more dramatically to these emerging markets.

**The Chair:** Okay, the time has gone.

We'll move to Mr. Easter for seven minutes.

**Hon. Wayne Easter (Malpeque, Lib.):** Thank you, Mr. Chair.

And thank you to all the witnesses for their presentations.

Mr. Slomp, you referred to a joint study quite a bit in your presentation. Do we have a copy of that? I don't think we have a copy.

• (1140)

**Mr. Paul Slomp:** It's a joint study, actually, on this free trade agreement.

**Hon. Wayne Easter:** Oh, okay, it's the Government of Canada one.

**Mr. Paul Slomp:** It's on the DFAIT website.

**Hon. Wayne Easter:** Okay. I thought you were talking about a different one. Then that's fine; we do have that one.

I will start with the representative of the Council of Chief Executives. You mentioned the concerns that we are falling behind on trade in some countries where we have already secured trade, one of them being Korea. That is an extremely important market to us, on that is already established, and we're falling behind the Americans. The government is in all kinds of negotiations, but the results are not there. We're very concerned and have been saying to the government consistently—and I'm glad you reminded them as well—that they have to concentrate on the markets we're already in, Korea being a big one, and not just go out and negotiate an agreement anywhere just so they can talk about the number of trade discussions they're in, because it seems to be a numbers game.

On your presentation from the council, I do have to agree with some of the concerns raised by Mr. Slomp, although I'm very much in favour of trade. One concern we have is that with increased globalization, the power of global multinational corporations is very much enhanced and an opportunity for them, on behalf of their shareholders, basically to exploit the environment and resources and labour around the world. That concern is being expressed by more and more people. While good work is done by corporations, I'm concerned.

Here I will mention that John Manley, as you know, is a former colleague of mine. I spoke to him the other night, and we certainly very much disagree with his position on supply management. We think it's a model of rural development that could be used around the world.

I agree with whoever said that we have to be careful with the Japanese market. Trade is not going to be as it was, because the Japanese have very much changed their position and are now into bilateral agreements. We have to be in the game, but how do we find a way of adding value to Canadian exports? When I look at exports, whether coal, raw products, oilseeds, copper, or the beef industry we are into some value-added, I wonder what we have to do as a

country, regardless of the agreement, to add value in Canada to these exports to a country like Japan?

**Mr. Sam Boutziouvis:** You negotiate a comprehensive EPA that includes the issue of addressing non-tariff barriers. Mr. Slomp referred to canola. It's true. We would like to see Canadian producers being able to add value to canola to sell it into Japan as oil or as other byproducts. We think that the EPA is a good opportunity to be able to negotiate such provisions. If you negotiate a broad, ambitious EPA, the negotiators will be able to deal with non-tariff barriers as well as tariff barriers and a whole host of other issues that will allow for opportunities to add value to products.

One-fourth of our organization's 120 members are foreign multinationals, CEOs of foreign multinationals. They would not be here if Canada was not an advanced society from which they can continue to do business, sell products, get plugged into global supply chains, buy goods and services from small, medium, and large enterprises, and take advantage of this incredible country that we've been able to develop.

The same goes for Canadian multinationals who work abroad. What Mr. Slomp and Ms. Bronson are trying to convey is that global corporations don't care about where they are. But they really care about Canada. I worked for the council for 21 years and I cannot tell you how many times I've been impressed with the CEOs who have declared how great it is to be able to work and lead organizations, to work with a group of people such as the Canadians working for our members.

It is fundamentally at odds with the overall impression that you're receiving. If Canadian large enterprises were as these two individuals describe, the country wouldn't be nearly as successful as it is. It would be a waste land. But it simply isn't the case.

• (1145)

**Hon. Wayne Easter:** You mentioned the competition policy in Japan. But we need improvements in the Competition Act as well, because we are seeing many small companies taken over. I would like your answer on that.

**Ms. Diana Bronson:** I have no doubt that the individuals who run corporations care about things and people and developments. I take a bit of offence at that last assertion. The corporations themselves are there to make money. Let's get real about that. The individuals who run them may be another thing.

Furthermore, we're not sitting here as two individuals. We're sitting here as organizations representing people, farmers, movements, and food banks across this country. They are concerned about this increasing export-driven model that works to the detriment of the people who work in food in our country, and there's two million of them. The kind of rules that are being put in place prevent municipalities, hospitals, and government agencies from adopting sustainable local procurement strategies. That's the problem.

**The Chair:** Thank you very much.

Mr. Shipley.

**Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC):** Thank you, and my thanks to the witnesses.

Mr. Slomp, those are interesting comments, particularly the last one by Madam Bronson. I have all kinds of farmers around me that actually are corporations. They're family farms. I'm wondering why you are concerned about corporations making money, because often corporations are families. Sometimes they might not be families, but may be out in the processing.... You've left the impression that it's bad to make money, but I think it's good for farmers to make money.

Do you agree with that, Mr. Slomp?

**Mr. Paul Slomp:** I think it's true. It's great for farmers to make money: the more money farmers can make from the marketplace, the better.

**Mr. Bev Shipley:** Great, because most of us—

**Mr. Paul Slomp:** But I would like to continue and say there's a big distinction between a corporation owned and operated by a family and a corporation involving many people where the owners and shareholders in that corporation aren't the same players who do the work.

**Mr. Bev Shipley:** Oh, but quite the opposite. I know many corporations where farmers are among the shareholders. So is that wrong?

**Mr. Paul Slomp:** No, and I would say I'm speaking on behalf of those owner-operated farms.

**Mr. Bev Shipley:** You've left a bit of an impression that this discussion on trade agreements, albeit not just this one, is not good for the agriculture industry. Yet a number of witnesses and just about everyone in agriculture, even those in supply management, aren't opposing these discussions.

Now to you, Mr. Boutziouvis, you say that securing an agreement with Japan would give Canada "a first mover advantage that will yield significant benefits.... Canada's agricultural producers will gain a first mover advantage over their competitors if ambitious preferential access to the Japanese market is secured".

So we've got two different stories. Quite honestly, I agree with you and so do all the commodity organizations in agriculture. They see the advantage in this. What is a first mover advantage?

• (1150)

**Mr. Sam Boutziouvis:** It affords the opportunity for entrepreneurial, creative people in farms of all sizes, from the smallest family farm on up, to be able to take advantage of lower barriers to trade and investment, insofar as they are capable, and to plug into supply chains within the country, to the large corporations or to

cooperatives, to be able to export their goods and services to the country where the barriers have fallen.

And by the way, the same goes for Japan. Japan is currently negotiating with Australia. It's in the seventh year of negotiations, or something like that. We think we know each other so well that we can negotiate this deal very quickly. We have a great understanding of each other, and small, medium, and large enterprises will benefit.

**Mr. Bev Shipley:** Farmers are among the better entrepreneurs. They're great entrepreneurs because they often take food processing right...and take all the risks based on many things they can't control, for example, the weather.

But Mr. Slomp, in one of your comments, you said that we should be making sure that we meet domestic needs. You know that Canada is an exporter; we grow much more than we use.

Here, I think something very disturbing was mentioned the other day because not only does it affect our domestic market but it also affects our exports. This really affects small farmers, and I've been involved with this. If you have an animal that has been injured, for example...often, you have the guys come to you and say they've lost a \$1,000 or \$2,000 animal, which broke its leg. Now that animal gets thrown away. So our minister said that's wrong; we're now going to have an inspection so that animal can be used. It has to be inspected by a veterinarian, and that animal can then be sold because there's nothing wrong with it other than its broken leg.

But an incredible statement was made in the House the other day by the member from Welland. He said we were going to put unsafe meat on the shelves, roadkill or dead stock, and unsafe food in our system, and yet you're here talking about a food secure Canada.

I get really concerned. Do you have advice to help resolve those types of comments?

**Mr. Paul Slomp:** I'm not familiar with the statement you're making, so I can't comment on it.

We have seen Canada's agricultural sector respond to this increased call for export and we have quadrupled our production in Canada to meet those export needs. Our main concern is that if our farmers are doing so well at meeting those export needs, where's the bottom line when we look at net farm incomes? Why have those not changed?

**Mr. Bev Shipley:** I'd suggest to you that right now if you look around agriculture's running on eight cylinders. I'm wondering what part of agriculture is not in good shape.

**Mr. Paul Slomp:** If you look at commodity prices right now, they look great. But you can't just look at a spot commodity price, because that's not an indication of how the agricultural sector is doing.

**Mr. Bev Shipley:** I think—

**Mr. Paul Slomp:** I say this because in the long term there are going to be booms and busts. I mentioned the price of canola seed. Yes, commodity prices are doing quite well now, but canola seed companies are making sure that they're picking up on that increase in market prices.

**Mr. Bev Shipley:** So when commodity prices are good—

**The Chair:** I'm sorry, I'm going to have to stop you there. Our time is gone and I want to leave two minutes for the last.

We're into the second round and we'll leave two minutes for Mr. Davies and two minutes for Mr. Holder. I know it's tight, but that's the best I can do.

**Mr. Don Davies:** Thank you, Mr. Chair.

My question is for Mr. Slomp and Ms. Bronson. The current federal budget before Parliament right now has cut food inspection funding and the government is removing some 300 FTEs from the Canadian Food Inspection Agency.

Japan is known to have very high food safety standards. Do you think that these domestic cuts by the Canadian government domestically might affect our reputation or the trade negotiations with Japan?

• (1155)

**Mr. Paul Slomp:** I don't have the data on this, but there's no doubt in my mind that the cuts to food inspection will alter the quality of food Canada will be able to export.

**Mr. Don Davies:** Just quickly, Ms. Bronson, the UN rapporteur on food was here the other day. Do you have any comments to share with the committee about that?

**Ms. Diana Bronson:** I think what his report did was to highlight issues that are of vital importance to Canadians across the country, the problem of hunger that we have in this country and a problem with healthy and safe food. He actually highlighted some problems with international trade and echoed some of the comments we made this morning in terms of our increased trade not resulting in better incomes for farmers.

I would still hope there'd be some window of opportunity within the Government of Canada to take his recommendations more seriously than to call them completely ridiculous. This is the United Nations. We are a signatory to the International Covenant on Economic, Social and Cultural Rights. That is what he came to do here. Canada has had a longstanding open invitation to any UN human rights investigators, and this is a break with this tradition that I think we need to rethink very seriously.

**The Chair:** Thank you very much.

Mr. Holder, the floor is yours.

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

First, I'd like to thank our guests for coming, and I'll make a couple of comments because I just have to challenge something that was said.

It's interesting that since 2006 the Conservative government has provided funding for 733 net new inspectors and 170 meat inspectors. So I want to challenge the assertion from members opposite that this is not the case.

It would actually help all of our arguments if... And I say this respectfully to our friends from Food Secure Canada, that you give the impression somehow that the profit motive—

**Hon. Wayne Easter:** Point of order, Mr. Chair.

**The Chair:** It had better be one. Go ahead, what is it?

**Hon. Wayne Easter:** Those numbers can be disputed. They're not absolute—

**The Chair:** No, that's not a point of order.

Go ahead.

I heard all kinds of garbage from all sides, so that's all right.

**Mr. Ed Holder:** I just say it softly that it might help your position if you don't give the impression that the profit motive is a bad thing when you're making your argument. I think you raise some interesting points, but I think that would be more helpful, because you certainly have given me the impression that while you've based it on our export-driven strategies, you don't like the profit motive. If I'm wrong, then you might in future opportunities lay that down. I just think it would provide a bit more of a balanced commentary. That's just a comment for you.

Mr. Davies commented that multilateral agreements are better.

Mr. Boutziouvis, you've commented that's true, but multilateral agreements, frankly, in my opinion are as dead as Elvis. What you've really got is a situation where you've got bilateral agreements, because that's where the world is already, or is going in that direction. If multilateral agreements were in that...there would be opportunities.

Mr. Boutziouvis, you've agreed with that. My question to you is, should Canada then carry on with bilateral negotiations since there doesn't seem to be a focus on multilateral agreements, because Doha is not as vibrant as people may think?

**The Chair:** Okay, I'll allow a very tight question and answer.

**Mr. Sam Boutziouvis:** Yes, go ahead with regionals and then we should also think about the future: labour mobility agreements, future investment agreements, and special services agreements related to some of the other modes. The future could possibly be in such arrangements that are functional, as opposed to geographic agreements—but absolutely, yes.

**The Chair:** Thank you very much, Sam, Paul, and Diana.

**Ms. Diana Bronson:** Can we just respond to the—

**The Chair:** No, I'm sorry. The time has gone, and we want to thank you for this segment of your testimony. Perhaps as we continue this study, we'll invite you back again for expanded opportunities, but at this time, thank you very much.

We'll suspend now to bring up our next set of panellists who are by video conference from B.C. and Manitoba.

• (1155) \_\_\_\_\_ (Pause) \_\_\_\_\_

• (1200)

**The Chair:** We'd like to call the meeting back to order.

We have our witnesses before us. By video conference, we have the Canadian Canola Growers Association, and Richard White, the general manager.

Richard, can you hear us?

**Mr. Richard White (General Manager, Canadian Canola Growers Association):** Yes, I can hear you loud and clear. Can you hear me?

**The Chair:** Very good. We can hear you loud and clear.

We also have, as an individual, Julian Dierkes.

Can you hear us?

**Prof. Julian Dierkes (Centre for Japanese Research, Institute of Asian Research, University of British Columbia, As an Individual):** I hear you just fine. Thank you.

**The Chair:** Very good, and likewise.

We will start with you, Mr. White. The floor is yours. We look forward to your testimony before the committee.

**Mr. Richard White:** Thank you, Mr. Chairman, and good afternoon to the members of this committee. Thank you for inviting me here today to speak about the Canada-Japan economic partnership agreement.

Japan is a vitally important market for canola, and we fully support Canada's efforts to strengthen our economic ties.

In addition to my role as general manager of the Canadian Canola Growers Association, I continue to be involved in the family grain farm in southeastern Saskatchewan. Canola is an incredibly important economic and agronomic contributor to our farm and to the 43,000 canola farms in this country.

CCGA represents these 43,000 canola growers. It is governed by a board of farmer-directors who represent all provinces, from Ontario west to B.C.

Japan was Canada's first and continues to be our longest-standing international customer for canola seed. Over the decades, it has become an incredibly valuable, and, equally important, predictable export market for Canadian canola. Because of this, our industry is continuously building on our trading relationship with Japan. For example, every year, Canadian canola exporters host a large delegation of Japanese customers as part of the official Canada-Japan consultations. This biannual event, which includes tours and round table discussions, is held every July in Canada and each November in Japan. These consultations have laid the foundation for a successful, long-term trade relationship between Canada's canola industry and Japan's crushing industry.

Canola oil has been the number one vegetable oil in Japan since 1989, when it exceeded soybean oil consumption in demand. As a result, the Japanese purchase more than two million tonnes of Canadian canola annually. This consistent demand has played an important role in our industry's success. That success has seen canola go from marginal production in the early 1980s to being the number-one cash crop in the country. It contributes \$15.4 billion to the Canadian economy annually. Over 12 million tonnes were produced in the last crop year alone. And the industry has set a goal to increase production to 15 million tonnes by 2015, a goal that may even be surpassed this year, three years early.

The industry is highly trade dependent—we export 85% of seed and canola products on an annual basis—and the canola industry's success has been facilitated by our ability to compete in global markets. The future success of the industry, and therefore the success of Canada's canola growers, is also highly contingent on its ability to export products, including seed, meal, and oil, and to compete in international markets. The pursuit of new markets and the liberalization of existing ones are key to the growth of canola exports and to profitability for Canadian growers.

In conjunction with the Government of Canada, CCGA will continue to push for the liberalization of trade in those markets where trade barriers currently exist. Pursuing export markets for seed is important, but an increase in exports of value-added products, such as canola meal and oil, will have a greater economic impact domestically than seed exports alone. CCGA is hopeful that an agreement with Japan would result in a shift in trade from seed exports to higher value oil exports.

While Japan maintains tariffs on canola oil to protect its domestic processing sector, seed and meal enter the country duty free. As a result of this tariff escalation, whereby refined canola oil faces an even higher tariff than crude canola oil, Canadian canola exports to Japan have focused primarily on seed, which remains duty free. Over each of the past few years, Canada has exported about two million tonnes of seed, worth over \$900 million, to Japan, making this Canada's largest consistent seed market. By comparison, oil exports to Japan have been relatively modest, at just 8,400 tonnes, worth about \$6.8 million, in 2009-10.

Japan's tariffs on imported edible oils are applied on a specific-rate basis. The rate for canola and soybean oil is higher than it is for other, similar vegetable oils, such as corn oil and sunflower oil. This creates two significant problems. First, canola oil and soybean oil have a tariff disadvantage relative to competing oils, given that corn and sunflower are subject to lower tariffs than canola oil. Second, as currencies and product prices fluctuate, the *ad valorem* equivalent of the specific-rate tariff varies. As the Canadian dollar falls, the tariff rate, as a percentage of price, rises.

● (1205)

CCGA would like to see the elimination of tariffs on all edible oils. Where tariffs are not completely eliminated, they need to be converted to an *ad valorem* basis or a percentage of the value. In addition, there should be parity across all products.

Beyond tariff and tariff escalation issues, there are two other issues that canola growers would like to see addressed in an agreement with Japan, namely, MRLs and low-level presence.

Japan's approval process for an MRL, otherwise known as a maximum residue level, for chemical products such as pesticides and herbicides results in unnecessary delays. In most countries, a chemical company can apply for an MRL while the product application is pending approval in its home country. In Japan, however, companies cannot apply for an MRL until the product license has been granted. This causes delays in getting products to market. The Canadian industry would like Japan to accept and assess applications for MRLs without the condition of prior approval in Canada.

On low-level presence, the industry is looking to both Japan and Canada to adopt low-level presence policies for GMO traits in order to reduce the risk of trade disruptions.

In closing, I'd like to make a brief comment on the Trans-Pacific Partnership, or TPP.

With both Japan and Mexico, along with Canada, applying for membership in the TPP, it is critical for canola growers that Canada gain entry into this partnership. With a large and ever-increasing population, the Asia-Pacific region continues to grow in economic importance and it is a priority market for Canadian canola products.

CCGA believes it is paramount that Canada become party to the TPP agreement due to the significant importance and opportunity the region presents to the canola industry and canola growers. Together, TPP countries represent 51% of Canada's agrifood exports. For the Canadian canola industry, that represents \$2.9 billion in canola exports.

Of particular concern for canola growers is the inclusion of Japan in the TPP, making Canada's membership in that trading group a necessity. A TPP that includes Japan but not Canada could result in the erosion of any tariff or competitiveness that we have with the Japanese market and place our exports to that country in jeopardy. If Canada were to be excluded from a TPP that included Japan, major Canadian export competitors like the U.S. soybean industry would quickly capture market share in Japan from the Canadian canola industry.

Our efforts to join the TPP should not detract from our negotiations for an FTA with Japan. A trade agreement with Japan, whether it be through a bilateral trade deal or through the TPP, should result in additional exports of high-value Canadian canola products.

Thank you for the opportunity to speak to the committee today. I look forward to your questions later.

● (1210)

**The Chair:** Thank you very much for your testimony. Canola is a massive industry in this country, and you described it very well. I spent 30 hours seeding it this last weekend, so I understand the—

**A voice:** [*Inaudible—Editor*]

**The Chair:** I know, I know; I just had to throw that in.

We now look forward to the testimony of Mr. Dierkes.

The floor is yours, sir. Go ahead.

[*Translation*]

**Prof. Julian Dierkes:** Good afternoon, ladies and gentlemen.

[*English*]

Good afternoon. This is Julian Dierkes from Vancouver.

Mr. Chairman, and members of the committee, thank you very much for giving me this opportunity to speak to you today. I want to speak to you a little bit about the perspective people might take of this partnership agreement with Japan.

I had an opportunity last year to take 10 of our students to Japan in the summer and engage in a simulation of exactly these negotiations with some Japanese students and colleagues at Hitotsubashi University. In the preparation for that, we had a chance to talk to many stakeholders, both in Canada and in Japan, to get a sense of what the motivators are for these kinds of agreements. And so I will speak a little bit today about exactly what the context is in Japan. You've heard a fair bit of testimony here about the potential economic benefits, but why would the Japanese engage in this agreement? Given my research on Japan, that's something I hope to share a little bit with you.

I first want to emphasize that in addition to the economic benefits and some of the risks that you've heard a fair bit of testimony about, these kinds of partnership agreements obviously also have a very highly symbolic and very important role to play, especially in bilateral relations. The symbolic value derives sometimes from economic activities. And by signing such an agreement, a given market, in this case Japan, becomes that much more prominent to producers, to businesses in another country, in this case Canada; but it's also a sign of continued engagement and friendship, if you will.

Japan and Canada recently celebrated 75 years of diplomatic relations. There are very strong people-to-people links. The project that I mentioned where we had students join us in a process in Tokyo is a good example of that, but this kind of agreement will be highly valuable in cementing the relationship between Canada and Japan.

It'll be of specific value to Japan. As has been mentioned before, Japan is a relative latecomer to bilateral trade agreements, given their strong multilateral commitments previously. So they don't currently have an agreement with a fellow-developed economy at the level of the G-7 or the G-8. So being able to negotiate such an agreement with Canada would be a real prize in the Japanese context. Overall, I would emphasize that even the negotiations, and certainly a signed agreement, would be valued very highly in Japan for its symbolic value.

TPP was just mentioned by Richard White and has come up in previous testimony as well, so I want to give you that context briefly. The Japanese government has marked TPP as its highest international trade policy. Prime Minister Noda is pursuing participation in TPP for Japan in the same way that Canada is. Obviously, you will be much more familiar with Canada's position on this than I can be.

For TPP specifically, the most significant supporters in Japan are within the government. The two ministries that are primarily involved in the system are the Ministry of Foreign Affairs and the Ministry of Economy, Trade and Industry. Then outside of government, it's primarily large industries, large businesses that perhaps stand to benefit most from these kinds of agreements. On the other hand, the opposition is also quite significant to TPP in Japan and is making a conclusion to or participation in TPP relatively unlikely, given that the opposing agricultural interests are highly organized and have taken a very strong stand against TPP.

Part of the context is also that the current governing Democratic Party of Japan, which used to be a party rooted primarily in the cities, is beginning to discover that now that it is a governing party it also has rural constituencies. So to the extent to which it may have been in favour of international trade and the liberalization of trade in the past, it may be somewhat waning today as it rediscovers some of those roots.

On TPP, I would say while it is a high priority for the Japanese government, it may be relatively unlikely to happen. That, in many ways, leaves bilateral agreements as the next best, or certainly the next, priority of activities for the Japanese government.

The most important potential here for Japan increasingly, of course, is northeast Asia. It's important to remember that Japan has become very much an Asian economy; it's much more integrated into Asian trade flows than it was even 5 or 10 years ago. This is not

just in terms of trade, but also in terms of the significant investments that Japan has been making, particularly in China, but really also across Asia. So as their attention is shifting, if there were any opportunity to explore perhaps a trilateral trade agreement in northeast Asia with China and Korea, that would be an opportunity that the Japanese government would clearly jump at. That would have very significant support from the business community there as well. As we saw in the news last week, that possibility seems relatively remote, but when it does happen, it may be a priority aim of the Japanese government.

● (1215)

As was mentioned earlier by Mr. Boutziouvis, the closest competitor of Canada in negotiations with Japan is Australia, but those negotiations have been going on for a very long time. Australia is also perceived to be a bit of a hard-liner, if you will, in the TPP situation, so it's a little unclear where those negotiations might go. In some ways that leaves Canada as a very good choice for the Japanese government to pursue for the next bilateral agreement.

On these bilaterals, the areas of support for these agreements—again, those would be the government and large industry primarily—would be just the same. Perhaps the opposition to bilateral agreements would be less highly organized than it is against the TPP. I would also mention, as an aside, that apart from very organized agricultural interests in the Japanese deliberations about these kinds of trade agreements, NGOs and other civil society groups play a relatively lesser role than would generally be the case in Canada.

That leaves me thinking a bit about the Japanese context that presents itself as an opportunity for negotiations with Canada. There are a number of reasons to think that Canada looks very attractive to Japan in this context. One of the reasons is more economic: it's internal to this kind of trade agreement, in that the trade is somewhat asymmetrical.

Some of the issues of particular concern in both countries are not in areas receiving many exports from the other country. Obviously there are other regions where there's much more overlap. For example, you would not be expecting large exports in the forestry sector—you heard testimony about this the other day—to come from Japan to Canada. So those negotiations will always be difficult. But given the asymmetry, there may well be room for some productive engagement.

I would emphasize that Canada currently enjoys a very strong reputation, particularly within Japan. When you have an opportunity later this year to go on your study tour to Japan, you will certainly see that. Part of that is linked to the Canadian response to the triple disaster last March. It's important to emphasize in this context that the government, and particularly the embassy in Tokyo, has been very proactive. It was seen as a very important step that Canada was the first country to drop import restrictions on Japanese food products after the triple disaster, and official Tokyo very much took note of that.

The concerns that grew out of the triple disaster in Japan about food and energy insecurity make Canada a very attractive partner. In most observers' eyes within Japan, which is worried about food and energy security, Canada is an obvious partner and a very strong and likely partner.

I'd also mention that there has been a lot of relatively low-level progress in Canadian-Japanese relations recently that hasn't received much attention. For example, the apology by the Japanese governments to Canadian POWs held during the Asia-Pacific war was one of those steps, and likely the Canadian decision announced during Prime Minister Harper's visit to Tokyo to open a satellite office in Osaka after the general consulate had been closed there, were relatively small but important steps in further developing a very important relationship.

Finally, I want to echo a comment that Mr. Boutziouvis made earlier, and that is to remember that Japan is now very much engaged in Asia but it's also potentially a stepping stone for Canadians into Asia. That is true for economic relations as much as for political relations. An agreement of this kind would certainly represent a huge boost to that relationship. It would motivate further people-to-people contacts and it would be seen in Japan as a very positive step. Should the negotiations proceed quickly, an agreement could be reached.

Thank you very much. I am looking forward to your questions.

**The Chair:** Thank you very much, both of you, for your testimony.

We'll start with Mr. Sandhu. The floor is yours, sir.

**Mr. Jasbir Sandhu (Surrey North, NDP):** Thank you, Mr. Chair.

Welcome to the committee. Thank you very much for being here today.

I'm going to be a homer. I don't actually grow canola myself, but I will ask Julian Dierkes a question, because I'm from Surrey.

Mr. Dierkes, you mentioned that you took 10 students to Japan and you had an exchange with Japanese students. Could you maybe highlight some of the things students discussed with regard to trade? How did they say Canadians would benefit? What are some of the concerns that Canadian students raised? What are the concerns that the Japanese students raised?

• (1220)

**Prof. Julian Dierkes:** Thank you very much.

As a teacher I'm always very happy to talk about student activities, and this was really a wonderful opportunity for students to engage

and to collaborate. The way we set it up though, I have to tell you, was that we mixed up the teams. We had Canadian students on the Japanese negotiation team and Japanese students on the Canadian negotiation team, largely for pedagogical purposes.

But at the same time, just to respond to the question you're asking, when we simulate a negotiation like that, students clearly are at greater liberty to be creative with this kind of negotiation than DFAIT negotiators will be. One of the areas that the students focused on—and this has come up as a concern in earlier testimony as well as today—was to perhaps think about having a development chapter that would accompany an agreement like this so that the impact of trade between Canada and Japan, two highly developed and very successful economies, on other economies, including developing countries, could also be subject to discussion within the context of this trade agreement. That's something the students were quite interested in.

Just one other issue that I would highlight is that both Japan and Canada have very strong IT sectors. In some areas obviously we're world leaders. IT is one of those areas, as is e-commerce with economic transactions online, where things are developing very rapidly. We would expect negotiations that occur now in 2012 to look relatively different from negotiations that may have happened in the 1990s or even two or three years ago. This is an area, for issues like microfinance, that may be mediated by e-commerce transactions, so it's one of the areas that the students highlighted as a real opportunity for these negotiations.

**Mr. Jasbir Sandhu:** Thank you.

You also mentioned this in your written brief:

The highly visible signing of an EPA would also boost people-to-people exchanges.

A Canada EPA would be of great symbolic significance to the Japanese government.

Can you just briefly expand on that? I then also want to ask Mr. White a couple of questions.

**Prof. Julian Dierkes:** Mr. Sandhu, you're from Surrey, so you know for example how many English language students we get in Vancouver, and many of those come from Japan. When an agreement like this is signed, of course it enters the newspapers, and it's discussed in the media. All of that makes Canada that much more present in the mind of Japanese students for example when considering people-to-people exchanges, and they will continue to look to Canada as a destination. Hopefully it would also appear in the media and people's minds to the extent that then students, whether they're from British Columbia or from across the country, would also consider Japan as a destination and intensify those things.

**Mr. Jasbir Sandhu:** Thank you.

Mr. White, I have a question for you. You mentioned that we export a lot of canola seeds to Japan. I suppose there's canola oil and there are seeds. Does Japan produce canola domestically?

**Mr. Richard White:** They would produce small amounts, but they are certainly an import-dependent country when it comes to vegetable oil. They cannot produce enough to feed themselves, so they depend on imports from countries like Canada and Australia, I guess, to meet their demands for vegetable oil, and from the U.S. for soybeans as well. They do grow some, but not nearly enough to feed themselves.

**Mr. Jasbir Sandhu:** Mr. White, you also mentioned that there is a higher tariff on canola. Why is that so?

**Mr. Richard White:** I think it goes back in history to other trade deals. The American Soybean Association was very effective in getting a better deal under previous arrangements, and canola is a more recent product than soybean oil is. We face discriminatory tariffs in canola consistently around the world, not uniquely in Japan. More often than not we'll find ourselves at a slight competitive disadvantage due to tariff differentials between canola and soybeans in particular, and I also referenced the sunflower tariffs. I don't know the reason for that, but that's a domestic policy that's been implemented on some of these importing countries.

• (1225)

**Mr. Jasbir Sandhu:** Are you able to get your product to the Southeast Asian marketplace in a timely manner?

**Mr. Richard White:** Yes. As I mentioned earlier—

**Mr. Jasbir Sandhu:** I'm talking in regard to the infrastructure that's available here and whether that is complementary or whether that's helping you, or whether there are some issues that the government could deal with it.

**Mr. Richard White:** We've seen a significant expansion to the crush industry here in Canada, so we have an incredible increase in our capacity to ship oil now, as opposed to a number of years ago. The canola industry has invested heavily in infrastructure, and we are positioned to start shipping the higher valued oil to countries like Japan, which has typically been predominantly a seed market for us. We'd like to see an agreement like this open the door to oil exports to Japan and keep the value-added here at home. We have the infrastructure in place and we're ready to go.

**The Chair:** Thank you very much.

Mr. Wallace.

**Mr. Mike Wallace (Burlington, CPC):** Thank you, Mr. Chair.

And thank you to our guests for being with us today.

I'm actually sitting in today for Gerald Keddy, who's the parliamentary secretary for international trade. He's actually on his way to Japan. I and another member of this committee, Monsieur Morin from the NDP, are heading there tomorrow. There's a group of us going. I'm the co-chair of the Canada-Japan parliamentary association, and we have our biannual discussions with those from the Diet. We are going to go to the earthquake zone for a couple of days also.

I have a couple of questions. Sorry, but I'm going to focus on Professor Dierkes because I don't plant canola seed.

**A voice:** You don't?

**Mr. Mike Wallace:** No, not on the 110-by-130 lot that I have.

I've been there a number of times, and to be frank with you, it wasn't until there was a change in government that there was a discussion about free trade. The previous government that was there for 40 years didn't seem to be interested. To be frank, I was a bit surprised that the DPJ is interested in free trade, but that's its position.

We will be talking to members of the Diet next week, so can you expand a little bit for me about what is happening? You're saying organized agricultural interests are showing some push back in opposition to a free trade agreement. Is that toward all free trade agreements or is that particularly toward Canada? We're also bringing the parliamentary secretary for agriculture with us. Based on what products we produce and what they produce, I thought there was a bit of a synergy there and that it wouldn't be much of an issue. Can you expand on the point you made here?

**Prof. Julian Dierkes:** Yes, absolutely, Mr. Wallace. Thank you.

Yes, you're clearly right. For example, one of the sticky issues for Japan has always been rice, right? That's not an issue with Canada, to the extent that there just isn't much of an intention to export rice in large quantities to Japan. So that's absolutely right.

To be a bit clearer about that, the agricultural interests—particularly the JAA, the Japanese Agricultural Association—are generally opposed to free trade agreements because they see them as a threat to their livelihood. And it's often a livelihood that is protected by trade barriers to some extent—obviously, allowable within the WTO context.

I wouldn't say there's any specific opposition to Canada in this context, and I think you're exactly right that there may be less opposition to Canada as a partner than there would be, for example, to Australia, which might be the comparator that's also in place.

I would say the opposition to a TPP is very strong. So in the context of Japanese discussions, if you will, it might be plausible to think a little bit about a strategy that, if TPP doesn't go forward or at least doesn't go forward quickly, an argument might be then to say, well, let's engage in more bilateral agreements. In that case, Canada looks very attractive, partly because it's perhaps seen as less threatening by the agricultural lobbies as well. It's a very plausible strategy, I think.

**Mr. Mike Wallace:** I think the point we're going to be making is that we will take both streams at the same time. For the TPP, obviously, Canada is interested in being at the table. So is Japan; so are a number of other countries that are trying to get included in that trade organization planning. But I think the comment, from our perspective, should be that, regardless of how TPP proceeds, we are interested in a bilateral agreement. I think that will be the message.

I do have another question for you about the—and I may be pronouncing it wrong—Keidanren business organization. We're actually meeting with it. I've never met with it before. Can you give me a little bit of a heads up on what to expect and who the members are and what their messages might be?

• (1230)

**Prof. Julian Dierkes:** Yes, absolutely.

You may have noticed that my title is actually Keidanren Chair because 20 years ago members of the Keidanren supplied the endowment that created the position I currently hold.

The Keidanren is your rough equivalent of the Conference Board, if you will. When Mr. Boutziouvis earlier spoke for the Canadian Council of Chief Executives, he gave a joint statement with the Keizai Doyukai. That is a parallel organization for them, but it would be the Conference Board for the Keidanren.

For you, when you meet with the members, you will find them to be very supportive of liberalization of international trade. You may also meet the secretary to the chairman, who is a UBC graduate. So if you want to talk about Vancouver, there'll be plenty to talk about. But you'll find them, broadly, very supportive. I would say, as an organization, it's fair to characterize it as somewhat dominated by large industry, even though it also includes a membership of smaller companies. But it generally speaks most prominently for the interests of large industry.

**Mr. Mike Wallace:** Unfortunately, Japan has had a rough year, with a number of natural disaster issues. The prime minister is attempting to get the financial house back in order. He's increasing the consumption tax from 5% to 10%. Can you tell me what the political climate is like in Japan? I believe they're facing an election in the fall. How would that affect our discussions?

**Prof. Julian Dierkes:** Prime Minister Noda has not quite staked his future on the consumption tax, but he has made this a big issue. If those measures don't pass, we would probably see the end of his role as prime minister. But then, we've seen a rapid turnover of Japanese prime ministers for some years now, and it hasn't had much of an impact on international relations or the policies the government has pursued. The prime minister can champion particular issues personally, and Prime Minister Noda has taken TPP as one of his causes as well. Still, I would suspect that even a change of government would not make much difference in the discussions over a Canada EPA.

**Mr. Mike Wallace:** Thank you.

Thank you, Mr. Chair.

**The Chair:** Thank you very much, Professor.

Mr. Easter.

**Hon. Wayne Easter:** Thank you, Mr. Chair, and my thanks to both our witnesses.

I wouldn't want Mike, and Gerald Keddy, and Mr. Morin to just talk about Vancouver, Mr. Dierkes. They ought to have mentioned P. E.I., because we're a big tourist destination for the Japanese as well.

**The Chair:** I'm not sure the Japanese eat potatoes.

**Hon. Wayne Easter:** As to seed, I'm not sure if everybody understood the point. When most people think of seed, they think of it as something that's going to be planted. The seed that is going to Japan is going to be crushed over there for canola oil. This point should be made. We would like to add the value in Canada. Could you give us a comparison of Japan's tariff on seed and its tariff on canola oil? Do you have those numbers? Do you want to elaborate on that a little?

**Mr. Richard White:** Seed is commercial production of seed, not seed for seeding, so I'm glad you highlighted that.

As to the rate for canola and soybean oil going into Japan, the tariff is 10.9 yen per kilogram—around \$55 a tonne. It fluctuates depending on currency exchange rates. The tariff on seed is zero. So right away, you're taxed if you try to ship oil in, and it's cheaper to put the seed in. So that's what commerce does—it puts the seed in and then the Japanese crushers buy it and crush it over there. Corn oil was going in at 5 yen per kilogram, which is less than what soybean and canola oil are subjected to. For sunflower oil, it's 8.5 yen per kilogram. Those are tariff rates on a per-kilogram basis.

We'd like to see those tariff rates converted to *ad valorem* equivalency. Over time, if you change that to a percentage, the effect of the tariff fluctuates between 15% and 30% of the value of the oil product. It's driven by exchange rates. So you have this uncertainty in the tariff. It should be reduced if not eliminated, and if it is reduced, it should be converted to *ad valorem* instead of specific rates.

• (1235)

**Hon. Wayne Easter:** But we need to be negotiating for zero tariff, at least that's where we need to start.

You also mentioned that there should be parity across all tariff lines. You're thinking of corn, canola, soybeans, etc. Just expand on that a little bit. I know you're talking about *ad valorem* equivalents, but how do you get that equivalency across the board? Is it based on what the potential oil result would be—or how do you do it?

**Mr. Richard White:** When you convert it to a percentage of the price of the commodity going in there, that's at least the starting point where you can compare apples to apples. They're all on a percentage basis.

The exact calculation, given the differences in the oil content and the structure of the oil versus seed, would be a technical negotiation. I'm not sure what approach we would take. But I think what we would look for is effective equivalency across competing products. For example, we don't want to see canola oil discriminated against, versus soybean, versus sunflower, versus corn. The objective would be to come up with an *ad valorem* equivalent across the board, if indeed they did have a tariff on those product lines.

**Hon. Wayne Easter:** I have two other questions and hopefully I won't run out of time.

Could you, Richard, expand a little more on low-level presence and how important that is? I ask because it's extremely important to us get other products into Japan. I know we export a lot of canola from Prince Edward Island—not to western standards—to Japan and it's non-GMO. But low-level presence is as important.

Mr. Dierkes, you had said that the TPP may be a high priority for the Japanese government, but it's unlikely to get there due to pressure from its agriculture sector. We have an agriculture sector beyond rice. How much difficulty is that going to cause to our achieving our goals on the agriculture side of the negotiations with Japan?

Mr. Dierkes, do you want to start, and then Richard can close off?

**Prof. Julian Dierkes:** No one will ever match the symbolic importance of *Anne of Green Gables* in Japan, so whatever we might have in the west, you've got everything locked up and we will never compete.

**Hon. Wayne Easter:** It's true.

**Prof. Julian Dierkes:** As you well know, agricultural trade is often the sticking point for some of these negotiations, and there are obviously other areas for Canada. Automobiles come to mind in the negotiations with Japan and the like.

But this is clearly a difficult area, and this is really what has kept Japan out of the game of bilateral agreements, in many cases for a long time. There has been an emphasis on multilateral agreements instead. In fact, I suspect that from the point of view of the ministries most supportive of the liberalization of international trade—and that's primarily METI, the Ministry of Economy, Trade and Industry, and this has been the case for some politicians as well—these negotiations are a way of trying to say to agricultural interests that they need to be stepping away from these tariff barriers because it's hurting them in other areas.

As I mentioned before, I think the hurdles are lower in the negotiations with Canada than they are with some other cases, including Australia. This will obviously be a difficult issue for the negotiators to address, and will also be a task for politicians to engage with stakeholders such as agricultural producers. But perhaps the hurdles are lower in the Canada–Japan link than they are in other cases.

• (1240)

**The Chair:** Thank you very much.

Mr. White, you have been asked to answer, but we're out of time. Perhaps the next questioner will allow that answer, but I'll leave that up to his discretion.

Mr. Cannan, go ahead.

**Mr. Ron Cannan (Kelowna—Lake Country, CPC):** Sure, I will be gracious to Mr. White.

Go ahead.

**Mr. Richard White:** I am just going to follow up on the low-level presence issue.

Japan is quite reasonable when it comes to technical issues regarding GMO traits. They are good to work with, but it is always a risk that Canada may have an expired trait or a trait long since decriminalized. Those traits never seem to make it 100% out of the system. There are always some trace levels of GMO traits that can and do show up in shipments, and that's a commercial risk.

What we would look for in this agreement is to work closely with the Japanese to come up with a policy, both domestically for our

country and theirs, for a science-based, commercially reasonable approach to the low-level presence of the expired traits that are still working their way out of the system, so that these do not impact trade.

In a lot of countries around the world, if there is a unapproved GMO event, their current level of tolerance is zero. With the testing technology out there, we are in a world now where you're always going to pick up some trace element of some obscure trait that could potentially block trade. What we'd be looking for is Japan's partnership in developing our domestic policies around how we treat low-level presence, and to try to get the rest of the world to adopt those kinds of policies.

For example, the EU would be a good place as well to try to get this, so we'd have some international standardization of this issue that is science-based and commercially reasonable, because it's becoming a bigger problem. We need to deal with it because it will start to disrupt trade more and more in the future.

**Mr. Ron Cannan:** Thanks, one of my questions was going to be on GMO.

Approximately what percentage of Canadian canola is GMO?

**Mr. Richard White:** Well, there's some subtlety between GMO versus herbicide-tolerant.... If you're looking at the new herbicide-tolerant systems, we're well over 90% GMO overall, and for all intents and purposes canola is a genetically modified crop.

**Mr. Ron Cannan:** Thanks. For a quick clarification, why are the tariffs higher on canola than on corn and sunflower oil?

**Mr. Richard White:** I don't have the answer to that, I'm sorry. It's probably embedded in history, I don't know.

**Mr. Ron Cannan:** Okay. Thank you very much.

Moving on to Mr. Dierkes, I have the pleasure of representing the constituency of Kelowna—Lake Country, the interior of British Columbia, and not only Okanagan College but also UBC-Okanagan. I know you're a professor at UBC, so I applaud you for your initiative in taking the students on a sense of reality mission, rather than only being in the classroom with applied education.

I had the pleasure of leading a delegation in 2000 to our sister city in Kasugai. Maybe you can elaborate a little bit more. While I come from British Columbia, I know that it's not only B.C. but also Ontario, Quebec, and different parts of the country that really benefit from the forest industry. Was that a discussion you had with your students, on both the benefits, not only from the forest industry to date...? I know that you mentioned about the philanthropy of the agriculture community. The forest industry was also one of the first ones on the scene to help with the earthquake victims.

Maybe you can expand a little bit more on the forest sector and the benefits this bilateral agreement would have for that sector.

**Prof. Julian Dierkes:** Again, I would focus on the symbolic benefits. I know you heard testimony the other day from the Canadian forest sector on how they would benefit economically, but you're absolutely right to point to the initiatives that the forestry sector took in donating materials to rebuild or build a new school in Tohoku in the tsunami-affected area. That was one of those moments that were perceived very much by the Japanese public to be a Canadian contribution to recovery in those affected areas.

This is one of the many pieces of this mosaic, a perception of Canada taking a very active and a really much appreciated role in the immediate aftermath of the disaster.

●(1245)

**Mr. Ron Cannan:** I'll pass it over to my partner, Bev Shipley.

**Mr. Bev Shipley:** Thank you very much to my colleague.

I want to follow up, if I might, with you, Mr. White. Actually, I believe you gave a very good summation of the low-level presence. My concern, and help me out here, is that I know that Canada wants to be a leader. Sometimes in being a leader you can become caught because you have a level that is not accepted internationally. Is there a concern that if there were a low-level presence established for a Canada-Japan agreement, that level might be different from a Canada-Europe agreement and our farmers overall might actually get disadvantaged because they would not be international?

Is there a sense of being able to establish more of an international level with main trading countries?

**Mr. Richard White:** I think the objective would be to get it off zero.

I think we could live with some subtle discrepancies country to country, whether it's 0.1% here and 0.3% there. That's much easier to manage than everybody staying at zero, which is consistent but is commercially impossible to achieve.

It would be nice to have it consistent, with everybody at 0.1% or whatever the case may be, but the objective here would be to simply get everyone off zero.

**Mr. Bev Shipley:** We ship a lot of canola seed to Japan, seed that is mostly used for crushing. Is it all non-GMO?

**Mr. Richard White:** No, it is all GMO. We don't segregate out non-GMO. There's such a small piece of Canadian production, it's all mixed together. It's a GMO crop in total, and that's what Japan takes.

**Mr. Bev Shipley:** That's an acceptable practice and we've not had any rejections because of that, is that right?

**Mr. Richard White:** Yes. That's true, but there's always some risk.

**Mr. Bev Shipley:** That's why—

**Mr. Richard White:** But there have been no rejections.

**Mr. Bev Shipley:** That's why it's important within this agreement to establish some level of consistency for the protection of agriculture? Is that right?

**Mr. Richard White:** That's right, yes.

**Mr. Bev Shipley:** Okay.

**The Chair:** Thank you very much.

Madam Papillon, you're up, but we have to suspend for future business at 5 o'clock, so we will split the time between you and Mr. Holder. You each have two and a half minutes.

Go ahead.

[*Translation*]

**Ms. Annick Papillon (Québec, NDP):** Thank you.

I have a few questions for Mr. Dierkes.

Canada's provinces and territories have played a key role in recent trade negotiations, including those under way with the European Union.

What role should the provinces and territories play in those negotiations? Does Japan have a similar phenomenon, where the prefectures or municipalities play a bigger role at the negotiating table and influence the final agreement?

[*English*]

**Prof. Julian Dierkes:** If that was a question to me, it would be unusual to Japan to see the involvement of provinces, but I don't expect they would necessarily object. In the EU context obviously, to EU negotiators, with nation states behind them, provinces probably made a lot of sense to them, whereas in Japan these decisions about trade negotiations and the initiative are highly centralized at the nation state level. So this would come as a surprise to them, I suspect, although they're surely watching the EU-Canada negotiations. But I also don't think it's necessarily a stumbling stone they would object to. It would be something to work out.

[*Translation*]

**Ms. Annick Papillon:** Mr. White, I have a question about producers in Canada and Quebec. Do you see any disadvantages in terms of transportation? Could producers be at a disadvantage if they had to ship their products across the country?

●(1250)

[*English*]

**Mr. Richard White:** I think economics will prevail. The U.S. is also a major customer of ours internationally, so if we sent more to Japan through the west it would make more economic sense to draw from the western provinces where there's heavy production. That would open the door for EU exports from Canada out of Quebec and Ontario into the U.S. domestic market, and the U.S. domestic market is massive, so I think there's lots of demand for all producers of canola in Canada.

**The Chair:** Thank you very much.

Mr. Holder, you can finish it off with two and a half minutes.

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

Mr. Dierkes, you've been talking about the strong relationship that Canada has with Japan. It's a mature relationship, a sophisticated economic situation that we share given the level of business present.

I haven't heard a lot about the defensive interests that Japan has. I guess this is a quick twofold question please, because I have another if I can fit it in.

What's your view of Japan's defensive interests as they relate to Canada? That's a key point to me. And ultimately, truly, why does Japan need to do this?

**Prof. Julian Dierkes:** International trade agreements are part of their larger strategy to ensure that they remain economically involved in the world.

Canada is a large economy. It's a G-7, G-8 economy. Therefore, that was one of the aspects I highlighted as being of symbolic importance. If they are pursuing trade and see themselves as a producing and trading nation and, as many of you have said, it appears that multilateral agreements are currently not on the horizon, then bilateral agreements are the way to go. So Canada is an obvious target and area of interest to them.

**Mr. Ed Holder:** You mentioned a trilateral agreement, because I gather from what you said that Japan may have a significant issue with Australia, if I understood you correctly. You mentioned China-Korea-Japan as being a potential affiliation.

Do you see Canada playing a role in that?

**Prof. Julian Dierkes:** Not really, no. There are no concrete negotiations about that at the moment. This potential trilateral tie-up has been mentioned before. It would obviously be the beginning of a regional integration as well, which has been sought in Asia for some

decades but has not really gotten off the ground. But the level of integration between these three economies has become such that there's much more of a push for that, but it would really be focused on that northeast Asian area. So I think Canada, just as much as Australia or the U.S., would be a bit on the side of those considerations.

**Mr. Ed Holder:** We had the Canadian Life and Health Insurance Association tell us that one of the challenges their members have is the issue of Japan Post, as it relates to insurance. It challenges both their domestic market and anyone looking to come in.

Do you have any sense from your perspective that Japan would be amenable to this kind of negotiation?

**Prof. Julian Dierkes:** That gets into the details of specific areas. I focus on the symbolic importance of some of these issues, and you will know that Japan Post is a very visible part of the Japanese economy. Many people have their savings with them. You recall that under Prime Minister Koizumi postal savings became a big political issue. That's not to be underestimated, though the focus is not on the insurance part of that business but on the savings business. I'm sure it would come up in those contexts. It's a little hard to see how that would play out. What is prominent in the public mind is agriculture as a defensive interest, and then there are automobiles as a potential export from Japan.

**Mr. Ed Holder:** I imagine it will be an issue, Mr. Chair.

Thank you.

**The Chair:** Thank you very much, Mr. Dierkes, and Mr. White.

With that we want to suspend for a minute as we clear the room and move in camera.

Thank you very much again.

*[Proceedings continue in camera]*







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