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Chair

Mr. Lee Richardson

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● (1545)

[English]

The Chair (Mr. Lee Richardson (Calgary Centre, CPC)): We will begin.

Sorry for the late arrival. With the House business, some of the members were a little late getting started. We do have a quorum. We have full attendance as we begin this last meeting for this session of the Standing Committee on International Trade, continuing our discussion of a free trade agreement with Canada and the European Union.

Today we're going to hear from witnesses here in Ottawa. With us is Jacques Pomerleau from Canada Pork International. Appearing direct from Laval is Carl Grenier.

Professor Grenier, it's a pleasure to have you with us. We had some difficulty last time, so I'm glad you're here. I'm sorry for the slight delay in getting started.

We are going to go in our traditional format. We just have the two witnesses today, so I think probably what we'll do is hear opening statements from each of you and then proceed to questions. I think we will probably be through by five, if not earlier. I have just a touch of business, so let's start with an hour, if that works for everybody.

I appreciate our witnesses' time and we'll proceed with that.

I just want to have a little future business about allowing the clerk to plan some of the fall matters, particularly with regard to travel. We have two prospects in the offing. We'll talk about that at the end of the meeting, perhaps at about 4:45.

For now I'm going to ask Mr. Grenier, coming to us from Quebec, to begin with an opening statement.

[Translation]

Mr. Carl Grenier (As an Individual): Thank you very much, Mr. Chair.

Good afternoon everyone.

I would like to thank the committee for giving me this opportunity to talk about the potential free trade agreement between Canada and the European Union.

I will limit my comments to four or five points. This accord is very ambitious and we cannot cover everything today.

First of all, I will make a brief comment on this penchant for bilateralism, namely, the multiplication of international trade bilateral agreements.

Secondly, I will talk about the relationship between Canada and the European Union.

Thirdly, I will talk about the potential of an agreement such as this one.

Fourthly, I will take a look at the way things may evolve once the negotiations are over, namely, the various subagreements that may be reached.

Fifthly, I will be focusing on a few other areas of interest.

As far as this penchant for bilateral negotiations is concerned, according to the World Trade Organization, more than 200 bilateral agreements are currently in effect and dozens of others are in the process of being negotiated. Over the past few years, the United States has set the tone and has been imitated, obviously, by the large trading countries, the large trading units, such as the European Union.

Canada followed suit relatively late in the game. Basically, Canada has a program for negotiating bilateral agreements which is somewhat based on the American model. We have already entered into a half-dozen of these agreements with countries such as Panama, Jordan, Colombia, Peru and Costa Rica. We of course had already entered into an agreement with Chile, in 1997. A dozen other agreements are in the process of being prepared or negotiated including, of course, the one with the European Union.

For someone like me, who started looking at these issues back in the 70s, it is somewhat regrettable that we are developing a bilateral approach when, for the past two years, multilateral trade negotiations, the Doha cycle, have been stalled. In my mind, it is clear that the growth in the number of bilateral agreements has hampered the conclusion of multilateral negotiations. Nevertheless, I believe that Canada had no other choice than to follow suit, to avoid the situation where the foreign competitors of our exporters would be given a trade advantage over them.

Let's take a look at the relationship between Canada and Europe. Canada has been seeking a preferential relationship with Europe for a long time already. Remember the third option, back in the 70s, under Mr. Sharp and Mr. Trudeau. We in fact wanted to counter-balance the growing power of the United States in our economy. We know that this attempt was not successful and, in the early 80s, we came to the realization that we would need to focus on the second option, namely an agreement with the United States, which we entered into in 1987-1988.

As far as these negotiations are concerned, we must remember that it was rather difficult for Canada to decide to request negotiations. It was then difficult to convince the Europeans themselves, who were lukewarm to the idea of such negotiations. Moreover, we can start to understand why. First of all, at issue is the relative significance of trade for the two countries or the two entities.

• (1550)

The European Union is our second largest partner, but it is very far behind the United States. In terms of export markets, it is six times smaller than the United States. Indeed, we are the 11th largest partner for the European Union.

It is also important to note that, further to numerous multilateral rounds of negotiations, the tariffs are very low. Canadian exporters are dealing with an average rate of 2.2% for products entering the European Union, whereas European exporters are facing a weighted average tariff of 3.5% in Canada. So this is not a very high rate. Obviously, the weighted averages conceal spikes in the tariffs which may be very considerable.

For the two entities, both for the European Union and Canada, processed foods are the sector facing the most restrictions.

The data that I'm using here comes from a joint study carried out by the European Union and Canada in 2008. According to the calculations done by the authors of this study, a free trade agreement between Canada and the European Union would represent, as far as gross domestic product is concerned, revenue gains of 0.08% for the European Union and 0.77% for Canada. So we can see immediately that these are rather slim gains. As far as trade is concerned, for instance, Canadian exports to Europe could increase by approximately 24%, whereas European Union exports to Canada could grow by about 20%. This is a factor which, I feel, somewhat explains the reluctance of the European authorities to pursue these negotiations.

Obstacles identified by Canadian exporters with respect to Europe and by European exporters with respect to Canada lead me to believe that, at the end of the day, as we say in the negotiating world, Canadian concessions may be made in three or four sectors.

The first would be agriculture. We know from the various rounds of negotiations for GATT and then the WTO that agriculture has always been the chief irritant between the two countries. The average Canadian tariff on agricultural products is 22%. But that hides some extremely high tariffs resulting from the processing of quotas under the supply management system for dairy products, poultry and eggs. We are talking about tariffs in excess of 300%. These are completely prohibitive tariffs that do not appear in the weighted average tariffs. The perfect example is cheese: the European Union accounts for two-thirds of the 20,000-tonne quota, but anything in excess of the quota faces a tariff of 245%. For the European Union, which is a big producer of very good cheese, it is obvious that greater access to the Canadian market in this sector is very clearly a priority.

• (1555)

Obviously, we are talking about more than dairy products. There are also other tariffs, particularly in the case of grains and processed grain products. Indeed, we can find examples of tariff spikes to the tune of 95%. Other issues, which also pertain to agriculture, and which will no doubt be the focus of the European negotiators,

include sanitary and phytosanitary matters, variations in standards, the provincial marketing of wine and alcohol—which has led to disputes in the past—labelling regulations, and bilingual labels.

You can see that I am now concentrating on the demands that are going to be made primarily of Canada.

Another sector where Canada will no doubt have to make concessions is in the area of government procurement. The main reason for this is that, during the most recent multilateral negotiations, Canada did not include provincial procurement in the WTO Agreement on Government Procurement.

As you know, Canada recently entered into a government procurement agreement with the United States, primarily because of the Buy American clause. I have already had an opportunity to discuss this agreement with you. I now believe that, given the concessions that were made with the United States, it is quite clear that we will not be able to avoid making such concessions with the European Union.

Another sector where we may have to make concessions is in the service sector, particularly in the area of financial services. Obviously, I am referring to the issue of securities, where the European services have always viewed the existence of our 13 security regulators in Canada as being an obstacle to market access. The current efforts of the federal government to create a sole security regulator is obviously going to be music to the ears of the European negotiators.

Finally, there are a few other issues that may be part of the agreements, including the recognition of credentials and skilled labour mobility. This is an important topic, particularly as far as investments are concerned. Obviously, these are also matters that come under provincial jurisdiction. I should point out that there has been an innovation in these negotiations. Indeed, the provinces are now present at the negotiating table, which is a first, for issues that come under their jurisdiction or for issues where there is shared jurisdiction with the federal government.

Mr. Chair, I will stop here. I am quite prepared to answer questions.

• (1600)

[English]

The Chair: *Merci, professeur.*

We will first hear from Monsieur Pomerleau, executive director of Canada Pork International.

Jacques, welcome back. We'll try for 10 minutes. *Merci.*

Mr. Jacques Pomerleau (Executive Director, Canada Pork International): Okay. That should do it.

Mr. Chairman and honourable members of Parliament, thank you very much for giving us the opportunity to be here today.

First, I would like to introduce our organization, Canada Pork International, the export market development agency of the Canadian pork industry. It is a joint initiative of the Canadian Pork Council and the Canadian Meat Council. Our membership includes the national and provincial associations of hog producers, as well as federally registered pork packing establishments and trading companies.

It should be noted that more than 50% of the pork produced in Canada is exported. Canada is the world's third largest pork exporter, accounting for 20% of world pork trade. In 2009, Canadian pork exports to over 100 countries amounted to more than one million tonnes, worth \$2.6 billion. Our industry is quite proud of the fact that it has been able to achieve effective market diversification. While more than a decade ago the U.S. market accounted for more than 75% of our total exports, it is now just 32% and ranks second in value behind Japan.

An essential factor for our success has been the opening of new market opportunities, whether through the Uruguay Round, which introduced us to new markets such as South Korea and the Philippines, or regional trade agreements, including the one with Mexico.

We are thankful for being given the opportunity today to express our views on a proposed agreement between Canada and the European Union. As I mentioned earlier, Canada holds around 20% of the total world's pork trade, in spite of the fact that in practice our products have yet to gain meaningful access in the European Union, the world's second largest pork market. For that reason, Canada Pork International and its members strongly support the Government of Canada concluding a free trade agreement with the European Union.

Our organization has identified the European Union as one of its highest priorities in its recently completed strategic plan. Our interest in penetrating the European Union market has greatly increased in recent years. This is due as much to interest in Canadian pork being expressed by meat importers in Italy, the United Kingdom, and several other EU member countries.

Although it is difficult to quantify the exact potential of that market at this time, we estimate that if the conditions are right, the EU could easily become one of our top ten markets, if not one of the top five.

There are three areas of specific interest to our industry that need to be included in the negotiations: first, the EU pork import regime; second, the EU pork import requirements; and finally, the EU pork export subsidies. I will just detail them here.

Of primary concern is the EU pork import regime. Following the conclusion of the Uruguay Round, the EU was very creative in its efforts to minimize foreign pork access by amalgamating all meats instead of providing minimum access for each. As a result, pork imports under EU pork tariff rate quotas represent roughly one third of 1% of total EU pork consumption. In comparison, pork imports represent more than 20% of total Canadian pork consumption and are three times larger than total EU pork imports, and that for a population of 500 million people. Still, the current EU tariff rate quotas and their administration are very complex and not conducive to sustained trade. In-quota tariffs are also very high. So Canada

should be in a good position to negotiate a significant Canada-only tariff-free pork TRQ, with simplified administrative procedures in its allocation.

Several western European countries were significant markets for Canadian pork at one time or another over the years, until the EEC adopted a series of technical measures, particularly the third country meat directive, which eventually excluded Canadian pork from the EEC, later the EU. We have to remember that Canadian pork exports started with the U.K. over 100 years ago. It was our very first export market, and that's why we would like to be back there. Our major markets at the time were the U.K., France, and the Netherlands. The same measures were applied against our products when significant markets in central Europe, such as Poland, Hungary, and Romania, joined the European Union. As a result, we lost those markets in 2004.

●(1605)

Although the Canada-EU veterinary equivalency agreement has substantially made it easier for some Canadian pork plants to become EU approved, there are still more negotiations required to make it a true equivalency agreement. Plants that wish to meet the EU standards under that agreement still have to incur, in order to comply, significant expenses and to implement strict protocols. At this time, only two Canadian pork plants are EU approved. In fact, I could name them here: Viandes duBreton and also Aliments Lucyporc, both in Quebec, with more in other provinces considering it. But better access and fewer constraining plant registration requirements would definitely convince most Canadian plants to seek an EU registration, as it could also have an impact on other neighbouring markets.

EU pork subsidies have been restored and can apply to all markets. Canada should insist that it should at least not be used for shipments to Canada, although it's not currently used by the Europeans for shipments to Canada, but just to be sure that it isn't in the future.

It is worth noting that all the issues we have with the European Union have been well documented over the years by the Government of Canada. We wish to be closely involved in the negotiations, like we have been in the latest FTA negotiations with other countries of interest to us.

Do I have still have one more minute to cover another topic? Thank you.

Just to take one more minute of the committee's time, we wish to bring to your attention that the European Union and the Republic of South Korea have signed a free trade agreement. We expect this development will revive interest in the United States to implement the deal they completed with South Korea two years ago. Still we cannot take any chance that they will.

South Korea is Canada's fourth-largest market for pork exports, and our sales are on track to exceed \$125 million per year this year. All the Korean agents of the Canadian exporters are unanimous in saying that there are very good opportunities developing for a wide range of products, but mostly for value-added products such as chilled pork.

It happens that Canada's two principal competitors on the South Korean pork market are the EU and the United States, and Canada has a very significant interest in not being left behind. Our third competitor on the South Korean pork market is Chile, and they also have an agreement with South Korea.

Our South Korean contacts made it very clear that without an agreement with South Korea, the Canadian pork industry will be almost out of that market within two years. Therefore, we urge the committee to support efforts to resume the negotiations shortly and to finalize a Canada-South Korea free trade agreement as early as possible. There is no doubt in our mind that not concluding an FTA with South Korea would more than negate any gain we could make in successfully concluding one with the EU. Both agreements are important for our industry.

Thank you very much for your time today. I look forward to answering any questions you may have.

The Chair: Thank you.

We will begin questioning today with Mr. Silva of the Liberal Party.

Mr. Silva.

[Translation]

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

Mr. Grenier, you expressed your hesitation and concern stemming from the fact that the provinces are really at the table. Indeed, we know that the provinces have different jurisdictions. In our federation, we have always had consultations with the provinces. For an accord such as this one, it is truly very complicated. There will certainly be clarifications, support and declarations coming from each province.

Could you please elaborate further on your concerns in this area?

Mr. Carl Grenier: I apologize, but I did not understand the member's question. I would prefer to hear his question once again in the language that he used, be it English or French. Unfortunately, I did not understand the question.

Mr. Mario Silva: You spoke about your concern and you made several points. Finally, you indicated that the provinces must be at the table. Is that in fact what you said, yes or no?

• (1610)

Mr. Carl Grenier: I mentioned that the provinces were already at the negotiating table. This is the first time that Canada has done this in trade negotiations.

Mr. Mario Silva: Perhaps I did not understand you correctly when you spoke, but I believe you to have said that you were worried about the fact that the provinces were not at the table. Did I understand properly?

Mr. Carl Grenier: No, I said exactly the opposite. I emphasized the fact that the provinces had been invited to the negotiating table. I believe that this is a very positive development.

Mr. Mario Silva: It was my mistake, I hadn't understood correctly, thank you.

[English]

I wanted clarification and I got clarification. I thought it was the opposite, and you can't make an argument when you think it's the opposite.

The Chair: That's right. Well, you can, but you'd look silly.

Monsieur Laforest.

[Translation]

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

Mr. Grenier, good afternoon.

Good afternoon to our two witnesses.

When you came to testify about the Agreement on Government Procurement in relation to the Buy American Act, your comments and your opinion were, we might say, very much against this idea. You said that it would open the door to other problems, in your opinion. You said earlier that it would be difficult to conclude anything with the European Union that could be different from what was negotiated with the United States.

In your opinion, can the damage nonetheless be limited, as you say, in this Agreement on Government Procurement? Should Canada and the provinces be very vigilant regarding certain specific points? Should the agreement contain certain articles that would prevent too open an interpretation?

Mr. Carl Grenier: Once again, I do not know who I am addressing, and I would prefer to hear the questions in the language in which they were put.

Mr. Jean-Yves Laforest: I put my question in French. I am Jean-Yves Laforest. Did you hear it?

Mr. Carl Grenier: I only heard it in English.

Mr. Jean-Yves Laforest: Mr. Grenier is perfectly bilingual, I believe. I will quickly repeat it.

I said that when you came to testify...

Can you hear me in French?

Mr. Carl Grenier: No.

A voice: There is a problem.

[English]

The Chair: Excuse me, Professor Grenier. We just need a moment to get this clarified.

I'll ask the clerk to see what's up.

[Translation]

The Clerk of the Committee (Mr. Jean-Marie David): Mr. Grenier, may I ask whether you can hear the French now?

Mr. Carl Grenier: Yes, I hear you very well.

Mr. Jean-Yves Laforest: Let us put the counter back to zero. Thank you, Mr. Chair.

When you came to meet us to discuss the Agreement on Government Procurement with the United States in the context of the Buy America Act, you made some comments that showed you had some very serious reservations. You were even opposed to it because it would create precedents. You said more or less the same thing today, when you said that now that this agreement has been reached with the United States, it would be difficult to reach a different agreement with the European Union. However, as the negotiations are not over, do you think that there could be some articles in this agreement that could limit the damage that you anticipated or that you foresee?

• (1615)

Mr. Carl Grenier: Thank you for the question.

I would like to give more details regarding the Buy American agreement with the United States, and with my criticism of it. The requirements that had blocked the negotiations in the mid-1990s were dropped. We wanted to get an exception to the American provision regarding purchases reserved to American small- and medium-sized enterprises and to companies owned by minority groups. This provision deprives us of 23% of the American market. It is for this very reason that we had not, in the 1990s, included purchases by provinces in the WTO Agreement on Government Procurement.

Now that we have yielded to the United States on that point, it will be very difficult not to accept the requests made by the European Union, that would like to get the same kind of access. In the 1990s, the European Union submitted the purchases of its member-states and of their sub-central units to the discipline of the Agreement on Government Procurement. They have been doing this for more than 15 years. We have not done it. Now, obviously, we will have to go ahead with it. I think it is almost unavoidable that there will eventually be an agreement on government procurement that also involves provincial procurement.

Mr. Jean-Yves Laforest: This does not really answer my question. Given the fact that it is not over, do you think that there is nonetheless some way of limiting the damage, so to speak?

Mr. Carl Grenier: Yes, of course, the negotiations are far from being over. We are expecting the negotiations to end at the end of 2011. I will not use the term that you used, namely "to limit the damage". I think that there are good business opportunities for Canadian suppliers on the European procurement front, but, obviously, the Europeans have integrated their sub-central procurement, which means the purchases of the member states, the purchases made by the German *länder*, the autonomous regions in Belgium and elsewhere. Competition is already much more lively in Europe than it is here. The proof of this is that prices have gone down by 30% since they opened their internal market. Clearly, competition will be quite fierce. In fact, I think that it will be difficult not to make adjustments.

Mr. Jean-Yves Laforest: The day before yesterday, I put a question to the chief negotiator for Canada, Mr. Verheul, regarding the fact that Canada signed NAFTA. Regarding the issue of the rules of origin that are contained in NAFTA, would the conclusion of a

free trade agreement with Canada not present a profitable opportunity for the European Union? By investing in Canada, it could comply with the rules of origin and penetrate the American market.

Mr. Carl Grenier: I do not know what the negotiator said to you in reply, but the issue of the rules of origin is one of the reasons why I think that a large number of bilateral agreements are bad for international trade. It makes things much more complicated than the negotiation of a single set of rules for all the member states of the WTO. Now, we have dozens, even hundreds of different rules. Most of the time, they are similar, but they are not entirely identical in many cases and this fragments the market instead of uniting it.

• (1620)

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

Mr. Pomerleau, you said that after the end of the Uruguay Round, there was talk of grouping all of the meats together. I did not understand very well. Could you give us some more details regarding this, please?

Mr. Jacques Pomerleau: In fact, during the Uruguay Round, almost everyone agreed on a minimum access of 5% for products. Given that the Europeans were importing massive quantities of horse meat, beef and lamb, they combined all the meats to come up with a minimum 5% access. The difference lies in the 75,000 tonnes for pork. That is what they did. Had we only had a minimum 5% access for pork, it would have amounted to a million tonnes.

Mr. Jean-Yves Laforest: It limited—

Mr. Jacques Pomerleau: —greatly—

Mr. Jean-Yves Laforest: —the quantities of pork.

During these negotiations, what concessions would you like to get from the European Union?

Mr. Jacques Pomerleau: We want them to get rid of the very complex red tape surrounding tariff quotas. We want to have a tariff quota specific to Canada and we want a significant volume. That is what we are looking for. We are also negotiating the technical standards that do not allow our slaughterhouses to be present on the European market.

Mr. Jean-Yves Laforest: You have certainly already submitted these requests, have you not?

Mr. Jacques Pomerleau: Yes.

Mr. Jean-Yves Laforest: That's all, Mr. Chair.

Thank you.

[English]

The Chair: *Merci, monsieur Laforest.*

Mr. Julian.

[Translation]

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

Mr. Grenier, do you understand me well in French? Can you hear my voice?

Mr. Carl Grenier: Yes.

Mr. Peter Julian: I would like to thank you for appearing this afternoon.

You have already appeared before this committee on a number of occasions, in particular as part of its studies on the softwood lumber and Buy America issues. Had the government understood what was at stake, following your presentation on softwood lumber, we could have avoided a significant loss of jobs.

In your presentation today, you said that the Europeans were reluctant to undertake negotiations. I would have four questions.

First, should we be concerned that, during the negotiations, Canada sign on to another "fire sale" agreement, somewhat like was the case with the Buy America provisions or the softwood lumber agreement, where too many concessions were made, all because of that reluctance on the part of the Europeans?

Second, in your view, what would be needed for us to strike a good deal with the European Union, and vice versa?

Third, what should the multilateral priorities be? You did say that could be the government's priority.

Fourth, you talked about bilingual labelling. That issue had not been raised until now. We have only had three briefing sessions on the agreement. Could you give us some more details about that issue? Is this a question of adding other languages, or are you concerned that the Canadian principle of having labels in our two official languages could come under threat during the negotiations?

Mr. Carl Grenier: Thank you for the questions.

With regard to the Europeans' reluctance to undertake these negotiations and Canada's insistence on doing so, I would say that has put us in a position of weakness in relation to Europe. With the help of some statistics, I explained that the European attitude was rather justified given the limited scope of the Canadian market compared to the European market, and given that the barriers that had been negotiated at the GATT and WTO were relatively inconsequential. So there is indeed a risk. Having urged the Europeans to engage in these bilateral negotiations, we could end up paying somewhat more than if there had been multilateral negotiations. I believe that poses a clear risk.

The fact that Quebec's Premier Charest played a very influential role in Canada's decision to go to Brussels in order to convince the Europeans to undertake the negotiations, I think, was a key element. Furthermore, I still do not really understand why Quebec was so insistent that Canadian authorities undertake those negotiations.

How are we to differentiate between a good and a bad agreement? As with any negotiation, I believe that we will have to determine whether the concessions on both sides balance out. Now, this obviously brings me back to your first question. If Canada decides to grant broader, more wide-ranging concessions, because it absolutely wants to reach an agreement, then that balance will be difficult to attain.

Your third question dealt with the priorities of a multilateral agreement. Negotiations have been stalled now for almost two years. Things have not moved since July 2008, almost two years ago. There is a very ambitious program on the table and it is 80% to 85%

complete, according to WTO Director General, Pascal Lamy. However, no leadership is being exercised, in particular by the United States, in order to restart the negotiations that broke down in trying to deal with U.S. and European agricultural issues, but also because of the role played by major emerging countries like India, China and Brazil. This leadership really needs to come from the United States, as it has since the system was set up in the 1940s.

• (1625)

Mr. Peter Julian: Excuse me, Mr. Grenier, but I also have questions for Mr. Pomerleau. Could you answer the fourth question on bilingualism in labelling?

Mr. Carl Grenier: The issue of bilingualism in labelling was raised because of a complaint coming from a certain European federation. I no longer recall the subject of the complaint, but the complaint was made that our bilingualism rule was resulting in supplementary costs. You must realize that the European practice is that only the language of the country manufacturing the product is used. In other words, there is no obligation to use the 23 European languages on the labels, and it is accepted that only the language of the country where the jar comes from is used.

Mr. Peter Julian: Thank you very much, Mr. Grenier.

I also have a few questions for Mr. Pomerleau.

First, we have found that there was a decrease in Canadian exports every time we signed a bilateral agreement, with the sole exception of the agreement with Mexico. Was it the same thing for the hog industry, or was there an increase in exports?

Second, do you have any more up-to-date figures on the promotion of pork products, both on Canadian's purchases and on those of other competing countries?

Third, what have you done in Japan to increase your market share?

Fourthly, as far as European export subsidies are concerned, how does that work? How are European export products supported?

Mr. Jacques Pomerleau: That is quite a contract.

Mr. Peter Julian: Unfortunately, I only have seven minutes.

Mr. Jacques Pomerleau: Generally speaking, free trade agreements have been positive for the hog industry. It gave us access to Mexico, where we had no presence in the past, and to Chile, where we started from zero. We have more than doubled our exports to the United States. However, in the case of Costa Rica and other countries, it is less obvious. I could give you other figures if you need them.

As far as international promotion is concerned, the figures have not really changed. In light of what the Australians, the Americans, and the Europeans are doing in terms of promotion, we are far behind. On the other hand, we obtained special funding this year. I am referring to the International Pork Marketing Fund. As you know, we are talking about an envelope of \$17 million over four years. That provided us with the opportunity to develop a long-term strategy. It will be very beneficial, not because of the amount as such, but because we can develop a strategy without having to come back every year to ask for funding.

As of July 1, we will have an office in Tokyo in order to do promotion in Japan. We are emphasizing demonstrations in stores more and more, in order to show the consumer the excellence of our product directly. This year, we should carry out 2,500 demonstrations in Japanese stores, which is huge.

Moreover, we are working a great deal with our exporters so that they will adopt Japanese specifications and so that they can make consequential changes to their products. Things are working beautifully in that regard. To our great surprise, things are going very well.

The big problem in Europe, currently, is not the issue of subsidies. It is, rather, the fact that the major European exporter now is Germany and not Denmark. Germany has become bigger than the United States on the world markets. However, it does not have access to the same markets because of its much more limited sanitary recognition in comparison with Denmark. In a way, the fact that the industry is moving from Denmark to Germany is not a bad thing for us because it limits the European Union's access to several other markets, including those of Japan, China and a few other countries.

• (1630)

[English]

The Chair: Thank you.

We'll complete the first round with Mr. Allison.

Mr. Dean Allison (Niagara West—Glanbrook, CPC): Thank you, Mr. Chair, and to our witnesses, thank you very much for being out today.

Mr. Pomerleau, I have just a couple of quick questions, and then I'll pass it over to my friend, Mr. Holder.

You did talk about the fact that a lot of your issues have been well documented. This is the Government of Canada, so just in terms of this round, I'm assuming you've been consulted and you're feeling like the negotiators have a good understanding of what the pork industry wants.

Mr. Jacques Pomerleau: They do. We have already submitted our position. Keep in mind that Mr. Verheul has been very present in all the negotiations in the past so he's very well informed and very well briefed on our industry.

Mr. Dean Allison: And what's your feeling? You mentioned some of the things. You talk about EU export subsidies. What exactly do those look like? You said that obviously it would be great if they would give them up for products coming into Canada.

Mr. Jacques Pomerleau: They already do.

Mr. Dean Allison: Okay, so what do the subsidies look like?

Mr. Jacques Pomerleau: It's a direct subsidy. They call it restitution, so it's a subsidy. What they do is this. If you're a European exporter to a certain country, you export and then you get some money back, or you have the private storage aid, which also applies. But in our case, the Europeans have never applied it to products going to Canada, and we just want to make sure that they'll never do it.

Mr. Dean Allison: You'll make sure it's stipulated in the agreement.

Mr. Jacques Pomerleau: That's right.

Mr. Dean Allison: My last question. This has been the talk about standards, about whether our standards come up, just how that all meshes. You did talk about the challenge of our plants being specifically certified, and about the cost and how difficult it is with protocols. Could you elaborate a bit more on that? Is that something you think we can overcome easily? Or is that going to be an expensive process? Is that part of what you're going to request of our negotiators, to try to make that process more simplified? Just talk a bit about that, and then I'll turn it over to Mr. Holder.

Mr. Jacques Pomerleau: Yes, the idea is that at the end of the day you want to achieve the same result, which is that the product would be safe. It doesn't matter if you need a fence that is blue or white, or whatever, and that has been in all the discussions between Canada and the EU over the years. We have different means of achieving the same results. So what we want in this treaty is to ensure that it is the result that matters and not the means to achieve it.

Mr. Dean Allison: Okay.

And once again, you hear that the negotiators are listening and you think that could be achieved.

Mr. Jacques Pomerleau: We hope so, although it's not very current that you will have technical regulations in a free trade agreement. So what we're asking for, besides the free trade agreement, is that there are discussions or there is a commitment by both sides to engage in those discussions as a result of a free trade agreement. We hope we can do that on the side, not needing one, but if we have to, at least it would be taken care of.

Mr. Dean Allison: Okay. Thank you very much.

Mr. Ed Holder (London West, CPC): Thank you to our guests.

[Translation]

Mr. Jean-Yves Laforest: You have one minute.

Some hon. members: Oh, oh!

Mr. Ed Holder: I hope to have two minutes.

[English]

Mr. Grenier, you indicated in your comments that you don't like bilaterals. I got a sense from your comments that you recognize that Canada has no choice to participate in this program, as others are involved.

You also made some reference that you felt, from your projections, that our GDP might show modest gains, both in the European Union and in Canada. But I was a bit confused because shortly after that you indicated that you anticipate exports to the EU from Canada would increase by 24%, and conversely, exports to Canada from the EU would increase by 20%. Then you went on to suggest that it explains Europe's reluctance to be involved.

I was a little confused by those choices of different statements. Could you clarify a little bit just to help my understanding, please?

• (1635)

Mr. Carl Grenier: Of course. Thank you for that question.

I gave two series of statistics, and they are really projections according to a general equilibrium model. And I am not qualified to go into the details of this, but the study that was tabled, done jointly by Canada and the European Union in 2008, said that if there was a free trade agreement between Canada and the EU, by the year 2014—that's quite close, four years from now—the annual real income gained by that year would be 0.08% of the EU gross domestic product. That's very small. And it would be much larger for Canada, at 0.77%, but still rather small.

Yet these gains would also translate into an increase of about 24% of Canadian exports to the EU, which means about €17 billion, and about a 20% increase of EU exports to Canada, or about €8.6 billion by 2014. Now these are billions, but recognize that in terms of our overall exports, our world exports, that's still very small. We export more than \$1 billion a day to the U.S. So these are relatively small gains. They're not insignificant, but they're not very, very large.

Mr. Ed Holder: Okay, and I appreciate the fact that you recognize that they're not insignificant. I appreciate your candour with respect to that.

I might ask, though, if you have the reference point for that study. Could you send that along for us as a reference point?

In the last one minute that I have, I'd like to ask Monsieur Pomerleau *une question, s'il vous plaît*.

You indicated in your testimony to us that right now Canada holds about 20% of the world's pork trade, and that's without really meaningful access to the European Union. I have two questions of you, if I can.

Are you confident that once this agreement is in place you are going to be able to effectively promote your pork products—which I sense you do around the world, since Canada is the third largest pork exporter in the world—without subsidy? In other words, would you imagine that's a responsibility of your organization, and how effective would you be?

And the second question is just a clarification. You indicated you had lost markets in Poland, Hungary, and Romania when they joined the EU. You indicated that you had lost those markets. Explain that to us, please. Does that mean you totally lose them or it goes to a different rules-based or non-rules-based system? How exactly...? Do you go to zero or is it just a different set of rules? Could you please clarify those points?

Mr. Jacques Pomerleau: Okay. Talking about effectively promoting our product, I hinted that the quality of our products is already well known in Europe. We could tell you that at times we are competitive in spite of the very high tariffs, because they vary between €400 and €800 per tonne. If you lower those tariffs, there's no doubt in our mind that we could be very competitive in that market price-wise and quality-wise, because we have a different quality from what they have in Europe for further processing, and that's a request we've had already from processors in Italy, Spain, and France.

Mr. Ed Holder: Are you able to promote your own product? Are you confident you can do that?

Mr. Jacques Pomerleau: Oh yes, because guess what? The Europeans just came up today with a proposal to have a country-of-

origin labelling requirement for products that are used in further processing. So it will have to be identified as of Canadian origin if they go through with this. It's likely to be prosciutto processed in Italy from Canadian pork, or something along those lines.

We did that in Japan. That's how we were able to be so successful in Japan when they started to insist on the country-of-origin labelling, because we have a very good name. So it is to our advantage. That's one thing.

When Romania, Poland, Hungary, and the Czech Republic joined the EU, we completely lost them because they were then subject to the same rules for the recognized plants or EU-approved plants. Our two plants were only approved last year, so we've been literally shut out of the European Union since 1986.

● (1640)

Mr. Ed Holder: Thank you.

Thank you, Chair.

The Chair: There you go.

Mr. Cannis, a quick one.

Mr. John Cannis (Scarborough Centre, Lib.): I just want to pick up on that, if I may.

Knowing very well that these countries were applicants for membership in the European community, and knowing the European community has certain prerequisites, part of what you just described...it's a process—it's not in one month, in three months, etc. We had a market, as you outlined. Did we have the opportunity to make these changes leading to standardization, to meet approval? The conditions the EU set weren't set all of a sudden and caught us by surprise, I presume. Can you elaborate for us why we missed and how we get back now?

Mr. Jacques Pomerleau: They were very difficult to meet in the first place, because had we met those requirements, we would have been in Italy and Spain rather than in Poland or Romania.

Mr. John Cannis: How do you feel they were difficult? Is it something Canada is not measuring up to, or did they set the bar so high?

Mr. Jacques Pomerleau: No, they're completely different, and that's what I explained earlier. It doesn't matter what colour the fence is, and that's where the problem was. We had a completely different set of standards. In one case they wanted fences and they needed a wall between the packaging area and the boxes. Three years ago Canada was able to negotiate a simplified veterinary agreement, but still it requires some investments. We're talking about millions. Before we were talking about the fact that if you had built a plant just for the EU, according to the EU standards, you would never have qualified for Canada and the U.S.

The Chair: Thank you.

We're going to have two more quick ones. We'll go to Mr. Keddy and wrap it up with Mr. Guimond.

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

I'm going to pick up where Mr. Cannis left off, because it's problematic and I think it's something we have to try to wrestle to the ground in this agreement. It's certainly not just in pork; it's in beef, it's in fish. There's a huge divergence in their health and safety standards within their packing plants and abattoirs. I would like to explore that a little bit more.

I guess what you're saying, Mr. Pomerleau, is it's simply not a sanitary issue; it's absolutely every regulation you can possibly throw into the mix.

Mr. Jacques Pomerleau: In a sense, yes. What we are looking at is not the ways you achieve the result, but at the result itself.

Mr. Gerald Keddy: So you're talking low bacteria, no bacteria counts, fresh product.

Mr. Jacques Pomerleau: Yes, internationally recognized standards. So if we are able, through our various systems and ways of doing it, to achieve the same results, why should you worry if the wall is red or not?

Mr. Gerald Keddy: Where I'm going with that is what we see in some other areas, different standards from different countries, yet they all meet the EU standard. So Italy, Spain, Portugal, Germany, and France may all have slightly different standards, but somehow they're all members of the EU and they all meet the EU standard. How problematic is that, and do we have an actual working group?

I know CFIA has been doing a number of inspections supposedly to come up to the European standard, but what I'm hearing from you is that's a bit unclear. Do we have a working group between CFIA and the regulatory board in the European Union to try to dovetail some of these standards?

● (1645)

Mr. Jacques Pomerleau: We do, and that's why they came up with a simplified agreement. It's a much easier agreement to work with now than it was a few years back.

Mr. Gerald Keddy: Can you tell me who's on this group?

Mr. Jacques Pomerleau: No, I can't. I don't really know who is there, but it's likely to be Dr. Brian Evans, and it should be negotiated at that level.

But for your information, it's not all European plants that comply with the European requirements.

Mr. Gerald Keddy: Of course. Understood.

On the TRQs, I appreciate the fact that you put in here that it's a complicated system. Maybe it's too complicated to explain simply here, but can you follow up with some information so we can actually get into some of the nitty-gritty on that?

Mr. Jacques Pomerleau: Yes, but you will see that they have 500 tonnes of one line, and then there's a long list of lines. It's amazing how it's done.

Mr. Gerald Keddy: That would be helpful.

Mr. Jacques Pomerleau: Okay. I'll send it to Mr. David.

Mr. Gerald Keddy: I'm interested in your comments on the rules-of-origin labelling. Quite often we hear just the opposite, that rules-of-origin labelling actually are restrictive.

In your case, because you have a superior product, once people identify that product as a product of Canada, they're going to come back for it again.

Mr. Jacques Pomerleau: Hopefully. It depends on the countries. We had to be very careful because in some countries, if it comes from outside, it's a no-no. Japan is one of the best examples we've ever had. We were forced to identify the Canadian origin and that's how our sales really took off, but it does not always work in other countries.

Mr. Gerald Keddy: In the United States.

Mr. Jacques Pomerleau: Yes, or in some areas of the United States.

Mr. Gerald Keddy: Thank you very much.

The Chair: Thank you, Mr. Keddy.

We'll finish up with Monsieur Guimond.

[Translation]

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

Good afternoon, gentlemen.

My question is for Mr. Grenier.

At the outset, you referred to the difference between multilateral and bilateral agreements and the consequences thereof. I want you to know that we of the Bloc Québécois agree with you. Multilateral agreements must definitely be given priority.

Furthermore, we observe that within the current negotiation process, the negotiators and their teams are governed by very strict confidentiality agreements, which prevents information from flowing freely. It is clear that this creates a great deal of insecurity and dissatisfaction, particularly among people in Quebec's agricultural sector, which I am more familiar with.

What is your opinion on these very strict confidentiality agreements?

Mr. Carl Grenier: I myself participated in this type of negotiations for the Canadian delegation in the 1970s, and I thus understand the importance of a fairly high level of confidentiality, due to the importance of the issues. These issues may even, in some cases, influence markets. If a rumour begins spreading that a concession is being granted for a given type of product, you can easily imagine how that would affect the companies listed on the stock exchange. That is one of the reasons why this type of confidentiality exists.

In addition, there is often more than one party. In fact, some negotiations are conducted among more than two parties and that is why they must be fairly careful.

As I stated earlier, the presence at the negotiating table of provinces that are not there to speak on their own behalf, but rather to see how the negotiations are carried out, means that information will be shared more easily than in the past, in my opinion.

•(1650)

Mr. Claude Guimond: Thank you.

On another topic, we know that Europe is very advanced in the area of green technology development. This is a market in which Quebec would like to make progress as well.

Could the agreement currently being negotiated be advantageous or detrimental for Quebec in this particular sector of activity?

Mr. Carl Grenier: I cannot give a specific response to that question because the studies I consulted did not contain any specific information on that topic.

However, you are right to point out that many European countries have been at the forefront of the development of such technologies. Consequently, they have made considerable progress on the markets of their own countries and in terms of exports. Clearly, if access to the products resulting from these technologies is opened up, the Europeans will necessarily have a comparative advantage with regard to our companies.

Mr. Claude Guimond: Mr. Pomerleau, an article was published in *La Terre de chez nous*, once again. We discussed it at the very beginning of the meeting. The Europeans are well ahead of us as concerns the appellations d'origine contrôlée, and so forth. Yesterday, a vote was held in the European Parliament on the requirement for the details to be specified on country of origin labels for meat and other products.

We can see what is happening in Europe. This is their trademark, which they have developed using this marketing style. They are known for this. How will your industry cope with this? How will you make a go of your venture in the face of such standards?

Mr. Jacques Pomerleau: We have to be careful. We must not let the Europeans go too far in defining products that are given either the appellation d'origine contrôlée or protected geographical indication designation. If we are told that baloney or salami constitute a geographical indication, we will say that we do not agree. However, if it is a product that is tied to a region, such as des Grisons meat, etc., we can deal with that.

In our case, I do not think that this plays against us, providing that we define our products well. We could base ourselves on our

experience in Japan to see how we could adapt to the European conditions. Up until now, everything that we have received from European buyers has been very good.

Indeed, you should know that, if you go to a market in the United Kingdom, you will find labels stating "Canadian Style Bacon" followed by "Product of Denmark".

Mr. Claude Guimond: During your presentation, you referred to two Quebec plants licensed to market their products in Europe. I would like you tell me more about them, as I am intrigued by these plants and interested in them.

Will this system, which appears to exist in Quebec, be inevitable for the future, for all plants?

Mr. Jacques Pomerleau: No, it is not essential that all plants be authorized by the European Union, but those that wish to be in Europe would be advised to do so, because this is a prerequisite for them.

A new plant has just been built in the Montérégie region. The new plants, including certain plants that are in Quebec and elsewhere, are studying the European approval process very closely. This may also be an asset for other markets, such as Russia and Belarus. Indeed, for certain markets, their reference is European approval. In North America, the reference is American approval. So we need to look at this matter very closely.

Nevertheless, this also implies changing the production process. There are some restrictions regarding ingredients in animal feed, there are some very strict protocols that need to be implemented.

•(1655)

Mr. Claude Guimond: The European approval goes that far.

Mr. Jacques Pomerleau: Yes.

Mr. Claude Guimond: It's a production and processing method.

Mr. Jacques Pomerleau: I can give you an example. There is the protocol stating that Canadian pork meat must be processed without the addition of ractopamine, a feed additive for animals. Yes, it goes that far.

Mr. Claude Guimond: Thank you.

Thank you, Mr. Chair.

[English]

The Chair: Thank you. *Merci, monsieur Guimond.*

That will conclude our round of questioning today. I will again thank our witnesses, Professor Grenier from Laval and Jacques Pomerleau from Canada Pork International. Thank you.

We'll bid our witnesses adieu, but I'll hold the committee for another couple of minutes to give you a quick update on where we're heading, we hope, in the fall.

Thank you again, gentlemen.

I don't think we need to go in camera.

Our sense is that when we resume in the fall, we will continue discussion on this topic and likely carry through in this stage of the discussion. As we have heard, this is probably going to take a couple of years, so I thought we might dedicate the fall to it, if you are in agreement. I want to leave this thought with you, and we can confirm as we go.

The sense at this time is that we will continue this discussion through the fall session. During that time, perhaps in October, the committee would visit the European Union, essentially for a couple of days' briefing by officials and the European Parliament colleagues in Brussels. At this point we may split up the committee and fan out to member states to have meetings. They would not be on-the-record meetings; they would be more in the way of networking and talking to our colleagues in the various member states. I suspect that would occur in October, if the committee is in agreement. We have reasonable expectation that this would be satisfactory to the parties concerned.

That would get us through to the new year and to any other matters that would come up—bills that are referred to the committee, for example. We expect we may hear about Jordan and Panama during this period, but we don't know for sure. In the new year I think we could probably put the EU on hold for a while and take up an additional study on what I think will most likely be the next major pursuit in terms of a free trade agreement, that being India. I'd like members to consider doing a study of India in the second session of this upcoming term. That might suggest a visit to India in the spring, probably March. We will discuss that further.

That's just the general plan. I think we'll continue in September with the EU and other matters that may come up.

At this point, that's all I've got. Unless anybody has any further comments, have a good summer.

Go ahead, Mr. Cannis.

Mr. John Cannis: I have a quick question, Mr. Chairman.

In terms of the European community member states, I think there were some discussions in terms of a visit there or breaking up the committee—I might have missed a meeting and I apologize if I did—and we would have to do a presentation on our behalf to the Liaison Committee to get the funds. Have we commenced that part of it?

The Chair: Yes.

Mr. John Cannis: Okay. I must have missed the meeting. I apologize.

The Chair: I've been having informal conversations. We have the chair of the Liaison Committee with us, so he's fully aware of it. We've talked to whips and House leaders to get a general trend of what's expected in the new year and how we are doing on budgets and stuff like that.

We've been very reasonable in this committee, considering it's an international trade committee. I think we're not going to have too much difficulty in that regard, particularly if we meet in one place for meetings in Brussels where we would have the clerks and the analysts and translators.

After that I'm thinking we would probably venture out to other member states in threes or fours, and you don't need all the staff with you on those visits. There will be more visits on a one-to-one basis with European colleagues in the member states, as well as the European Parliament.

• (1700)

Mr. John Cannis: Have a good summer.

The Chair: Yes. Thank you again, and have a good summer. I think we've had a good session.

The meeting is adjourned.

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