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Chair

The Honourable Rob Merrifield

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• (1100)

[English]

The Chair (Hon. Rob Merrifield (Yellowhead, CPC)): We would like to call the meeting to order.

We want to thank our witness for being here. This is actually a continued study on a comprehensive economic trade agreement between the European Union and Canada.

We have with us our chief negotiator, Mr. Steve Verheul, and Ana Renart, deputy chief trade negotiator.

We appreciate you being here. We have an hour with you, and then we'll move into a second round of testimony on the Japanese partnership agreement.

Without any delay, we'll yield you the floor. Then we'll have questions and answers.

Steve, the floor is yours.

Mr. Steve Verheul (Chief Trade Negotiator, Canada-European Union, Department of Foreign Affairs and International Trade): Thank you very much, Mr. Chairman.

Good morning, everyone. Thank you for inviting me to speak to you today about the status of the negotiation of a comprehensive economic and trade agreement, otherwise known as a CETA, with the European Union.

I plan to provide you with a brief overview of where the negotiations are at, outline some of the key outstanding issues we will need to solve in the coming weeks and months, and give you an idea of the upcoming next steps in the negotiations.

I will start with the status of the negotiations. Overall this remains the most complex, comprehensive international trade negotiation Canada has ever undertaken, and the same is true for the EU. Although the negotiations have now been under way for more than three years, we have never stalled, we have never lost momentum, and we have maintained a positive and constructive atmosphere throughout this period on both sides.

Since we completed our last formal round of the negotiations last fall, we have entered a much more intensive, focused phase of the discussions as we deal with increasingly difficult issues. We are now meeting at least once a month with our EU counterparts, and are having frequent video conferences and teleconferences in between those meetings.

With respect to the draft text of the agreement, most chapters are either completed or differences have been narrowed down to only

key areas of divergence between our positions. We have exchanged offers on goods, government procurement, and services and investment. Those offers have been extensively negotiated.

At the moment, much of our focus is on three areas that are somewhat behind the rest of the issues. The first is rules of origin, which is essentially about determining the rules by which a product will be considered to be of Canadian or European Union origin, and thereby eligible to receive preferential treatment. The second is services and investment reservations, which is about determining which areas or sectors will be exempted from certain of the services and investment obligations of the agreement. The final area is the investment protection rules, where negotiations have started late because the EU only recently acquired the competence from member states to negotiate these provisions.

These areas are all highly detailed and complex, and inevitably take a considerable amount of time to sort out.

On rules of origin, Canada and the European Union come from quite different places. Our approach is to have quite liberal rules of origin, as many of the products we produce rely heavily on inputs from other countries, most notably the U.S. The EU, on the other hand, as a union of 27 countries, has developed more restrictive rules of origin, as a considerable amount of trade takes place within the EU market itself. Despite these differences, we have been making some good forward progress on rules of origin, including on agricultural products, fish, and industrial products. Both sides are making compromises to close the gaps between us, but there is no substitute to doing this product by product, and that takes time.

On the services and investment reservations, we had convinced the EU earlier in the negotiations to use the approach of taking commitments on a negative list basis, which essentially means that all areas are covered by the agreement, except where you take specific exceptions. We have also made good progress in this area, but this is the first time the EU has used a negative list approach. It has required extensive and lengthy discussions with member states to achieve a consensus on their positions.

On the investment protection text, as I mentioned, the EU only received its mandate on these issues several months ago, so this area needs to catch up.

So that's where we're at. At this point, both sides are maintaining comprehensive objectives for the negotiations, and both sides continue to be creative in looking for solutions. Despite the ongoing financial difficulties in the EU, we have seen no change in their commitment to complete these negotiations. Still, we clearly have some challenges ahead. As we move forward, the most difficult negotiations will be on goods, government procurement, intellectual property, and services and investment restrictions.

In the area of goods, first of all, not surprisingly we have challenges on agriculture, as there are sensitivities on both sides. Fish will also be a challenging area, as we have strong interests in the EU market, but they have some defensive interests. Finally, work remains on autos, both with respect to access to our market and for our access to the EU market.

Intellectual property will be another challenging area. While gaps have been narrowed on copyright, given the copyright bill in the House, we have made limited progress on EU demands on geographical indications for agricultural products, and have made no progress on the issue of patents for pharmaceuticals.

We have made an ambitious offer on government procurement in the negotiations, but this is the EU's most important offensive priority, and they can be expected to push for more.

• (1105)

Finally on services and investment, each side is looking for more from the other side, whether it's our interests in professional services, environmental services, research and development, or labour mobility; or the EU's interest in financial services, investment restrictions on energy, and others. We will need to reach accommodations on these issues as well.

Overall, while that might sound like a long list, the reality is that even most of these issues are very well advanced, and the negotiations are being increasingly narrowed down to the final issues that will need to be resolved in order to conclude the negotiations.

Provinces and territories remain very closely engaged in these negotiations. We meet with them for at least a couple of days every month to review the outstanding issues and to discuss strategies for resolving differences in the remaining areas, and they continue to attend negotiating sessions covering areas under their jurisdiction. Their involvement continues to be highly constructive, and this has enabled our approach on all issues to be unified, coherent, and ambitious.

Finally, on next steps, we had our last meeting with the EU here in Ottawa two weeks ago, and our next meeting is scheduled to take place in Brussels beginning on July 16, 2012. We are planning to meet with the provinces and territories for three days the week before that to finalize our approaches to the various issues to be discussed at that meeting. Following the July session, we have meetings planned for September and October, and at that point we will need to assess how far we are from the finish line. Both sides continue to hold the objective of completing the negotiations in 2012.

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

The Chair: We want to thank you very much.

Just before we get into the questions, I have one quick little question, just to add some information. Is this the most comprehensive free trade deal between any two countries in the world, if it gets over the line?

Mr. Steve Verheul: As far as we know, yes—certainly of all the completed free trade deals that have been finished, and as far as we can tell, any in negotiation as well.

The Chair: That was my understanding. I was challenged on that last night so I thought I'd ask you this morning.

We'll move right to question and answer.

Mr. Davies, the floor is yours.

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

Thank you very much to both witnesses for being here.

Is there an investor-state provision on the table right now, Mr. Verheul?

Mr. Steve Verheul: Yes, there is. We're starting late on that issue because the EU only recently acquired the competence to negotiate that for member states. We're only at the stage now of exploring what kind of text we can put together in that area.

Mr. Don Davies: Would Canada's position be similar to the chapter 11 section that's in NAFTA?

Mr. Steve Verheul: It will be similar in some respects, but NAFTA was quite a long time ago at this point. We've learned some lessons, and the EU is also coming from a different place than we are when it comes to these issues. It will bear some resemblance to the chapter 11, but it will contain a number of important differences.

• (1110)

Mr. Don Davies: Not to put too blunt a characterization on such a provision, but chapter 11 has been described as a provision that allows corporations to sue governments for compensation if they believe they've stood in the way of profits.

Would that be a fair characterization of the provision that's in play here?

Mr. Steve Verheul: I would say what we're trying to do in CETA—and we've had some fairly open-ended discussions about this so far—is that we do want to ensure we're providing a lot of scope for the right for governments to regulate. We don't want any kind of provision we negotiate to interfere with those rights.

There will certainly be a balance between what government is able to do and the opportunities that investors may have to pursue what they feel are wrongful situations.

Mr. Don Davies: Take a recent example. The Province of Newfoundland and Labrador had a chapter 11 experience when AbitibiBowater shut down their pulp and paper mill in Grand Falls-Windsor. The province responded by taking back the company's rights to water and wood in the province, and they sued the province filing NAFTA. The federal government stepped in and gave the company \$130 million.

Is that the kind of experience we would be looking at if we get a similar kind of provision in this agreement?

Mr. Steve Verheul: I'm not going to talk to any of the specifics of that case. It's difficult to evaluate this on the basis of one case like that. But I would say you will see that we will have a number of protections in our investor-state approach that will be a bit different from what has been negotiated in the past.

Mr. Don Davies: So would it be a fair characterization to say, hopefully, Canada is learning from the implementation of some of those provisions and might do a better job of protecting government's ability to make decisions in the public interest? Is that something that's on our mind when we go to the table?

Mr. Steve Verheul: Yes, I think we're trying to negotiate the best outcome we can when it comes to things like investor-state dispute settlement. This is not anything unique to Canada, the U.S., and Mexico under NAFTA. It's contained in most countries' free trade agreements, or bilateral investment treaties, or foreign investment protection agreements. Those kinds of investor-state provisions are a part of most, if not all, of those, so—

Mr. Don Davies: Can I ask why we need them? My understanding, which again is maybe a rather blunt understanding of investor-state provisions, is that those are necessary when you're dealing with a jurisdiction that does not have a domestic court process that respects the rule of law or is free of corruption and that sort of thing.

We're dealing with the EU here. Why would we give multinational corporations special preference in law over the rights of domestic investors? What's the rationalization for that?

Mr. Steve Verheul: Well, I think the rationalization is that this has become a feature of most of these types of agreements, because you do want to assure investors that they do have an avenue to pursue claims—

Mr. Don Davies: Can't they sue in domestic courts?

Mr. Steve Verheul: Well, certainly domestic courts are always an option, but this is more tailored to particular circumstances where investors might feel that their investments have been put at threat for particular reasons related to the negotiation of the agreement.

Mr. Don Davies: Could I ask you about water? Is Canada pursuing a specific exemption on water?

Mr. Steve Verheul: Well, water comes up in a number of respects. We are talking about specific language on water with the Europeans.

It would have a very clear exemption for not having any rights to water in its natural state. We clearly won't be allowing any privatization of water. We won't be inhibiting or restricting the right to regulate when it comes to water or other areas like that—no impact on the standards we can put in place for water.

So there's a sensitivity, I think, on the EU side, which also is on the Canadian side, that water is sensitive. It's a sensitive resource and we want to manage it carefully.

Mr. Don Davies: Have you received any instructions from the government on patent protection for pharma? I'm interested in what Canada's position is at the table on that. Are your instructions to elongate patent protection, or data reservation length, or anything in that regard?

Mr. Steve Verheul: No, I haven't had instructions on those issues to date. The European Union has made some very clear demands in

those areas for what they're looking for with respect to patents on pharmaceutical. We have not responded to those demands, and clearly we've been indicating to the European Union that these are highly divisive issues within Canada.

Mr. Don Davies: Finally, for municipalities, if they privatize a public service, is there anything in this agreement that would inhibit their ability to take back those privatized services and re-public them, or make them public again in the future, without being sued or at risk of a lawsuit by any European company?

• (1115)

Mr. Steve Verheul: Well, I think if a municipality is trying to take any kind of outside activity back into the public sphere, back into the municipality's control, if they are expropriating rights or property of somebody who's already in there, whether it's a European Union company or anyone else, they would have to provide some kind of—

Mr. Don Davies: But what if a contractor...? The City of Hamilton privatized water some time ago, did it for I think 10 years, and figured out that the price was actually more expensive and they didn't like the quality. So at the end of a contract, if they decide to take it back to public, is there anything in CETA that would inhibit a municipality's ability to do that without being sued?

Mr. Steve Verheul: No. If the government in question is going to take it back—out of the private sphere and back into the public sphere—when there's no contracted issue and there are no losses at risk, then that's fair game.

Mr. Don Davies: Thank you, sir.

The Chair: Thank you very much.

We'll now move to Mr. Keddy.

The floor is yours for seven minutes.

Mr. Gerald Keddy (South Shore—St. Margaret's, CPC): I'm still thinking about a Newfoundland example. I'm just kind of shaking my head a little bit.

Just to revisit the idea of an investor-state provision for protection of investment, maybe we can just explore that a little more, because that is a concern, and it's certainly an issue raised by the opposition on a regular basis. To me, the concept that government shouldn't be all powerful and shouldn't simply have the right to expropriate private property at whim.... Although that right is there, the other part of that right is just compensation.

So the idea of having a foreign investment protection and promotion agreement, or the chapter 11 in NAFTA, or investment protection in any free trade or economic partnership agreement, is to protect—and I'm going to say this—both the government's ability to privatize, because they can privatize, but also the investor's right to have fair compensation for that. Is that an oversimplification or is that pretty well what we're talking about?

Mr. Steve Verheul: It's a bit simplified, but generally that's the kind of notion that's at stake.

I think we already invest a fair amount from Canada into the European Union, into various member states, and the European Union also already invests a great deal into Canada. As part of this agreement, we're looking to encourage a lot more of that investment going both ways. That's part of the opportunities we see coming out of this.

If you're going to encourage and develop investment in that kind of environment, you want to assure investors that it's going to be a secure environment and one in which they can make those investments with confidence. Investor-state provisions such as that help build the confidence that they have avenues if things happen to go wrong.

Mr. Gerald Keddy: Yes.

I want to take that to the municipal side as well. The third level of government in this case is represented at the table by the provinces, but we've made a constant attempt, through both myself and Minister Fast, to continually brief the municipalities on what is going on.

Again, the same principle would apply, I think. There's nothing in this agreement, to my understanding, that prevents the municipalities from making a public service, if they're willing, out of a private service, if they're willing to pay just and fair compensation to do that. And take that a step further, I guess, to look at the right of municipalities to pass laws on behalf of the environment, on behalf of social services, on behalf of...and provinces as well for health care delivery and all of those things are exempt from the clauses of the CETA, as I understand it.

Mr. Steve Verheul: Overall, I think, despite some of the attention this has gotten in the public, we would expect the actual impact on municipalities to be quite limited. They already have obligations under other agreements, including the agreement on internal trade, that go beyond what we're talking about within the CETA negotiations.

We're not anticipating that the impact will be that significant.

• (1120)

Mr. Gerald Keddy: Very good.

One issue, though, that I actually do think is quite important is that at the beginning of this agreement, there was some discussion that we may be able to get around some of the rules of origin, which can be quite restrictive, simply by saying, if it was Parma ham, that it was "Canadian-style" Parma ham or something like that.

The Europeans seem to be fairly entrenched on what they're asking for. Many of those battles have been fought. There's no discussion on champagne anymore. That's gone through the court system. It's been challenged; Scotch whisky, the same thing.

But apparently they've not all been fought. Are we getting closer on reaching some kind of agreement?

Not that my only two examples were alcoholic-based there, folks, but...

Voices: Oh, oh!

Mr. Steve Verheul: When it does come to issues related to geographical indications of the type you mentioned, champagne and others, we have made a significant amount of progress on that issue.

We haven't gotten to the most difficult issues yet, but we have clearly moved in the EU's direction.

We've made it clear, though, that if we're going to start talking about common names, generic names in the Canadian marketplace, that's a different kind of issue. If we're talking about conflicts with trademarks in the Canadian market, that's a different kind of issue. If we're importing a lot of the same product from other countries, which would then have an impact on that trade, that's another issue. If there's a lot of Canadian production, it's another issue. All of those factors are being taken into account.

In this area, the EU is mostly interested in some varieties of cheese, some processed meats, but they're also interested in some far less controversial products, such as olive oil. A lot of their lists contain olive oil, which, as you would know, isn't produced that commonly within Canada.

Mr. Gerald Keddy: Yes, exactly.

At the beginning, it certainly looked as if we were going to get a very good agreement on fish. What I'm hearing now is that the EU is starting to look at some regulatory changes within the EU itself. We get back into that old game of non-tariff trade barriers, and I think that's a concern for everyone.

Is there a way to prevent some of that, at the end of this agreement?

Mr. Steve Verheul: Well, yes, there certainly will be. We're doing what we can at the moment to prevent the kinds of actions you're talking about from actually coming to pass. We've received some positive reception to that within the EU. Clearly, once we reach a final agreement, they would not have the scope to take any measures of that variety. When it comes to fish and seafood, the EU has offered us complete duty-free, quota-free access to their market, which would be locked in. There's really no way of moving away from that. This is something they haven't offered to all that many trading partners because it is a sensitivity within the EU.

The Chair: Thank you very much, Mr. Keddy. Your time is gone.

We'll move to Mr. Easter.

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

Thank you, both, for appearing before the committee in an open session.

Steve, as you did in your former capacity on GATT, we know you do the best you can for the country given the mandate you receive from the government. I do want to say in the beginning that I think all of us who were in Brussels really appreciated the opportunity to meet with you and the European negotiator.

I don't believe you've had any sessions yet since the Prime Minister gave his little lecture to Europe. We're wondering if that will have an impact on the discussions in that the Europeans certainly know that since this Prime Minister came into place, the accumulated debt of the country has gone up by \$140 billion. They do their research.

Do you think there will be any impact from this kind of attack on Europe, and from not being there to support them, in terms of our ability to get an end result on the CETA. It seems to me that last week we saw that the trade minister had basically been replaced by the Prime Minister's chief of staff to try to get a TPP concession, and the Prime Minister's priority seems to have moved to the Trans-Pacific Partnership. So we're wondering if the government's real priority is still CETA and whether there will be any impact from the Prime Minister's lecture to Europe.

• (1125)

Mr. Steve Verheul: I certainly have not received any indication that completing this negotiation is less than a top priority of the government. I think they see tremendous value in completing this negotiation with a trading partner the size of the European Union. So certainly no message was received on that front.

On the broader issue, I'm in quite regular contact with my counterpart from the European Union. They have not raised any concerns about statements outside of the negotiations. To be honest, we're more than fully occupied with trying to bring this negotiation to a conclusion, and our focus is purely on the negotiations themselves.

Hon. Wayne Easter: External factors, though, do have an impact, especially when it's the Prime Minister of the country who's talking. I think we have to realize that.

On the pharmaceutical side, as you know we have the generic industry saying that health care costs will go up by \$2.8 billion. We have the pharmaceutical industry saying that cost is not right, that it will basically be a balance, and that it will create a lot of investment in Canada and develop new products. Has the Canadian government itself done any independent analysis to determine what the actual figures really are? The pharmaceutical industry is pushing their line and using research to do it, and the generic industry is doing the same, but has the government itself done any independent analysis to see what your figures might be?

Mr. Steve Verheul: I'm certainly aware that the departments that would be most involved in this—the industry department and the health department—have been doing some consideration of these issues with respect to potential impacts or the impact of not taking any action. They haven't shared those studies with me, and I'm not even sure to what level of detail they've gone into. Clearly, with the kinds of requests the Europeans are making, we always evaluate those, whether we intend to move on them or not.

Hon. Wayne Easter: I guess the other side of that coin is that you have the European pharmaceutical industry with its rules and patent restrictions and so on. On the other side of us you have the United States, and then you have us in the middle with a different set of rules. Given that complication, I think there is some worry that making certain concessions to the Europeans will drive capital out of Canada and into the U.S. for research in the pharmaceutical areas. Can you say anything on that or is there any analysis?

I think these are huge concerns: one, the cost to our health care system, and two, the possibility of losing investment to the United States if we don't consider all three issues—those of Canada, the United States, and Europe—in terms of the pharmaceutical industry.

Mr. Steve Verheul: Well, I think those issues are being considered. I think they're being considered more from a domestic perspective than a trade perspective at this point because of some of the factors that you're talking about.

Obviously, government policy in this area is going to be.... We've been hearing quite a bit from both the EU and the U.S. on these issues, but I think all of those factors are being taken into account, including the potential impact on health care costs and the potential impact on provincial governments, which have been raising the issue with us as well.

So there's an active domestic debate going on at the moment, but I wouldn't say that it has shown itself in the trade negotiations to this point.

Hon. Wayne Easter: It wouldn't be right if I didn't raise supply management. Can you tell us where discussions are at in that area? I know that both Europe and Canada have sensitive commodities, and for both of us I think that's to our advantage in terms of this discussion, but is there any move to increase access for European cheeses as part of the concessions?

Or is there any move that you're aware of to lower tariffs? There's a huge difference between the two, but what kinds of concessions are being considered there, if any?

• (1130)

Mr. Steve Verheul: Well, these discussions remain not very well advanced at this point in time. The EU has clearly expressed—and has for a long time—some interest in our dairy market. We've expressed a lot of interest in their beef market and in their pork market in particular, among others. We have not had any kind of exchange of specific requests, or no formal offers have been put on the table in these areas.

But I think that from our perspective we have to look at this across the balance of the entire agreement. We're responding to the EU's most important offensive issue, which is government procurement. We're going a considerable way on issues related to intellectual property that are also of concern to them, and we're expecting the balance to be achieved through the achievement of greater market access for us when it comes to those types of products, including beef and pork.

Hon. Wayne Easter: Thank you, Steve.

The Chair: Thank you.

Mr. Hiebert, you have seven minutes.

Mr. Russ Hiebert (South Surrey—White Rock—Cloverdale, CPC): Thank you.

My first couple of questions deal with the context of the negotiations. I know you've mentioned that last fall the EU debt crisis was having some impact on negotiations. I'm wondering, since the debt crisis has escalated in the last six or seven months, what impact that would be having on your negotiations with your counterparts.

Mr. Steve Verheul: Well, at this point I would say that it's having very little impact. I think that from a broader perspective the European Union is seeing the achievement of free trade agreements like this one as an opportunity to provide a source of growth outside of the European Union itself, which is finding itself increasingly limited with respect to growth prospects.

The debt crisis in itself has not come to the negotiating table. I would perhaps mention one small exception to that, and it comes with respect to financial services. The EU initially in this negotiation came out with quite aggressive demands when it comes to financial services. We've seen those moderated quite a bit, because I don't think either side is interested in removing a lot of its regulatory framework around the banking system and other financial institutions.

Mr. Russ Hiebert: Also since we last met, we've had an election in France, with President Hollande and the Socialist Party coming to power. Has that had any impact on negotiations?

Mr. Steve Verheul: Not as of yet. Certainly when it comes to some sensitive issues like agriculture, France has always been one of the more resistant member states we've needed to address, but I think we haven't really seen an impact on the new government down to the policy level in the negotiations yet—to this point.

Mr. Russ Hiebert: In your statement you mentioned labour mobility just briefly. I know that you had mentioned work on progress for access to employee service providers and people to manage investments. Have you been able to finalize any kind of progress in that area or in mutual recognition of qualifications such as those for architects and engineers?

Mr. Steve Verheul: Well, on the latter, on mutual recognition of qualifications, we have essentially closed that chapter. We've finished it and managed to reach agreement. There are a couple of issues left over that relate to other chapters, but not consequential to that one.

On the other issue of temporary entry for business people, contract service suppliers, independent professionals, and all of that, we've been making some steady progress. It's a sensitive issue in the EU because some are concerned that it could lead to immigration, or they're concerned about precedents for other countries, such as in the negotiations they're having with India. But overall, I think they recognize that Canada is in a different situation. We're looking for a lot of labour mobility both ways. We need some specialized expertise in parts of Canada as well. So I think we're headed towards a strong outcome in that area too.

Mr. Russ Hiebert: My last question deals with a comment that was made by His Excellency Matthias Brinkmann, the EU ambassador, last November at the French Embassy. You might recall the seminar that was hosted there.

He made the suggestion that there might be a push for one standard for manufacturing for North America as part of these negotiations. Has that come up at all?

• (1135)

Mr. Steve Verheul: No, I wouldn't say that anything that broad in scope has come up.

We have come up with a number of provisions and chapters in relation to regulatory standards. We have a regulatory cooperation chapter for the first time in a free trade agreement that will address trying to get us on the same page on standards as they're being developed—that's one element. We're also advancing a chapter that will provide us both with the ability to provide assessments to each other's standards through our own agencies. In other words, a company looking to export into the EU market wouldn't have to go to an EU standard-setting body to get approval. We could do that in Canada, saving time and saving money.

In other areas we've talked about where we might be able to converge on standards over a longer period, but comprehensively this is a much broader issue. Standards in many areas between North America and the European Union are somewhat different. It's a rather lengthy and difficult task to harmonize them.

Mr. Russ Hiebert: As ambitious as this agreement is, it's perhaps more ambitious than—

Mr. Steve Verheul: Yes.

Certainly we're aware that the EU is also talking to the U.S. about a potential new kind of trade relationship down the road. Even under that kind of framework, it would take a very long time to move in that direction if the desire was there to do that.

Mr. Russ Hiebert: Thank you, Mr. Chair.

The Chair: Thank you very much.

We'll now move to Madam Papillon.

The floor is yours.

[*Translation*]

Ms. Annick Papillon (Québec, NDP): Thank you very much, Mr. Chair.

I would like to go back to a point that I feel is very important: maintaining the integrity of the supply management system. You already brought it up, but I would like us to discuss it in more depth because we are talking about the official Canadian position.

To what extent is Canada prepared to negotiate access to Canadian markets for agricultural products that are covered by a supply management system, not just dairy quotas, but other products too?

[*English*]

Mr. Steve Verheul: First of all, as negotiators we're under very strict instructions not to do anything to jeopardize or threaten the integrity of the supply management system. The government has made that very clear on many occasions, and they made it clear to us directly, as negotiators.

As to whether we would open any of our markets to these products, as I mentioned in response to an earlier question from Mr. Easter, we've certainly had some discussions, as we have on all issues, but we have not provided the EU with any kind of formal proposal. We haven't had any specific request from the EU. We simply haven't confronted this issue. We'll have to see if we do manage to do that at the end of the day, or whether we'll follow another path instead.

[Translation]

Ms. Annick Papillon: If the Canadian supply management system were part of an agreement with the European Union, what consequences would that have on Canada's present and future trade negotiations?

[English]

Mr. Steve Verheul: I am not going to speak to future negotiations given that it is a bit beyond my role.

Certainly within the CETA negotiation there will not be a threat to the system of supply management. It will remain as it remains now.

Certainly I've seen no evidence of any flexibility on that issue with respect to any agreements. We've consistently protected supply management throughout all of our international trade agreements. I spent many years in Geneva doing exactly that. We have not seen any sign of change.

[Translation]

Ms. Annick Papillon: On another matter, according to the Quebec commentator Pierre-Marc Johnson, there is still no consensus on protecting cultural diversity despite Canada and various political authorities in Europe having ratified UNESCO's convention on the protection and promotion of the diversity of cultural expressions. Apparently, its definition of cultural industries is too wide and too vague for the tastes of European negotiators.

Do you feel that Canada is open to amending the definition?

[English]

Mr. Steve Verheul: I think you're quite right. When you speak about the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions, that's something that Canada and Quebec work very closely with the European Union on. They are our closest ally when it comes to that convention, both in developing it and in promoting it over time.

The European Union has many, if not most, of the same views about culture as we do. I think there would be no other entity that we could negotiate culture with and be in a better position with than the European Union.

We are having some discussions about what the most effective way to protect our cultural interests would be. I think that if we see opportunities to improve or strengthen our cultural exceptions, then that's something I think we would want to be able to explore.

But at the end of the day, we will be ensuring that culture in this agreement will be protected as it has been in previous agreements.

• (1140)

[Translation]

Ms. Annick Papillon: I also have some questions on the mining and energy sectors. Especially given the Plan Nord initiatives, Quebec is interested in the agreement with the European Union.

Will there be advantages for Quebec in this agreement? What exactly would they be?

[English]

Mr. Steve Verheul: I would certainly think so, and from a number of perspectives—and Quebec has expressed an interest in this. There are a number of opportunities for further investment to attract European interest in some of those areas, to allow them to develop more effectively. We have a lot of expertise in mining and construction services. It will be further developed in those kinds of projects. We expect that we will have openings within the European Union market to provide that kind of expertise. It's something that they have expressed an interest in, as have we.

So I think that there are a lot of opportunities, from the services and investment side to the exchange of goods. Once we mine some of those commodities, we have a good market in Europe to sell them. They're very interested in them. Also, for the kinds of skills we learn, we'll be able to apply to market those services and abilities into the European Union.

The Chair: Thank you very much.

We'll be moving on to Mr. Holder.

The floor is yours.

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

I'd like to thank our guests for attending this morning.

A couple of months ago, Mr. Verheul, we had European parliamentarians come to Ottawa. We had a special chat with them. It was rather interesting. At that time, they were pushing members of this committee to push you to move this agreement along and were suggesting that somehow Canada was the laggard or at least the slower one in the process in terms of the negotiations.

I've heard some feedback that this might not be the case, but I'd like to get a clarification from you, if I may, please. You've been going at this for a little while. I don't know if you think this is breakneck speed, but I think we're making progress. I'm sure that sometimes to you it feels painful, that progress, but—

Voices: Oh, oh!

Mr. Ed Holder: I'm trying to understand: is Canada the laggard in these negotiations? Is there one? Is there fault to be laid?

Also, then, I guess ultimately, what's your sense of this deal concluding, if you had a belly-button guess, on December 31, 2012? Your thoughts, please.

Mr. Steve Verheul: Well, just on the last part first, I'm hesitant to make specific predictions because in a negotiation you never quite know what's going to happen. You get hung up on an issue and everything changes entirely. We have been committing, as has the European Union, to completing negotiations by the end of the year. I certainly think we're on track to do that.

As for the timing, I don't want to assign specific blame to my trading partners, but I would say that they are in a somewhat different position than we are. We are a single country and would have a lot of support from provinces and territories behind us, but they are trying to negotiate deals on behalf of 27 individual sovereign countries.

We have asked them to do things that they've never done before, such as the negative list approach on services and investment. It is taking an enormous amount of time to go back to member states and have them check with their subnational governments and their municipalities. It's a long, painful process to do that. We are also needing to go through the kinds of rules of origin issues that I mentioned, where you have to go product by product, and they often have to go back and check with member states that are the largest producers of those products to get a reaction.

So I would say that the greater complexity on the EU side has meant that they are not able to move as quickly as we can in the negotiations. Its services and investment reservations have taken longer than we would have expected. Our rules of origin discussions have taken longer than we would have expected. But clearly we've been ready for this all along and are prepared to finish as quickly as the European Union can.

• (1145)

Mr. Ed Holder: I think that's fair. Are you suggesting you are generally pleased with the progress that has been made from a timing standpoint?

Mr. Steve Verheul: I think we would have preferred to have moved somewhat faster. I think the European Union frankly would have preferred that as well. Because of the extent and the complexity of this agreement, it just takes time to grind through a lot of it. We want to make sure we get it right, obviously. That requires a lot of ongoing consultations and a lot of ideas and creative thinking. I certainly think that if it's taking a little bit longer than we might have liked, it's because we're going to get a better outcome at the end of the day.

Mr. Ed Holder: We all hope that as well.

You made reference to the negative list, and I will say to you that one of the comments we heard through parliamentarians across from us from Europe was about how that was something they had to come to terms with. My sense was that they had done that, though, and that—thanks to the support of negotiators from the EU—countries had supported that. I think that's a big step forward.

I try to share with my constituents on a weekly basis what goes on in various aspects of Parliament. I do this through a newsletter, and I send it out to some 20,000 people per week. The feedback I get when I discuss CETA is people asking why we would hitch our wagon to a place—a whole variety of countries—where there are a variety of financial challenges. Of course, Greece is the one that most recently dodged a bullet, and I hope that's ultimately a true thing.

What answer would you give to my constituents—and maybe I will just steal your answer if it's better than the one I am trying to think of—as to why Canada would want to do that? Are we putting Canada at risk somehow? I'd like to refresh that answer. I know we've talked generally in the past about benefits. It comes back really to what the European parliamentarians told us, which is, “Push this along, Canada, because there are going to be changes of government”. One of our colleagues earlier in his questions asked you that.

Can I ask you, please, how you would answer the constituents for me? Could you give me the great answer?

Mr. Steve Verheul: I myself have been asked that question a number of times too. Why are we negotiating with the EU when it's in such significant economic difficulties right now?

I think you have to take a bit of a step back and look at the bigger picture with respect to the European Union. It is made up of 27 countries. They remain among the richest countries in the world. It's the largest market in the world. There are 500 million people, and a GDP that is larger than any other market in the world. Sure, they are having some economic difficulties. We don't expect those are permanent. Even though they have some individual member states that are struggling somewhat, others remain very strong, including Germany and a number of others. For a union like the European Union coming out of that kind of situation, you can anticipate some significant opportunities developing. We want to take advantage of that wave when it happens. There's certainly no question in my mind that this is the right time to get it done.

The Chair: Thank you very much.

We will now move to Mr. Sandhu.

Mr. Jasbir Sandhu (Surrey North, NDP): Thank you for being here.

I just want to follow up on my colleague's question earlier on. There was a study commissioned by the European Union regarding its sustainability impact assessment on CETA. Basically this study urged both parties to avoid investor-state provisions relating to disputes settlement, because the study found no evidence that they encourage investment flow in and out of the country. Furthermore, the study also concluded that they do contain the risk that legitimate public policies will come under attack. There's evidence on this side, and we have also had to hand out \$165 million of taxpayers' money, and now we're on the hook in the ExxonMobil Corporation case in Newfoundland for another \$65 million.

How are taxpayers being protected when we're negotiating these investor-state provisions?

•(1150)

Mr. Steve Verheul: Whenever we start discussing these types of provisions, it's clear that we need to find the right kind of balance between the rights of government to regulate.... We don't want to interfere with that. We certainly don't want to affect anything related to public services or our ability to deliver and maintain public services. It's a matter of ensuring that we can keep that provision contained where it should be contained, which is with respect to investors who may have felt they had received some unfair treatment along the way.

In the chapter on investment protection, we're going to try to ensure that it's clearer than it has been before where that line is between the government's rights and an investor's rights to challenge some of the provisions. It's a matter of getting that balance right, because we do want to encourage investment. We want to assure investors that their investments will not be subject to unpredictability or to practices that might be highly questioned. At the same time, we want to ensure that, as a government and as Canada, we can do what we need to do to follow our policy.

Mr. Jasbir Sandhu: Has the federal government done any sort of assessment on the impact on investment, both in and out of the country, if these provisions are part of it? Has the Canadian government done any studies on it?

Mr. Steve Verheul: It's difficult to do any kind of reliable study in that type of area, because you're basically having to ask people whether they feel more confident or less confident with having that kind of investment. Whether a company chooses to invest or not can be subject to a whole series of different questions and criteria. Investor-state protection is probably only one of those, and probably not the major one.

So we think that through the experience the European Union has had with investor-state dispute settlement and protection, and through the long experience we've had, we're well positioned to come up with an approach that we think will be more effective than what we've seen in the past.

Mr. Jasbir Sandhu: We don't have any evidence as to whether the investment will flow or come into our country if these provisions are part of it, so why negotiate these provisions?

Mr. Steve Verheul: I think the reason to negotiate those provisions is to provide greater assurance to investors that if something goes wrong with their investment, there is an avenue they can pursue, particularly if there's been some measure taken that they see as contrary to obligations.

We have that kind of dispute settlement in various other areas as well. It's a little bit different when it comes to investor state, but the main motivation behind it is that we can assure investors of a reliable environment within Canada. Similarly, we can be assured that we have a reliable investment environment within the European Union.

Mr. Jasbir Sandhu: Just to change the topic here, we've had Bill C-31 being passed through the House of Commons. We've also had concerns from European Union countries, a number of them, in regard to the visa issue.

With regard to Bill C-31 being passed, was it direct pressure from the European Union to have this bill passed?

Mr. Steve Verheul: No, I wouldn't say so. That was done for domestic reasons. Certainly it allowed us some more scope to negotiate within the CETA on the basis of some of those proposed changes, but no, I wouldn't say it was driven by the CETA or by other outside countries that may have been asking for similar things.

The Chair: Thank you very much.

Mr. Cannan.

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

Thanks again to you and your team, Steve, for the great work you've been doing to date. I know it's many hours and hard work, which is for, as I've said, the bigger picture for not only today but future generations.

I'd just like to clarify the numbers we'd talked about when this was announced a couple of years ago, in terms of the economic impact.

Are you still looking at \$12 billion and at approximately 80,000 jobs being created?

Mr. Steve Verheul: Certainly that was the outcome of the study that was done prior to the launch of negotiations. I think, based on the extent that we've entered into areas that are perhaps more comprehensive than we'd anticipated at the beginning, and given the fact that the study was assuming that there would be an outcome at the WTO negotiations that would have diminished the impact of those numbers, my own personal view is that those estimates are probably low.

•(1155)

Mr. Ron Cannan: Thanks.

Just to clarify, Mr. Davies talked about water. Water is not on the table.

Mr. Steve Verheul: No. We've been very clear that...and we will have provisions in the agreement that will specify that there will be no rights to water in its natural state. There will be no requirement to privatize water or any of that type of thing.

Mr. Ron Cannan: With regard to our trade situation with the EU right now, what's our trade balance?

Mr. Steve Verheul: Our trade balance is slightly in favour of the European Union. Given the size of the markets, we tend to do fairly well, given that their economy is some 15 times greater than ours.

When it comes to current trade levels, in 2011 we exported about \$40 billion worth of exports in trade, and imported about \$52 billion. So it's not that far off of a balance considering the different size in the market.

Mr. Ron Cannan: You're cautiously optimistic that this agreement will push us towards a more balanced or positive direction?

Mr. Steve Verheul: Well, we'll certainly be exporting a significant amount more. Whether that will put us in a different position or not remains to be seen, but I think if we're importing more products of good quality from the European Union that we're getting at a good price, then I think that helps our economy too.

Mr. Ron Cannan: As you said, a good balance....

There was one concern when we were over there a couple years ago meeting with the parliamentarians. Maybe you can clarify the ratification process. So you're meeting in September or October and you come to an agreement then. How does that unfold with the parliamentarians and the ratification process? Can you enlighten us on that, please?

Mr. Steve Verheul: Sure. It's a fairly simple process in Canada. It's much more complicated in the European Union.

After we complete the negotiations and both negotiators have signed off as saying the negotiations have now ended, the first thing that happens is that it will have to be put through a process of legal scrubbing to ensure that the language we've negotiated is legally consistent throughout the agreement. Then there will be a period of having to translate the agreement into 22 languages within the European Union, which will take a considerable amount of time as well.

Then, once we do have that final agreement, it will go through the process of getting agreement within the Council of the European Union. It will also have to get agreement within the European Parliament and then, to the extent that this is a mixed agreement, as they put it, which includes areas under competence of both the European Union and the member states, it would eventually have to go to individual member state ratification.

Just to clarify that, traditionally the European Union will provisionally apply the results of the agreement while member states are going through the process of ratification, because most of the elements in the trade agreement will be under European Union competence, whether it's tariffs or whether it's most of the services and investment provisions. So 99% of the agreement could be put into place far earlier.

Mr. Ron Cannan: There's still a lot of opportunity for discussions and collaboration, I know. I compliment Hon. Ed Fast and Parliamentary Secretary Keddy for involving municipalities. I was nine years in local government, and this is the first time that local governments and the provinces have been consulted to this extent. I applaud that leadership initiative and inclusiveness.

Just to clarify, then, there will still be plenty of time once the negotiations are finalized to get the message out and communicate and dialogue with Canadians about the process before it's ratified by parties.

Mr. Steve Verheul: Yes, absolutely, and I've been spending quite a bit of time myself with municipalities as well, with the Federation of Canadian Municipalities. I keep them regularly informed on the outcome of our discussions. I've been to a number of meetings with Minister Fast to meet municipal representatives.

I think your scenario is exactly right. Once the agreement is concluded, we will have a considerable amount of time to prepare Canadians for the changes that will come with that agreement, both with respect to areas like those you've mentioned with the municipalities in educating them on any particular changes they might have to make when it comes to the impact of the agreement, as well as, just as importantly, ensuring that Canadian exporters are ready to start taking advantage of the provisions in the agreement that will give them far greater access to the European Union than most other countries.

•(1200)

The Chair: Thank you very much.

There are two things that I hear very loudly as I dialogue with Canadians and business people. Those are, number one, how important the CETA is to Canada, and number two, how fortunate we are to have you at the helm of negotiations, you and your team.

I want to thank you for being here to bring us up to date. We wish you all the best in concluding this agreement by the end of the year. With that, I want to thank you very much for coming to committee.

Mr. Steve Verheul: Thank you very much.

The Chair: With that, we'll suspend until we set up the next set of panels.

•(1200)

(Pause)

•(1200)

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

I will just let the committee know that we need to move in camera at the end of the meeting for five to ten minutes to discuss some future business, but right now I want to welcome our witnesses.

From Pulse Canada, we have Mr. Gordon Bacon, chief executive officer. By video conference, we have the Manitoba Beef Producers, with Ray Armbruster, Cam Dahl, and Lauren Stone.

Can you hear us okay?

Mr. Ray Armbruster (Director and President, Manitoba Beef Producers): We can.

Mr. Cam Dahl (General Manager, Manitoba Beef Producers): Yes, we can. Thank you.

•(1205)

The Chair: Very good. I like that very much.

We're all set to go.

Mr. Easter.

Hon. Wayne Easter: On the in camera session, I have a motion, as you know, before the committee on a report on the Canada-Colombia Free Trade Agreement hearings that we held. Rather than move it now, I would like five minutes to put that motion at the end of the meeting in public form.

So I'm just giving you notice now.

The Chair: Okay, we'll discuss it at that time, then. Very good.

Mr. Bacon, go ahead. The floor is yours.

Mr. Gordon Bacon (Chief Executive Officer, Pulse Canada): Thank you, Mr. Chairman and members of the committee. Thank you for the opportunity to speak to you today.

Pulse Canada has been in existence for 15 years, and we have been steadfast supporters of bilateral trade agreements, because market access really is a prerequisite to our success as an exporting sector in agriculture.

I'd like to use my time to talk about the Canadian pulse and special crop industry's perspective on the importance of pursuing a comprehensive and high-level economic partnership agreement with Japan. I'd also like to mention a couple of issues that I think are also very important to our continued success as an exporter.

For your information, Japan is a top-five importer of Canadian beans, mustard, sunflowers, and buckwheat. As indicated in table 1 of the package that was circulated to you, total Canadian pulse and special crop exports to Japan have averaged about 27,000 tonnes and are valued at approximately \$27 million per year. However, the pulse industry does believe that the export values for peas and beans are greatly inhibited by the current import quota in Japan, the in-quota tariff, and as I'll explain to you, the prohibitive over-quota tariff.

As noted in figure 1, Canada's share of Japan's 120,000-tonne import quota for peas and beans is approximately 16%. These in-quota exports are also subject to a 10% duty, which is approximately \$100 a tonne. As I mentioned, the prohibitive over-quota tariff is an amazing \$4,580 a tonne. This is a clear signal that when the quota is filled, there will be no more imports of peas and beans into Japan.

Something Pulse Canada raised as an opportunity to enhance trade with Japan more than 10 years ago was to have Japan differentiate between feed peas and other pulses. As a duty-free importer of other feed grains, we felt this was an opportunity to expand our market share into Japan, and with the strong nutritional and environmental footprint that we can associate with including peas into animal rations, we thought it would also be of great value to Japan.

A comprehensive and high-level economic partnership agreement with Japan is an important opportunity to negotiate enhanced access to Japan through removal of quota and tariff restrictions. At a minimum, it's an opportunity to increase the overall quota, eliminate or reduce both in-quota and over-quota tariffs, and create special tariff lines for feed peas. Value-added products, such as pulse starches and proteins, also face prohibitively high import duties. Pulse flours face import duties of approximately 13%.

Canada is a leader in the development of novel food ingredients from pulses that can be used to not only boost the nutritional profile of food products but also change the environmental footprint. Given that these are high priorities for Japanese consumers, we think this is an opportunity to introduce some innovation into the marketplace.

I want to share with you a story I have from a recent discussion with a member of the Japanese pulse importers association. At a recent international meeting, we talked about the opportunity to reformulate some traditional Japanese food products, including instant noodles, and to then market them to consumers, highlighting their higher nutritional quality, as well as their environmental sustainability, which would be improved if a mix of pulse and wheat flours were used. This was of great interest to the Japanese importer, but clearly we're going to have to have reform of current quotas and duties before we can realize any of these kinds of innovation opportunities.

Addressing quota and tariff issues does not, in itself, ensure that the path has been cleared for more business to take place. An economic partnership must also look at other policies and regulations that can impact trade between two countries. I'd like to

highlight one challenge that all commodities face when exporting to Japan.

When a crop protection product, a pesticide, is registered for use in Canada, it undergoes extensive testing for both efficacy and safety. Part of the registration data that is submitted is to determine the residue that would normally be expected to be found when the pesticide is applied according to label recommendations. This establishes what is known as a maximum residue limit or an MRL. Additional tests then look at the impact that exposure to this minute residue would have on human and environmental safety when people and the environment are exposed to this over a lifetime. This requirement also ensures that there's a wide margin of safety for all pesticides that are registered for use. But what may come as a surprise to some is that when an MRL is set in Canada, that does not mean it will be accepted by the importing country.

● (1210)

The process that is used by regulators in Japan and the UN body Codex Alimentarius to review scientific data on safety of residues does not even start until after a product has been registered for use. This means that Canadian farmers can legally be using pesticides in Canada that make the crop unmarketable in Japan or any country that relies on Codex Alimentarius.

While the Canadian regulatory system works very hard to move registrations through the system here on a timely basis, these new products often can't be used by farmers, or if they are used, they must be segregated to keep them out of countries where MRLs are not established. This is in fact the case for a new desiccant that has already been registered in Canada but will not be marketed to farmers because the MRLs are not in place either in Japan or at Codex.

The impact of this disconnect in approaches to setting MRLs between exporting and importing nations is trade risk and a slowing of the pace of innovation in using new crop protection products.

The solution can be found through closer regulatory links at both the multilateral and bilateral levels, including being a part of the discussions taking place between Japan and Canada. Regulators from Japan and Canada do need to work more closely on the approaches that will provide assurances of health and environmental protection but ensuring that there isn't additional trade risk.

As two countries with sophisticated pesticide regulatory agencies as well as strong commitments to food security and price stability for the developing world, Canada and Japan should also be close allies in moving to a more effective process at Codex. There are benefits to consumers in every country, and to farmers around the world, in having up-to-date food safety regulations and taking the risk out of food trade.

An economic partnership between Japan and Canada can have greater value when it goes beyond discussions of tariff and quota restrictions. As an affluent, quality-conscious market with a strong consumer interest in food that provides health benefits, and with an interest in environmental sustainability, Japan is a natural trading partner for Canadian agriculture. Working together, Japan and Canada will find common interests in trade and economic growth but also in broader social issues that can be linked to trade: improvement in health and environmental sustainability and the elimination of trade risk.

I would like to make a closing remark on what Canadians can do to enhance our reputation and performance as a reliable trading partner for Japan and every other country. While it may be understandable that we want to cite performance data from a timeframe when the logistics systems are performing well, Canadian customers, like those in Japan, have long memories, and for this reason shippers have long memories as well. People don't forget when their food, or their fuel, didn't arrive on time. While trade and partnership agreements open doors to enhanced trade relationships, being the reliable supplier year after year is what's needed to keep a trade relationship.

Pulse Canada has been part of a broad coalition of exporters, and there is a high level of agreement that we can do better, and we have to do better. Service-level agreements will go a long way to adding predictability and balanced approaches to dealing with the performance and non-performance of the Canadian logistics system.

While the discussions today are about a comprehensive and high-level economic partnership agreement between Japan and Canada, an EPA is just one of the tools that businesses need to be able to attract and retain customers in Japan and customers in other markets. A systematic approach to identifying and eliminating tariff and non-tariff barriers to trade, along with efforts to gain additional efficiencies for the entire logistics chain in Canada, will ensure that our trade gateways are busy and operating at peak performance day in and day out, year after year.

I appreciate this opportunity to talk about the comprehensive economic partnership agreement and to introduce our support for government legislation on service-level agreement.

I also appreciate the opportunity to identify the strong need for leadership by Canada in moving towards a harmonized approach to international food safety standards at Codex.

All of these are essential elements of expanded international trade.

The Chair: Thank you very much for that.

I actually should mention to our witnesses our sincere apologies; the committee got caught in the House last meeting and had to bump you to this meeting. So we're really very pleased that you could be here.

With that, we'll go to Mr. Armbruster, I believe.

Are you presenting, or...?

Mr. Ray Armbruster: Yes, I am, as is Cam Dahl.

The Chair: Both of you, the floor is yours.

• (1215)

Mr. Ray Armbruster: Thank you very much, Mr. Chairman and honourable members of the committee.

Manitoba Beef Producers certainly appreciate this opportunity to appear before you to discuss the benefits of enhanced trading relationships with Japan.

My name is Ray Armbruster. I'm a cow-calf producer from the Riding Mountain area in western Manitoba. I've served as a director for the Manitoba Beef Producers for the past six years. I'm currently the president of our association.

Joining me today is Cam Dahl, our general manager, and Lauren Stone, who is our policy analyst.

I'll begin by giving you a brief introduction to Manitoba Beef Producers and highlighting the importance of beef production in Manitoba's economy. Cam will follow with some specific points on the potential of a Canada-Japan trade deal.

Manitoba Beef Producers prepared a briefing note for the committee, which I believe you all have. I will not be reading this brief directly. The points that will be raised are covered in the written brief.

Manitoba Beef Producers has a producer-elected board of 14 directors from all regions of the province of Manitoba. All are dedicated men and women with a strong representation of young producers and young directors. We represent approximately 8,000 producers, a number of whom have been dropping in recent years. Market closures have contributed to the loss of producers in Manitoba.

Agriculture is an economic driver in Manitoba. The industry makes up about 28% of the province's GDP and is Manitoba's single largest, wealth-generating activity. Beef production represents Manitoba's single largest sector in terms of the number of farms and family farm operations. The economic impact of Manitoba's beef producers is large. Our industry's demand-creation power means that not only rural communities continue to survive but also other centres, such as Winnipeg and Brandon and other major urban centres, can continue to receive the extensive economic derivatives of our industry's wealth creation. Our industry creates jobs and growth in both urban as well as rural centres.

I will turn it over to Cam to continue our specific comments on the potential of an enhanced Canada-Japan trading relationship.

Mr. Cam Dahl: Thank you, Ray.

Members of the committee, it's good to appear before you again.

I will highlight a number of areas that are covered in the briefing note you all have. I'll touch briefly on the importance of trade to Manitoba Beef Producers, talk a little about the opportunities under a new partnership with Japan, and highlight the importance of science-based trade. This fits well with some of the comments Gordon made and I think highlights the importance of these issues that go across sectors. Then I'd also like to touch a little on some of our concerns in the beef industry about being left behind.

First, on the importance of trade, trade and open markets are absolutely critical for beef producers across the country, including here in Manitoba. Approximately 50% of our production is exported, either as live cattle or as beef. Beef producers know first-hand what happens when we lose market access. We are still recovering from the crisis caused when borders closed when a BSE case was discovered in 2003.

The United States is our most important customer, taking up about 73% of our exports. But we have learned the need for diversity. Just as an example, country-of-origin labelling legislation hampered and restricted our trade with the United States significantly. This shows what can happen when politics interferes with markets. We are hopeful that this issue will soon be behind us, but it clearly demonstrates the need for alternative markets.

To move to some specific opportunities from enhanced trade with Japan, exports to Japan have not yet recovered from the peak in 2001, when the value of our exports exceeded \$171 million. Restrictions resulting from BSE are the key reasons for our loss in market. I will touch a little more on this in a moment, when I talk about the need for science-based trade.

Japan is an important agricultural market for Canada. Gordon highlighted this as well. We believe there is sufficient room to expand our beef trade, because the high quality of our product meets the needs of Japanese customers. We also know that the percentage of beef supplied by imports in Japan is going to increase in the years to come. We don't expect to fully replace the United States and Australia as Japan's leading suppliers, but we know we can tilt the trade balance in our favour.

Canada faces a stiff Japanese applied tariff of 38%. Further, the potential for the Japanese tariff is actually 50%. This is often referred to as a snap-back tariff. If Japanese imports from Canada increase quickly, the government can increase the applied tariff up to 50%. What is meant by "quickly" is that if there is an increase in any 12-month period of 17% or more, that applied tariff can be snapped back up to 50%.

The applied tariff makes our beef more expensive. The potential snap-back tariff creates business uncertainty for our processors and our producers. Both limit our ability to access the high-value Japanese market. The removal of these barriers would significantly open up the market for Canadian products. This will promote stable growth and development for our industry here in Canada, which in turn will promote the sustainability and growth of our rural communities and further develop jobs in our urban centres.

I'd like to touch a little on science-based trade and reinforce some of the things Gordon mentioned.

Restriction placed in Japan on Canadian beef imports following the discovery of BSE here underlined the importance of science-based trade. Restrictions are outside of the OIE, or World Organisation for Animal Health, guidelines and are still in place. We are working hard to have these reduced and eventually removed. The specific restrictions I'm talking about are outlined in your brief in front of you. In the interest of time, I won't go through the details.

How is that important to trade negotiations? Historically, trade negotiations have focused on tariff and quota barriers, and that's important. We talked about the 38% tariff and the potential 50% tariff. However, going forward, sanitary and phytosanitary rules are going to be just as important as tariff barriers, if not more important.

All governments feel from time to time political pressure to restrict trade. In the past, tariffs and quotas have been the tools of choice. Those are always bad for Canadian agriculture.

● (1220)

As these trade barriers are removed through negotiations, governments will turn to other means, such as hiding behind unscientific health or safety rules. It is absolutely critical that sanitary and phytosanitary rules be included in these negotiations. It is unacceptable to our industry to see tariff walls come down only to be faced with unscientific restrictions that are just as impermeable.

Science-based food safety rules, and other rules of trade such as environmental conditions, must be part of any future agreement with Japan—or any other country, for that matter. Also required is a robust dispute-resolution process that will ensure rapid and independent resolution of any trade dispute resulting from different interpretations of the sanitary and phytosanitary rules of trade.

I'd like to close with some comments about our concerns about being left behind. Manitoba Beef Producers would be remiss if we did not raise a significant concern of our membership—that of being left behind.

It is not a secret that agriculture is a sensitive topic in all trade negotiations. MBP's members are concerned that Canada and Japan may reach a comprehensive new trade agreement that fails to include significant gains for agriculture—of course, for the beef industry specifically.

This would not be the first time agriculture has been left behind. The Uruguay Round of the General Agreement on Tariffs and Trade, which of course established the WTO, largely ignored agriculture. All attempts to correct this deficiency within the WTO have, to date, failed. If the Doha Round of negotiations, which was designed to deal with outstanding barriers in agriculture, is not dead, well, it's certainly on life support.

MBP implores this committee to not let that lack of progress on agriculture issues transfer to any Canada-Japan negotiations. Our industry depends on trade. We depend on open access. We cannot afford to be left out of any new agreements.

Our competitors, such as Australia and the United States, are also hoping to negotiate greater access, for example through the Trans-Pacific Partnership. The Canadian beef industry cannot afford to be left behind, especially if our competitors are successful in negotiating increased and more secure access to Japan.

Thank you.

•(1225)

The Chair: Thank you very much.

I will now move to questions and answers.

Mr. Morin, the floor is yours, sir.

[*Translation*]

Mr. Marc-André Morin (Laurentides—Labelle, NDP): Mr. Bacon, aren't food safety concerns paramount for an agreement with Japan? Japan has extremely strict rules because of its dense population and the large amount of food it imports. Do you believe that the Japanese are concerned to see our food safety rules loosened, or, as the government calls it, simplified?

Japan has enjoyed a measure of economic success while still maintaining very high standards of hygiene. They have taken all kinds of precautions and have been very careful. That is why they have always agreed to pay higher prices for better quality products. Do you think they could be concerned to see our standards being lowered?

[*English*]

Mr. Gordon Bacon: I haven't heard anything from the trade side that would suggest that the Japanese people or that Japanese trade is concerned about the standards we have in place.

I'll give you my perspective. Traditionally regulators in all countries have looked at their responsibilities and have not worried as much about collaboration with other regulators. I think this is something that has changed. Certainly we've seen a change. It started with NAFTA. I'll use specific references to pesticides, where there is now much more unity between Canada and the U.S., and more recently, including Australia and the European Union. We're now seeing regulators work more closely together.

I think we have an opportunity to sit down with Japanese regulators and see if we can harmonize policies along the way. We have to provide confidence to both Canadian consumers and Japanese consumers that harmonization of regulations is not a dilution of safety standards. What it does allow us to do is to target resources in monitoring as opposed to duplication of efforts.

So rather than see that as any kind of a dilution, the key to success is going to be proving that we are, in fact, strengthening monitoring systems through avoidance of duplication.

[*Translation*]

Mr. Marc-André Morin: Some Japanese people have told us that it is a choice made by our government and by a certain number of Canadians. They are concerned, for example, about the abolition of

the Canadian Wheat Board. They have wondered for some time about how their supply is going to be guaranteed. They have a horror of change; they do not like the unexpected. For Japanese people, the unexpected is their worst nightmare. They like to be sure.

When changes happen that they do not expect, or that they are not told about, they will go right into their shells. While these negotiations with Japan were rolling along nicely, a member of the Japan-Canada Chamber of Commerce, who recruits students for Canadian universities, arrived at the Canadian embassy in Tokyo. That's when he saw that all the consular services had been closed and the services needed to get visas or to complete various formalities would be available online in nine months. Otherwise, he could go to the Philippines or Singapore.

The Japanese are excellent potential partners because their agriculture complements Canada's very well and we are not in competition with their rice. My impression is that, if they see us doing things that are too strange, they will take their sweet time in signing an agreement with us. What is your impression?

•(1230)

[*English*]

Mr. Gordon Bacon: Well, I'll relay again my discussion with a member of the Japanese pulse importers from the trade side. He also feels that there is an interest in innovation and a strong interest in human health and environmental protection. We already are a big trading partner with Japan, so I think what we are doing is just talking about how we can expand that trade.

I think human nature is such that we don't like change, and perhaps when it starts crossing international boundaries it becomes even more challenging, but I do think there is an opportunity to build on the strengths and to provide the assurances of quality that Japan is going to demand. Most importantly, what we are trying to do is to add predictability to trade and eliminate some of the risk. So I think there is opportunity there.

[*Translation*]

Mr. Marc-André Morin: Should Canada have a well-defined transportation strategy, a sound plan for transporting all the products we want to export? Shipping Manitoba beef to a port on the west coast...

[*English*]

The Chair: Very quickly, please.

[*Translation*]

Mr. Marc-André Morin: ...is not easy, after all. Should we not have a really robust strategy?

[*English*]

The Chair: Okay. We have a moment. Go ahead.

Mr. Gordon Bacon: We have been very supportive of the transportation policy direction that the minister and Mr. Merrifield noted back in March. As I said in my presentation, we've been working with a coalition of exporters from the coal sector, the automotive sector, forestry products, and fertilizers to talk about how we can make a good system work better. We do have to make some improvements, just as all of us have to focus on constant improvement all the time.

I think we have a good system, but we need to make sure that it performs at a high level consistently. If you look at the history over the last five years, consistency is something we've not always had, so that's what we have to try to do—raise the level of the game and keep it at a high level.

The Chair: Thank you very much.

We'll now move to Mr. Shipley.

I believe you're splitting your time with Mr. Keddy.

If there's any left...? Okay.

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

Thank you to the witnesses for being here.

Mr. Bacon, I'd like to follow up with you on the issue you were just talking about. In your statement, along with all the concern about getting products, you mentioned that people have long memories when they don't get their food or don't get their fuel on time. I wonder if you can be just a little more specific about the issues, because quite honestly, we're going to spend a lot of effort and resources building a trade agreement with Japan, as we have—and you may have been in earlier—following up on CETA.

Those types of discussions give us an idea of the amount of effort that it takes on both sides. But if we cannot commit to making sure that those products get to our producers, to you as a producer, to our friends from Manitoba, and to beef producers across Canada when we promised they would, then we have put in some ghost barriers that the Japanese will see through very quickly.

I wonder if you could just expand a little bit about what we need to be doing or about what the big hurdles are with regard to this shipping issue.

Mr. Gordon Bacon: We have a very complex logistics system in Canada, especially if we take a look at pulse exports to Japan, which all go in containers. You can imagine the number of steps between moving them from a farm to a processing plant and arranging equipment—whether that be a container in an inland position or a hopper car or a boxcar—to move them to a port position where they have to be reloaded into ocean-going containers and booked on vessels, and we have to find space at the port for them. The whole logistics system has to work in a very coordinated manner.

Taking a look at this issue very closely over the last five years, we've seen that a lot of individuals and individual companies in the system work to optimize it for themselves, which unfortunately can have the effect of sort of suboptimizing the performance of the entire system.

We've talked about our need to optimize system performance. The railways play a key role in this, because they are the link that is common through a lot of these elements of the logistics system. Certainly railway performance has much improved in the last number of months over what it was in the recent past.

But we have to make sure we have some guarantees that we're going to have the kinds of linkages in the system to ensure we can improve. I'll just cite one particular fact that I think illustrates it well, which is that for agricultural exports in containers out of North

America, we have the worst record in all container shipping around the world. At one point we had more than 40% no-shows, bookings that were made and cargo that did not arrive. The steamship lines have told us that you pay for that.

Because we have inefficiencies, everyone is trying to make sure they're operating with a full system. It's like airlines that overbook. But can you imagine if airlines overbooked at 40% the kind of chaos we would have? Well, this is the kind of problem that we're having in our shipping system, and we all have to look at the responsibility we have to contribute to those kinds of problems.

I think there need to be some better linkages. We need to have some consequences for non-performance through all the players, and that is one of the things we're lacking.

When I talked about service-level agreements, it really was to define what kind of service you're buying, what the obligations of service providers are, and what the consequences for non-performance are. I think it's an incentive to perform well, if you know that you've defined what you're going to do and you've said you're going to do it. I think the concept of service-level agreements is going to go a long way, not only for our industry in agriculture. It was very interesting to see the strong level of support from a number of shippers in other sectors as well.

•(1235)

Mr. Bev Shipley: I want to skip to the next one.

Thank you. That deserved a good explanation given some of the concerns we have and some of the remedies that are coming.

I want to actually move to the regulatory issues around the Codex and meeting those requirements in terms of registered use. Do other countries that deal with Japan have these same issues in terms of unmarked pesticides that go into Japan? How do farmers here overcome that barrier and still be competitive, if they cannot use new products while other countries still have access to them? Maybe that's not the way it works.

Mr. Gordon Bacon: Here's the challenge we have with Japan, in that Japan's regulatory system does not start looking at establishing an MRL, a maximum residue limit, until it's registered for use in Canada or the United States. The challenge is that farmers can legally use a product, but Japan does not have an established tolerance for that product and may not for a couple of years. So we have this gap between what farmers can do in a producing country and what the Japanese regulatory system will actually approve—

Mr. Bev Shipley: So it will be the same for another country also, whether it's the United States or Australia.

Mr. Gordon Bacon: Yes. And that's exactly the same system that Codex uses. What we are trying to push for across all crops, because we all face the same issue, is to basically push for regulatory reform so that there's a linkage, harmonization, and more mutual recognition of data. We're seeing that with global joint reviews in the registration of products. I think what we need is continued evolution so that we have some synchronized approaches to registration of product.

A bridge measure may be needed—that is, until Codex. Or perhaps we can talk to the Japanese and say that until they have defined their own import tolerance, we would accept the tolerances that are established by the respected agencies like PMRA or EPA or other agencies, just so that we're taking some of the risk out of trade.

It is an issue. It's an issue for bean producers in Ontario, for example, where they don't have access to a new desiccant, not because it isn't registered in Canada now but because we don't have MRLs established in markets like Japan.

● (1240)

Mr. Bev Shipley: I guess I'm done.

The Chair: Yes. We may have cut you a little bit short, but that's okay.

Mr. Easter, the floor is yours.

Hon. Wayne Easter: Thank you, Mr. Chair.

Thank you to the witnesses, both here and in Winnipeg.

I'll cut my questions short too, Chair, to try to save a little time for the end.

Just on the point you made, Gordon, with the worst record on shipping, I think a lot of that comes back to the service review and the fact that we've been waiting on the Government of Canada for the service review for almost forever now. It's unacceptable. They should act on that service review, take the railways on and do it.

In your paper you talked about addressing the quota and tariff issues, and how that in and of itself is not enough. Further down you talked about the regulators from Japan and Canada. In advance of the trade agreement, should the regulators within Canada and Japan be working more closely to try to solve some of those problems? They're not really a negotiating point, but a lot could be done just by way of discussion and a similar regulatory regime.

You had mentioned, Mr. Dahl, that we need this negotiation, that we not be left on the sidelines. Do you have any comment you want to raise on Korea? Korea is already an established market for Canada—beef and hogs. We don't seem to be in the game. Here we are talking about new agreements, and we're risking the potential of losing a billion dollar market for beef and hogs, because for some reason, the government seems to be asleep at the switch on an established agreement.

So there are two questions.

Mr. Gordon Bacon: I'll answer quickly.

PMRA and the Japanese regulators seem to be working very well together. We receive advance notice from Japan when they plan to introduce or change MRLs, so it in fact is an example of a country that's working very well.

I think where we could perhaps make some improvement would be to have Japanese regulators more involved in global joint reviews, so that they're more involved earlier on and work towards harmonizing their system with what other regulators in Europe, Australia, Canada, and the U.S. have now moved towards.

The Chair: Go ahead, Mr. Dahl.

Mr. Cam Dahl: Thank you, Mr. Easter. I appreciate the question.

On Korea, we are pleased that we have been able to reach an agreement with Korea on the restrictions they had in place, which were put in place after the BSE and were, in fact, not in line with those of the World Organisation for Animal Health, the OIE. Canada had launched a WTO case, and we're pleased that we're moving forward with this in a way that doesn't require us to go back to the WTO.

In fact, that WTO case has been suspended because Korea has come into compliance. But there's no question that it would be beneficial to Canada and to the beef industry in Canada if we were to have a free trade agreement with Korea. There's absolutely no question about that, and it's something that the cattle industry and the beef industry strongly support. We strongly support revitalization of those negotiations, and we hope they're successful because right now we're at about a 22% disadvantage to U.S. products going into Korea. That's a pretty big hurdle to overcome, so absolutely it would be beneficial to have an agreement with Korea. But on the non-tariff barrier front, I think we have seen some movement in recent months, and we have suspended our WTO case because of that movement.

I just wanted to add a couple of comments to the discussion on regulatory harmonization. I think this issue goes beyond the grains and oilseed issue. It covers all of agriculture. We see that with animal pharmaceuticals as well. I hope we can have this kind of regulatory cooperation with all of our trading partners. I know there are discussions through the Regulatory Cooperation Council with the United States as well, and I hope those will be helpful, but these are issues that do need to be part of any future trade negotiation. It's not just about tariffs and quotas anymore.

● (1245)

The Chair: Thank you very much.

We'll now move to Mr. Holder.

Mr. Ed Holder: Thank you, Chair.

You know, it never fails to amaze me, Chair, that when a member of the Liberal Party gets the opportunity to do a body slam against the government, he takes it, and I find it very distressing.

Here we've had Her Majesty's loyal opposition stay on the subject at hand, which is the matter at hand, which is important, and that's what we have our witnesses here for. It's great that we all have opinions on different things, but it's consistent and I find it disturbing.

Having said that, I'd actually like to stay with the topic, which actually happens to be Japan.

So if I may, I'd like to say to our guests thank you very much for attending. The advantage you all have.... Mr. Dahl, I heard you say very clearly not to forget agriculture. I know we hear that. I know that as we approach the discussions relating to Japan, we will not forget agriculture, but it's important that you said that. I would suggest to you and your group, the Manitoba Beef Producers, and to Pulse Canada that because we're at the very start of these discussions, it's very important that you're here. This is not a situation in which we have signed something and you're playing catch-up and saying, "don't forget me" or "what about this or that?". You have the opportunity to provide real input that, I think, matters and is substantial to the discussion as we move towards signing a trade agreement.

I don't think we stand still, and I do think we need to ensure that we put trade agreements in place around the world. As I look at some of the information that the beef producers have provided, I would say that for your association in Manitoba, the Japanese market would be substantial.

Could you—whichever person at Manitoba Beef Producers is the right person— just explain to me more about the snap-back? Help me understand what exactly that is again, because it sounds like an extra way for the Japanese government to initiate another tariff. I'm not a rural guy, but I enjoy the odd steak. Could you help me understand what that means to us in this negotiation?

Mr. Cam Dahl: Absolutely. Currently the applied tariff in Japan, the tariff they apply to our products going into Japan, is 38%. But under the world trade rules, they could actually have a 50% tariff.

That 38% tariff will snap back—it will increase. The Government of Japan has the ability to increase that tariff if it sees substantial increases in imports from any particular country. If Canada's beef exports to Japan were to increase 20% next year, that is, within the next 12 months, Japan could actually significantly increase that applied tariff to protect its market.

When you're looking at the benefits of reducing tariffs and trade barriers, it's not only the applied tariff that's important; it's also the tariff rate that Japan could apply, because that creates business uncertainty. That's one of the key benefits from trade agreements, creating certainty in the market.

We're not an industry that has a short production cycle. If we're producing to meet a particular demand in the market and all of a sudden we see that market's tariff increase 20%, that's a really big hit across the entire production chain. It takes time to produce for that.

If we are able to have long-term certainty and stability in a market, it will significantly increase the business certainty for cow-calf producers like Ray, for feedlot operators, as well as for our processors. And there is significant value in creating that business certainty.

Mr. Ed Holder: Thank you for that.

I have a question now to Mr. Bacon, as it relates to Pulse Canada. You talked about the UN body Codex Alimentarius. That's a very nice Latin name. I'm curious about that body. From what I've read about them, and you'll be more of an expert than I am, it seems they're an intergovernmental body. I guess there are 170-plus member countries working within a framework to establish food

standards and joint practices relating to food safety and a variety of things.

Why do we need a trade agreement, with any country for that matter, to set issues relating to MRLs? Couldn't Codex just simply, within its wisdom, say, "Here's the new standard"? Or is it dysfunctional? Can you help me to understand Codex in that regard? I don't get what it does, if in fact you're telling us that part of what it's not doing has become a challenge for you in moving pulses into Japan—which I've noted have progressed over the last couple of years in terms of numbers.

● (1250)

Mr. Gordon Bacon: Japan has its own system. Canada has its own system. Many countries around the world that don't have the technical ability rely on Codex, the international food safety standards body. It was set up in the sixties by the World Health Organization and the FAO, the Food and Agriculture Organization of the United Nations, to provide that food safety standard.

Mr. Ed Holder: Are they the lowest common denominator? Is that what they are?

Mr. Gordon Bacon: No. I wouldn't want to look at it that way, because it's really an international community that comes together to set a safety standard. Taken to regulatory harmonization's natural end, it would be Codex that would establish one standard for the world. That would mean that governments and regulatory bodies around the world would have to defer to—

Mr. Ed Holder: Why isn't that happening, then?

Mr. Gordon Bacon: Individual countries decide that they want to have their own standards in place, which I think is all right, but what we need to have is a harmonized approach in terms of the timing, the process, and the assessment of risk factors. Those could then be tailored to an individual country's need, but we're not going to have huge differences, four- and five- and ten-fold differences, in safety standards between one country and an international standard. That just simply wouldn't make sense.

Codex, from a pesticide perspective, has not kept up with the changes that are going on. It's hopelessly behind. We need a quick fix there. An interesting example of the quick fix is what the World Food Programme does, an organization that's also an arm of the FAO. When procuring food supplies on the commodity side, it accepts the MRL that's in place in the country of origin. So when the World Food Programme buys Canadian canola or Canadian peas, it will accept the PMRA's MRL.

Mr. Ed Holder: So it's a UN body that's hopelessly behind. I'm surprised.

Thank you, Chair.

The Chair: Thank you very much.

I want to thank our witnesses for being here.

Mr. Bacon, Mr. Armbruster, Mr. Dahl, and Ms. Stone, thank you very much for being with us and taking part in this important debate with regard to our study of a comprehensive partnership agreement between Canada and Japan. It's very important to all of us, and we understand that. So thank you very much for your contribution.

With that, we will be moving in camera.

Go ahead, Mr. Easter.

Hon. Wayne Easter: Mr. Chair, I ask that I move this motion and that it be held in public.

The motion before you is that we do a report on the hearings we had on the operation of the Canada-Colombia Free Trade Agreement Implementation Act. I say we need to do that report because hearings shouldn't be just window dressing. When we hear from people, we should report to government and make decent recommendations of where they could improve their operation.

On this particular issue, we did two days of hearings. We heard from a number of important witnesses. A number of concerns were raised about the fact that the government didn't act on what was stated in the implementation act—that there be a report from both Canada and Colombia on the human rights issue.

The Chair: Just a second, there's a point of order.

Mr. Ed Holder: Thank you, Chair.

I think I understand what Mr. Easter is doing. He's trying to lay his full argument out in public before we get to the point of the motion. I would like to ask you to.... If there's a motion on the floor, let's deal with it. If there's debate, then do that within the context of that and not before.

Can I ask you to rule on that, Chair?

The Chair: That's fair enough. He's introducing the motion.

Are you done, Mr. Easter, on introducing?

Hon. Wayne Easter: Just about, Mr. Chair.

This will be all I need to say on it, Ed, really. I think the motion speaks for itself.

There are a number of recommendations at this stage from witnesses. I do think it establishes.... When Canada didn't live up to its part of the implementation act, it set a bad example, even for Colombia.

I would like to pass the motion now, and it would give our research staff the time to prepare a short submission. Then we can put it to the government, because this may be our last meeting. I don't know, maybe we'll meet on Thursday. Then we could have a look at it over the summer and pass it in the fall.

I so move.

The Chair: We have a motion on the floor. Is there debate on the motion?

Mr. Davies—

•(1255)

Mr. Ed Holder: Can I ask what the question is? The preamble was so huge that I don't recall the question, Chair.

The Chair: I believe he's asking for support for the motion.

Mr. Davies, discussion on the motion.

Mr. Don Davies: Thank you, Mr. Chairman.

The motion is in front of us. I just want to speak in support of the motion.

It was the official opposition New Democrats who moved the motion to have the study. I want to thank all members of the committee for agreeing to that, because I think it turned out to be helpful.

I think we should have a brief study, for a few quick reasons. As Mr. Easter just pointed out, we have had two days of hearings and we received some pretty good testimony. Most importantly, though, I think all of us were somewhat disappointed that the report that came forward did not really have a human rights impact assessment, and I think we all want to make sure that it does have one next time.

It will be good to be able to give some direction to the government on maybe why that report was not done and what kinds of suggestions we may give to the government to ensure that a report is completed in a manner that complies with the legislation and satisfies the desire of all members of this committee to have such a study.

To me, it's just finishing off the logical conclusion of the study that we had with some concrete recommendations. This is not about politics. This is about making sure that the government does provide the report it agreed to, and which, I'm sure, it wants to produce for all Canadians.

The Chair: Mr. Keddy.

Mr. Gerald Keddy: It's a complete change of position from the official opposition. When they asked to have the study, there was to be no report. We realized we only had four and a half months into this agreement. It was a very preliminary look at a study that we expect to see out next year. It's a totally different position from when the motion came to this place.

I say we have the vote and move on.

The Chair: Let's put the vote. We have to go in camera; we have to get some stuff done.

Do you have further debate?

Mr. Don Davies: Yes, I do.

Mr. Keddy, I think those remarks are totally uncalled for.

Mr. Gerald Keddy: It's your motion.

Mr. Don Davies: This is not our motion.

The Chair: Go ahead, Mr. Davies.

Mr. Don Davies: Mr. Keddy is labouring under an illusion that this is the official opposition's motion. This is not. This is a Liberal motion.

At the time we made our motion, it was to have a study. We had that study.

I can't control what another party does. Mr. Easter has, on his own, put forth a motion here to have a report that frankly was not part of our original motion.

It's not contradictory; this is complementary and in addition to. So I wouldn't want the record to falsely depict that there was any contradiction on behalf of the official opposition at all.

The Chair: Let's put it to the test of the committee.

(Motion negatived)

The Chair: It's defeated.

We'll suspend very quickly to move in camera.

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