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## **Standing Committee on Foreign Affairs and International Trade**

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**EVIDENCE**

**Monday, November 1, 2004**

**Chair**

**Mr. Bernard Patry**

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## Standing Committee on Foreign Affairs and International Trade

Monday, November 1, 2004

• (1605)

[Translation]

**The Chair (Mr. Bernard Patry (Pierrefonds—Dollard, Lib.)):**  
With your agreement, we will begin.

[English]

From the Journals of the House of Commons of October 8, 2004, it was ordered that pursuant to Standing Order 81(4), the main estimates for the fiscal year ending March 31, 2005, were deemed referred to the several standing committees of the House as follows: to Foreign Affairs and International Trade (Foreign Affairs), votes 1, 5, 10, 15, 20, L25, L30, 35, and 40; and International Trade, votes 1, 5, 10, and 15.

We are beginning our first meeting on estimates with consideration of the main estimates of the Department of International Trade.

[Translation]

I now call Vote 1. We welcome the minister and his officials. I would ask the minister to introduce the members of his team and then make his remarks.

[English]

Mr. Minister, please.

**Hon. Jim Peterson (Minister of International Trade):** Thank you very much, Mr. Chairman and members of the committee. I appreciate very much the opportunity to be with you today to discuss our main estimates.

The main estimates have four votes, and as such are not particularly complex, but truly this is no reflection on the importance of trade and investment to our economic prosperity.

The honourable member for Newmarket—Aurora recently stated:

Trade is not about abstract numbers, but rather about quality of life. Trade is our lifeblood. The issue of competitiveness will determine the future prosperity of Canada.

I could not agree more. The numbers show it. In 2003, our total exports in goods and services stood at \$460 billion, of which \$400 billion was in goods alone. Approximately 80% of our total exports and almost 83% of our goods exports went to the U.S. During the same period, our total imports were \$412.7 billion, of which \$341.8 billion were in goods alone. Almost 68% and 70% respectively came from the United States.

Over the course of today, approximately \$2.4 billion in goods and services will be traded, and \$1.8 billion of that with the United States. That means that by the time I finish this 10-minute

presentation, approximately \$12 million in two-way trade with the United States will have been conducted.

Globally, members, today's numbers are better than ever. In 1993, Canada had a \$500 million global trade deficit in goods and services. Today we have a \$47.3 billion global trade surplus. In addition, since the Canada-U.S. Free Trade Agreement came into force in 1989, two-way trade in goods and services with the world has increased by approximately 7.1% a year, and by 7.5% a year with the U.S.

The U.S. was our largest investor, with \$228.4 billion, or 63.9% of total foreign direct investment holdings in our country. Canada has invested \$164.8 billion in the U.S., or 41.3% of the stock of our total direct investments abroad.

Canada and the U.S. are naturally each other's leading trade partner. While, yes, we have disagreements from time to time on high-profile issues such as BSE, softwood lumber, and swine, fully 96% of our trade with the U.S. is dispute-free, and we are working towards 100%.

But international commerce is changing. While the U.S. remains our largest trading partner, we must think globally and also look to other big players of today and tomorrow to ensure our economy remains positioned for success.

• (1610)

[Translation]

In conducting our department's strategic review, we operated on a simple premise. In the 21st century, the economic advantages of international trade are vital to Canada's prosperity. We can no longer view the promotion of the international trade and investment policy as separate from the domestic trade program. They must draw strength from each other.

We must better target ITCan's economic efforts so that it becomes a strong and independent spokesperson for matters of international trade in the development of the Government of Canada's policies and programs.

We will focus on sharing and strengthening our business relations with our most important market, the United States; taking advantage of opportunities available to Canadian businesses in emerging markets; maintaining progress made with respect to the liberalization of international trade; and promoting Canada strategically as a destination for foreign investment and an increasingly important source of investment abroad.

International Trade Canada is also stepping up its efforts to incorporate the promotion of sciences and innovation into our international business development plans. In addition, we will be supporting domestic policies that contribute to the international success of our businesses in areas such as productivity growth, innovation marketing, and regulatory effectiveness.

[English]

The creation of International Trade Canada as a stand-alone department has presented us with a unique opportunity. We now have a chance to build on our existing strengths to position our clients to take on the international commercial challenges and opportunities of the 21st century.

We will deliver on our commitments by drawing on the skills and talents of our 1,800 employees located not only at headquarters, but in our 12 international trade centres across Canada and more than 100 offices abroad.

We have three core business lines. First is trade policy, focussing on Canada's trade relations and disputes, and promoting two-way trade and investment through multilateral, regional, and bilateral fora and initiatives. Second is international business development, supporting Canada's business in its pursuit of foreign markets, and helping to facilitate investment and technology flows both inward and outward. Third is investment partnerships, working to attract and retain foreign direct investment in technology, and promoting investment abroad.

In addition, we're developing two more business lines. The first is world markets. This will integrate the work of the core business lines and apply specialized commercial knowledge of foreign countries and markets to advancing Canadian interests around the world. It will also pursue sectoral solutions to international competitiveness, and coordinate and manage bilateral visits.

Supporting all of these will be a fifth business line, strategic policy and corporate planning, which will be responsible for providing integrated strategic policy advice across the department. It will constitute the interface for corporate support and human resource services with the services we currently share with Foreign Affairs Canada. Those of you who know the historic Trade Commissioner Service will recognize that it is the core of the international business development investment partnership and global marketing activities in both our Canadian and international offices.

• (1615)

[Translation]

Naturally, many things will change as the new department takes shape. But I wish to emphasize that we will not lose sight of certain objectives and commitments.

The focus of International Trade Canada is Canada's domestic prosperity. The department will be seeking to attain this objective through the adoption of clear, targeted and informed policies, and through the implementation of initiatives to represent and promote Canada's trade activities and interests internationally.

The new department of International Trade Canada will ensure that our network of international and domestic experts, our basic asset, continues to provide our clients with the consistent and comprehensive services they expect from us. It will constantly strive to improve its performance by becoming an innovator in Canada's federal administration and among international trade departments internationally.

Planning for the new department continues to be guided by our commitment to establish the strategy and organization we need. The very special role played by our missions abroad and by our regional international trade centres in supporting Canadian businesses is of critical importance.

[English]

I realize, Mr. Chairman, and members, that I have spoken largely of the role of the new department at the heart of my portfolio, International Trade Canada, but I'm here as well to present the estimates for Export Development Canada, the Canadian Commercial Corporation, and the Canadian section of the NAFTA Secretariat. All of these play critical roles in support of Canadian business and the rules-based environment we need in which to prosper. They are integral parts of the department plan to deliver on the vision of priorities laid out.

For International Trade Canada, I am seeking \$168.4 million, of which \$18 million is statutory. For the Canadian Commercial Corporation's program expenditures, I seek \$16.4 million, while for the Canadian section of the NAFTA Secretariat, \$3 million.

In addition, you will see statutory payments to Export Development Canada as the manager of the Canada account. There are budgetary payments of \$50 million for concessional transactions and loan provisions, and non-budgetary payments of 1.487 billion, or for commercial loans under the account. The EDC covers the cost of its own operations.

In total, I am seeking \$169.4 million under votes 1, 5, 10, and 15.

As well, next Thursday supplementary estimates are going to be tabled, and there will be an additional request for our department there, for issues such as the final contribution to the provinces under previous softwood lumber regimes, funding for the softwood lumber legal cost, and government online initiatives. I wanted to make you aware of that, so that you won't be surprised when you see there will be an additional request coming up.

In conclusion, let me reiterate that all of these parts of my portfolio bring to bear a range of instruments, from business intelligence through financing and litigation support to trade negotiations, with a single focus of promoting sustainable international competitiveness for Canadian business. Let me conclude as well by saying that my department has some of the most talented, dedicated, and committed public servants that one could ever ask for. I believe we have the people to deliver on the exciting new mandate of creating a new Department of International Trade Canada and of delivering the quality of services that Canadians have come to expect and depend on for the lifeblood of our economy.

Merci.

●(1620)

**The Chair:** Thank you very much, Mr. Minister.

I want to point out that we also have other witnesses from the department here today. We have Robert Fonberg, Deputy Minister of International Trade; Ms. Kathryn E. McCallion, Assistant Deputy Minister of Corporate Services, Passport, and Consular Affairs; and Mr. Paul Thoppil, Director General of Corporate Planning and Strategic Policy. Welcome.

I want to remind my colleagues that it's 10 minutes for questions and answers from the first questioner of each party, followed by the usual five minutes. I want to remind witnesses and members not to push on the speaker button, as it is done by the monitor behind me.

Ms. Stronach, please.

**Ms. Belinda Stronach (Newmarket—Aurora, CPC):** Thank you.

First of all, I'd like to thank the minister for being here today, and the deputy minister. I agree that the talent within the trade department and the professional Canadian Trade Commissioner Service and of the employees of the Department of International Trade is first class. They are doing an outstanding job.

I'm also happy to hear that you recognize that trade is about quality of life and about competitiveness, and that you've recognized the importance of the Canada-U.S. relationship and are looking at rebuilding and putting a focus on that relationship.

There are two questions I have. The first one relates to the Canada-U.S. relationship and the border and the second one to China. The first one is about the smart border initiative that John Manley started about three years ago. The feedback I get when I speak to the business community and other stakeholders in society is that there's still major congestion at the border. Knock on wood, should there be an emergency or even another terrorist attack that will just.... The risk of the border being shut would have a devastating effect on this economy and on this country.

So does your government have a plan for the next generation of smart border thinking? If such a plan exists, what kinds of resources from your own department have been devoted to its implementation? Where are they allocated and what do they look like? If such a plan exists, when would you bring it forward? Would you bring it before this committee so we can have a look at it?

My second question relates to your thrust within the emerging markets and China. China is one of the emerging superpowers in this global economy. I see China as both a phenomenal opportunity for Canada and also a challenge for Canada.

My question relates to the allocation of resources. When I look at the number of individuals or trade representatives dedicated to the United Kingdom, France, and Germany combined, they total approximately 80 people. When I look at China, considering it's a priority, there are about 49 people who are allocated to expanding relationships with China. Could the minister explain why there is such an apparent disconnect in the allocation of resources between the established markets and this new strategic market?

Thank you.

**Hon. Jim Peterson:** Thank you very much, Ms. Stronach.

In terms of the Canada-U.S. border, this government has committed \$600 million over the next five years for border infrastructure. And you're absolutely correct, we have to make sure that border is as seamless as possible from a trade point of view while at the same time respecting the U.S. concerns about security, which we also share.

As you know, we have in place certain programs, the NEXUS and the FAST programs, which I think are working reasonably well, but anytime there is a bottleneck at the border it is of concern to us. This is why I'm working very closely with the Deputy Prime Minister, who is responsible for the border issues, and I would welcome the assistance of the Government of Ontario as well as the City of Windsor to very quickly come to a decision on what that border crossing is going to look like, because it is really the umbilical cord of Canada's economy. So I hope that work can proceed very quickly. It is of concern to all Canadians, not just those living in southwestern Ontario.

In terms of the Canada-U.S. border as well, we also have the 30 working groups under the NAFTA, which are looking at issues such as the rules of origin, regulations and the harmonization of them—for example, why should we have separate rules in the United States for seat belts from what we have in Canada? Surely there are ways whereby we can get along better with one another in those terms. And I am hopeful that these groups are going to accelerate their work and are going to complete that work and that it will be an ongoing work in progress to continually look at whether we can make the border even more seamless.

In terms of China, I couldn't agree with you more. We have great opportunities there because of the huge emerging market. We also have great challenges that they are presenting to us from their capacity to take on the world in manufacturing. We have seen over the past four years how the Chinese economy has grown 40%. During that period of time our trade has grown only 17%; that of the U.S. is 52%, Australia 58%, and Japan 73%. Quite frankly, we have been missing out on the opportunities there, you're absolutely right. This is why, in terms of going ahead, I welcome your call, Ms. Stronach, for greater resources being devoted to that particular market. I intend to lead a trade mission there early in the new year, and I am emphasizing across Canada to businesses, which perhaps have been too comfortable in the past doing business simply in the North American context, that the challenges are there, but the opportunities are also there and we cannot wait to act upon them.

• (1625)

**The Chair:** Thank you.

Ms. Stronach, do you have another question?

**Ms. Belinda Stronach:** Yes.

With respect to the border plan, would you be prepared to bring that before committee, the evolution of the border plan?

**Hon. Jim Peterson:** Yes, I would. I think it would be good to make public the work we're trying to do.

**Ms. Belinda Stronach:** Thank you.

**The Chair:** We'll take note of this, Mr. Minister. Please be sure that you send it to the clerk.

Now we'll go to Mr. Paquette.

[Translation]

**Mr. Pierre Paquette (Joliette, BQ):** Thank you, Mr. Chair. I too wish to welcome the minister and his team.

Last Friday, you received a letter from Paul-Arthur Huot, CEO of the Manufacturiers et exportateurs du Québec. In order to place my question in context, I will read a short passage from this letter, which is addressed to you. It says:

In these difficult times, Quebec's exporters must restructure their domestic operations, take a more aggressive approach to developing markets, and diversify their export markets. In order to do this, they need the ongoing support of International Trade Canada and Export Development Canada more than ever. Our export volumes have tripled in ten years and we would have liked to see support to exporters follow this trend and triple as well.

**In the next paragraph, Mr. Huot adds:** In writing this letter, the Manufacturiers et exportateurs du Québec wish to express their support for the essential role and services provided to exporters by International Trade Canada and wish to underscore the importance of increasing the department's budgets significantly.

The figures you have supplied for 2004-05 show an increase of \$192 million for the Canadian Commercial Corporation and of \$185 million for Export Development Canada over 2003-04. Do you feel that these increases are significant? Will they be enough to really help our exporters remain competitive internationally?

**Hon. Jim Peterson:** First, Mr. Paquette, thank you for pointing out the need to continue working to increase our exports and for suggesting that our department should perhaps ask for more money

to do its work. I am always ready to hear this kind of argument. In the case of CCC, who could give us information?

• (1630)

**Mr. Pierre Paquette:** You will agree with me that less than \$200 million in both cases is not a great deal. I would like to expand on my question.

Late last week, there was an announcement that the federal government, as part of its aerospace policy, would make loan guarantees available to help the industry. There was talk of \$1.5 billion over 10 years, unless I am mistaken. Does this appear in the estimates or will it be presented in the form of a supplementary estimate once the policy is known?

[English]

**The Chair:** Mr. Minister.

[Translation]

**Hon. Jim Peterson:** It will not be in Thursday's supplementary estimates, but perhaps in a future budget. If the Canadian Commercial Corporation does not have enough money, I will certainly be asking for more. Perhaps someone else could answer Mr. Paquette in detail.

[English]

**The Chair:** Mr. Thoppil, do you have any information at hand?

**Mr. Paul Thoppil (Director General, Corporate Planning (Strategic Policy and Corporate Planning), Department of International Trade):** My understanding is that the amount requested for the Canadian Commercial Corporation compared to the previous year is actually similar in nature. There is no major or significant variance between the two years for the request for program expenditures for Canadian Commercial Corporation.

[Translation]

**Mr. Pierre Paquette:** Obviously, it is not what industry was hoping for. I read you Mr. Huot's letter; it indicates that these people expect a significant increase in assistance to industry so that it can meet the competition, especially from China.

The competition is not on the Canadian market. Right now, in the United States, the share of the market held by Canadian and Quebec exporters is decreasing, while that of the Chinese has jumped sharply. In light of this situation, it seems to me that additional money should be voted, particularly as the Canadian dollar is rising substantially, which will cause us still more problems.

**Hon. Jim Peterson:** Mr. Paquette, I assure you that if additional money is necessary, I will seek it. We are not about to lose exports because the Canadian Commercial Corporation is short of money.

**Mr. Pierre Paquette:** Fine. I have another question.

**The Chair:** Alright.

**Mr. Pierre Paquette:** The Auditor General released her report on Export Development Canada's environmental review criteria. She notes an improvement in terms of environmental review processes. However, she says that three years ago, when she wrote her report, the corporation was a leader among its counterparts, something which is no longer the case. She urges Export Development Canada to take the necessary action to become more transparent and to resume its former leadership position. Paragraph 85 of the report reads as follows:

In our view, EDC needs to consider taking a leadership position in making prior disclosure a precondition of EDC support. This would demonstrate a greater commitment to transparency with limited effect on competitiveness in the few transactions to which it applies.

I did not see this in the commitments for 2004-05 and I wondered if it was included. Although the Auditor General has recognized the efforts of Export Development Canada, does the department intend to ensure that this corporation again becomes a leader in terms of environmental review?

**Hon. Jim Peterson:** Mr. Paquette, we agree entirely with the Auditor General on this. We have asked Export Development Canada to do what is necessary. They have made some changes and are well aware of the need to be transparent in matters of the environment. You are right.

**Mr. Pierre Paquette:** Do you think that this corporation, like others, should be subject to the Access to Information Act? This is an idea now going around. There are those who think that this legislation should apply to all Crown corporations.

**Hon. Jim Peterson:** I would be prepared to consider that in the context of a review by Reg Alcock and the Treasury Board of all Crown corporations. It cannot be considered just for EDC.

**The Chair:** Thank you.

Mr. Bevilacqua, you have the floor.

[English]

**Mr. Maurizio Bevilacqua (Vaughan, Lib.):** Thank you, Mr. Chairman.

Minister, I'd like to thank you very much for your presentation, and I thank the members of your team, who, I agree, are exceptional public servants. But then again I think the public service here in Canada is indeed one of the best in the world.

I paid attention to your presentation and sensed there are many challenging choices you have as you reconcile some of the forces at play. One of them is how does an international trade minister deal with the whole challenge of North American economic space, and by that I mean the challenge, for example, posed by two aging societies, namely the Canadian and American, and Mexico, which is one that is quite young? As our societies age and we look for labour forces, Mexico will, of course, provide that particular nation with a very active labour force.

Then, on the other hand, you have the challenge you face with, of course, emerging markets like China and India, and how do you reconcile these two forces at play?

Going back to the North American economic space, do you feel, as Minister of International Trade, that we have in fact maximized the free trade agreement? By that I mean have we reached all the

productivity gains possible? Have we really taken advantage of sharing the U.S. economy with the Canadian economy? Are we at that point yet, and at what point does the attention shift away from the United States and Mexico and the focus go into places like China and India?

My other question deals with a domestic yet international matter, and that is how do we best promote Canada as a quality destination for foreign direct investment, which, as you know, is key in economic growth?

● (1635)

**Hon. Jim Peterson:** Those are very important questions, Mr. Bevilacqua.

First of all, in terms of North America, yes, it is a mature market, but it is still the world's richest market by far. And even though it's the greatest trading relationship the world has ever known, we don't know that we have the presence there that we should have.

This is why we have taken the enhanced representation initiative to establish seven new consulates in the United States, particularly in the southwest, where we just have not had the type of market penetration we feel we should have. So we have done that. We've appointed a number of honorary consulates. We've upgraded two of our missions there, as well.

We are not going to give up on the United States—just the contrary. We feel we can do even better there.

Our initiatives elsewhere are not at the detriment of our relationship with the United States—quite the contrary. But because there are so many other markets where Canada has almost zero presence by comparison, we feel that they need special attention. Take for example Europe. We've entered into a trade investment enhancement initiative with them—which is going to be on top of the WTO free trade agreement—which we hope to have in place within about a year, expanding trade and investment in a very sophisticated trade agreement. We look on Europe as a place where we have connections and investments, but we're not getting our fair share of trade and investment.

As well, all these new initiatives in terms of new and emerging markets announced by the Prime Minister—Brazil, India, China—are very important to us. We will be visiting those very shortly with trade teams to try to make further penetration.

But we can't ignore traditional markets such as Japan and the Pacific Rim, the Koreas, areas where we are already having business. We don't think we should ignore any markets, period. You might say “You can't do it with the resources you have”. Well, we're going to try, and I'll be the first one to come back to you if we need further resources.

On the issue of promoting Canada as a place for foreign direct investment, we have an incredible story to tell. You've gone abroad when you were working with finance and told this story—following budgets, I know. Canada is certainly the best place through which the world can access the world's richest market, the NAFTA. This is based on many things we've done, including our tax policies, which give us a significant edge in corporate taxes over the United States. It's 30% in Alberta versus 36% in Michigan, 40% in New York, and 41% in California. We've seen the KPMG studies year after year showing how Canada ranks way ahead of the ten other countries considered and how our cities are more cost-effective for business than their American counterparts.

This is part of the story that we have to take abroad. I would welcome individual members of this committee helping us in the mission to sell Canada around the world, traveling on behalf of Canada to take this message everywhere.

• (1640)

**The Chair:** Mr. Bevilacqua.

**Hon. Maurizio Bevilacqua:** Minister, last year I spoke in Dallas, New York, Boston, and San Francisco in the United States. I was struck by the fact that many people are not aware of Canada's economic renaissance. I was struck by an experience in San Francisco, where I addressed this group called Digital Moose. You probably know what that means: Canadians who work in the computer high-tech field in San Francisco. After the speech I was struck also by the number of people who said "If things are really that good in Canada, I might just come back".

I think there has to be a concerted effort in telling the Canadian story, for two reasons. Number one, I think Canadians are very proud of that story. They understand that the sacrifices they made in the early 1990s have now resulted in great benefits for themselves and for their families. Second, from a business point of view, this story could address some of the challenges we face with foreign direct investment.

I wonder whether there is thought in your department and in your ministry to actually, as you stated, carving out a niche for members of Parliament in this committee, and indeed in the House of Commons, to become true ambassadors of Canada's economic renaissance. What resources would you allocate to us?

**Hon. Jim Peterson:** I think it's a great idea. Quite frankly, there are just not enough hours in the day for one individual to do the job of telling the great Canadian success story that has to be told around the world. I think it's a great idea, and I'd like to work with my officials to work out some plans with your committee as to how we could get more of you on the campaign trail as part of Team Canada.

**The Chair:** Thank you.

Now we'll go to Mr. Julian.

**Mr. Peter Julian (Burnaby—New Westminster, NDP):** Thank you very much, Mr. Chairman.

I appreciate the minister being here today to respond to questions. I have four of them to start with.

The first regards our supply management institutions, specifically the Wheat Board. I thought comments the minister made this

summer were unfortunate about the Doha round, one could say almost throwing in the towel on the Wheat Board. It is a very important institution, and Canadians feel very strongly about it.

What is the ministry going to do to defend our supply management institutions, and what funds within the ministry will be allocated to defending our supply management institutions in any trade negotiations that take place?

[Translation]

Second, we see that chapter 11 has a terrible impact as far as setting environmental policies is concerned. UPS has, as it were, issued a challenge. Because of chapter 11, Canada Post may have to pay it hundreds of millions of dollars. How would the money be allocated? What would the department do to defend Canada Post, to protect itself against the negative aspects of chapter 11?

[English]

The third question regards comments that have been made about chapter 19. I represent the province of British Columbia, which has suffered through the softwood lumber dispute—20,000 jobs lost. The suffering is quite apparent. We have had comments about chapter 11. Most recently, the U.S. law firm Baker & Hostetler mentioned that given the current orientation of the American government, it is now arguable that Canadian private interests ensnared by anti-dumping and subsidy disputes with the United States would be better off in U.S. courts than before binational panels.

Given the fact that softwood remains unresolved, what is the strategy of the ministry to deal with that very important aspect—that chapter 19 has not led to settlements in disputes and there has been a loss of jobs in British Columbia and elsewhere in the country?

• (1645)

[Translation]

My last question has to do with the tenth anniversary of NAFTA. I noticed that this tenth anniversary was mentioned in the estimates as an important date. I would like to know whether the department will be doing any studies to establish the positive and negative aspects of NAFTA—and there are negative aspects—to determine the level of job loss, which some estimate at 300,000 when NAFTA first came into effect, and to examine the quality of jobs now available in the Canadian economy. It may be true that some jobs have been replaced by other, but I would like to see the jobs that were lost compared to those that replaced them. Thank you.

[English]

**The Chair:** Mr. Minister, one by one.

**Hon. Jim Peterson:** Let me start with the Wheat Board.

No, we did not throw in the towel at Geneva in developing the framework agreement. Minister Mitchell and I were there with officials and fought very hard. It was the battle of our lives. We were one country out of the entire WTO that was there to support state trading enterprises such as the Wheat Board.



The draft agreement that was presented to us was quite a bit worse than the one we ended up with. We did not get everything we wanted in terms of the framework, I believe, to be able to support it on an ongoing basis. This is what we intend to do in our continuing talks in Geneva and when the ministerial conference comes up in Hong Kong in December 2005. Any suggestion that we threw in the towel on the Wheat Board is totally ill-conceived and would not be supported by the Wheat Board people who were there with us, fighting for its ongoing existence.

If you want to help us with the Wheat Board, try to get some other countries onside, supporting our position. Your help in doing that would be much appreciated.

In terms of chapter 11, there are ongoing studies on that chapter right now in terms of its efficacy. As you know, this is a provision to support certainty of investment. We believe investment in Canada from abroad is critical to our future, and this is why we're going out and seeking it. But having the certainty that chapter 11 gives in terms of no capricious expropriation of investments without due process and without fair compensation is one of the rules that we believe is important, to protect foreigners in Canada and to protect Canadians who are investing in other countries. That is why we're out seeking to have FIPAs with many other countries, to protect foreign investments against arbitrary seizure and exposure.

If this committee has particular concerns about chapter 11, we would welcome you bringing them forward to us and we'll work with you on them.

In terms of chapter 19, we've seen how on the softwood dispute we have won time after time at the WTO and at the NAFTA panels, and how we just keep getting hit with new suits. The softwood lumber dispute has gone on now for more than two decades. We're in lumber four, and we're winning it. We've won every case so far, but the duties of 27.2% are still applied and we still don't have back the more than \$3 billion we've paid in duties.

The Prime Minister, coming out of Sun Valley, talked about exactly what you mentioned, Mr. Julian, that we have to have certainty and we have to have finality. The reason we have dispute settlement mechanisms in the NAFTA is because we needed a more efficient, cheaper, quicker way to resolve these disputes than going before the U.S. courts. That is why I raised this issue at our NAFTA trade commission meeting in San Antonio in July with my two counterparts, and they agreed that we would look jointly at ways in which the dispute settlement mechanisms could be made better and more effective. We will continue to work through that body.

Again, perhaps this committee has suggestions as to how the dispute settlement mechanism could be made to work better. I don't want to have to resort to U.S. courts in order to get justice for Canadian investors and traders.

In terms of study of the NAFTA and job losses and the quality of jobs, is there a study going on right now on that particular issue? Mr. Gero, you say there have been a number of those studies done and they're on the web. What do they basically show?

**Mr. John Gero (Assistant Deputy Minister, Trade, Economic, Environmental Policy and Chief Trade Negotiator for the World**

**Trade Organization, Department of International Trade):** They basically show that there are both gains and losses in that regard, but overall what we have is of benefit to Canada.

**Hon. Jim Peterson:** You've heard Mr. Gero say that there are studies on the web that show there have been gains and losses, but on balance, it has been a great benefit for Canada.

• (1650)

I can say that during the period of 11 years NAFTA has been in effect, Canada has had an incredible increase in the number of jobs every year, with last year alone about 350,000 net new jobs in Canada. That was in spite of the seven deadly plagues that hit us, including floods, forest fires, blackouts, Hurricane Juan, drought, and SARS, as well as a dollar that went up over 21%, and including the softwood lumber duties of 27.2%. In spite of that, we had last year in Canada around 350,000 net new jobs. Our economy, I think, has not been particularly weak because of the NAFTA.

**The Chair:** Thank you.

Now we'll now go to Mr. McTeague, with five minutes for question and answer.

[Translation]

**L'hon. Dan McTeague (Pickering—Scarborough-Est, Lib.):** Thank you, Mr. Chair. Mr. Minister, I would like to thank you for appearing before the committee today.

[English]

I wanted to very quickly begin where you left off on the subject of the valuation of the Canadian currency and its impact on our trading partners in particular. I understand this to be a concern, obviously, in many parts of industry. Several months ago we were suffering the problems of a dollar that seemed to have no end in terms of its bottoming out, and now we have a resurgent dollar, perhaps some of its rise based on strong economics as well as the recent rise in the cost and valuation of our oil in particular. How do you see this affecting Canadian trade opportunities in the United States over the medium term if we remain at an 82¢ level for the Canadian dollar? Is it worse for some or better for others if it goes higher?

• (1655)

**The Chair:** Mr. Minister.

**Hon. Jim Peterson:** The rule of thumb is that if the dollar depreciates against the American currency, we're going to have an easier job exporting to the United States. In spite of these incredible challenges we've seen, our trade surplus was pretty robust last year. I've heard anecdotally that a number of businesses, particularly smaller businesses, weren't able to hedge against the increase in the dollar and felt particularly beset by this currency change, but the overall figures still show that our Canadian businesses were very robust.

I will cite for you one figure, Mr. McTeague. It came out of a KPMG study that showed Canada had about a nine percentage-point cost advantage over all the United States in terms of doing business. It said that cost advantage would continue to apply even if we had a 94¢ dollar.

**Hon. Dan McTeague:** We often hear those who lament the disparity between Canada and the United States in terms of productivity, and I know KPMG did touch on a little bit of that as well.

You piqued my interest a moment ago when you talked about work with China. We know China is very strongly on a path towards becoming an economic powerhouse, along with Brazil. Where do you see Canadian trade over the next few years with respect to some of the hurdles you believe our entrepreneurs have to overcome in order to become more successful so we can continue the momentum that was begun with Prime Minister Trudeau and others?

**Hon. Jim Peterson:** I think, Mr. McTeague, we're facing incredible, dramatic changes in the way the world economy operates, particularly with a country such as China. There's incredible opportunity to sell goods and services and products into its growing middle classes, but there's probably an even greater challenge in terms of maintaining traditional jobs. I was talking to one small Canadian manufacturer with an operation of about a hundred people. The product he makes in Canada costs him \$45 to produce here. He can land the same product, of the same or better quality but made in China, for \$7.

Now, what does this mean? Does it mean we return to some type of protectionism in order to maintain these jobs? I don't believe so. I believe we have to help our businesses establish their value chains globally where they can remain globally competitive.

We look at what's happened in Hong Kong. It no longer has any manufacturing, and it used to be all manufacturing, but they still have the same population and the same standard of living. It's because those companies are doing their manufacturing elsewhere, much of it on the Chinese mainland, and doing the research and development, the marketing, and the running of the businesses in Hong Kong.

I believe we could be in for very dramatic transformations in the way business is done. We want to make sure Canadians know about these opportunities and challenges, and we want to work with them to help them should they want to make these changes that are going to be necessary.

**The Chair:** Thank you.

We'll go to Mr. Menzies.

**Mr. Ted Menzies (Macleod, CPC):** Thank you, Minister Peterson. We do appreciate your coming and giving us this presentation.

I would also like to thank you for providing Ms. Stronach and me with the opportunity to meet with some of the people you describe as excellent, the likes of Mr. Fonberg, Mr. Riccoboni, and Mr. Sunquist, and some of these other gentlemen and ladies who gave us an excellent briefing back in the summer. That certainly brought us up to speed. It helped us to have a better understanding of what direction you're taking.

I still have a few questions, though. I would like to talk about one thing you didn't mention, and that's the integrated foreign policy review there's been lots of talk about. I don't quite have an understanding of where it's going.

I realize we have two new departments here, and there's certainly a time it takes for the water to stop sloshing around while everyone finds their level.

Recently I was in China and Japan with Minister Mitchell, but China is the one that has been discussed here. We're certainly seeing lots of press about that, and the opportunities there are absolutely immense. Even as a visitor for only two days, I could see that there's room for more. There are wonderful opportunities.

I just wonder, in these estimates, do we have in place the expertise and the structure to access those markets? I've said many times we are a trading nation, and we're very dependent on that. The numbers you've provided to us certainly reaffirm that.

Also in this review policy, while we're talking about that, perhaps you could give us a bit of inside information on how CIDA fits into that. Is that part of these estimates, or how does it fit into this overall picture?

• (1700)

**The Chair:** Mr. Minister.

**Hon. Jim Peterson:** Mr. Menzies, thank you very much.

Let me talk a little bit about the IPR, first of all. It's a work in progress. As far as we're concerned, we want a very strong recognition of the things we talked about in our opening remarks.

In essence, about 40% of our GDP in Canada is dependent on exports. That's about four times what it is, relatively, in the United States. We are a small nation of 32 million people. We do not have a domestic market that can support our standard of living. We are par excellence exporters and must be dependent on trade and investment. We want that mandate to continue to be recognized and to go ahead with incredible vigour. That's my role, basically, for the IPR.

We're not asking anything out of CIDA, are we, in terms of China?

Certainly that's not part of our estimates, Mr. Menzies. I understand CIDA has some small expenditures on issues such as governance in China, where they are sought after because of their expertise. I'm not exactly sure what those programs are.

Do we have enough personnel in China to do the job we have to do? We do not—not to the level I would like. I would welcome an expansion in our resources, but we have to keep a control on expenses. There's no doubt about it; this is a question of choices, as budgeting is.

I'm really thrilled with the quality of people we have. I'm also pleased that we can leverage groups like the Canada China Business Council, which has been in existence for many years now—I think over 15 years—established by some of Canada's leading entrepreneurs and business people. It has a very active presence over there and in China, helping with the missionary work.

I'm also pleased that we have in Canada three million Canadians of Chinese or southern Asian origin, almost 10% of our population. These people have in many cases incredible skills and knowledge about those markets, about the ways of doing business, about customs and, particularly in the case of China and other countries, language.

I think we have to ask ourselves, are we in Canada taking adequate advantage of the skills these people have and what they have to offer us in promoting trade and investment? Are our Canadian businesses aware of this great resource, and are they taking advantage of it?

These are some of the things we'll be looking at as we hold informal hearings over the next month on the issue of new and emerging markets and what we need to do to better crack those markets.

• (1705)

[Translation]

**The Chair:** Thank you, Mr. Minister.

[English]

Now we'll go to Mr. Bevilacqua. It's just five minutes, Mr. Bevilacqua.

**Hon. Maurizio Bevilacqua:** Yes. Thank you, Mr. Chairman.

Minister, as you know, tomorrow Americans will go to the polls, and we'll know maybe tomorrow night who the next president will be.

It was fascinating watching the election campaign and seeing how important national security is in that country. Has national security in a North American context become a condition for economic growth in Canada? How has national security in this debate affected your role as Minister of International Trade for Canada?

**Hon. Jim Peterson:** We've certainly seen since 9/11 how the Americans have responded so forcefully and so swiftly to the new reality that terrorism is really the enemy of us in this century—not only of the United States, but of all of us, because we've been named as a target area.

There have been big new expenditures on security. I think we've put about \$8 billion into the security agenda just dealing with the borders and how we operate them. We've seen all these new procedures we have to go through at the borders.

We can make improvements in border-crossing times. I certainly don't like to see tie-ups at the border, because we know what it costs. I've visited many of these border crossings and talked to the people. I'm very pleased that the Deputy Prime Minister is working very conscientiously on these issues, very much aware that as we have to meet the U.S. concerns for security we also need to find ways to keep those borders open.

As I responded to an earlier questioner, Ms. Stronach, we can do better and we are committed to doing better in trying to make those borders seamless.

**Hon. Maurizio Bevilacqua:** Now, what—

**The Chair:** Make it a very short one, please.

**Hon. Maurizio Bevilacqua:** Yes.

Looking forward to the establishment of major trading blocs throughout the world, what kinds of discussions are taking place in reference to such possibilities as common markets, customs union, and the relationship between Canada and the U.S.?

[Translation]

**The Chair:** Mr. Minister, you have the floor.

[English]

**Hon. Jim Peterson:** You're quite right, and I welcome these discussions and these debates. Our current track is a very clear one. We are going to work to remove every border impediment there is in terms of trade. This is what the 30 working groups in the NAFTA are about. We think this work is very important.

I welcome the debate as to whether we should have some other type of approach. Mr. Manley is part of a group that is looking at other approaches, and they'll be reporting in a year. So I welcome that debate, and if this committee, for example, has particular directions it would like to see us go in, I would welcome that debate and those considerations from you.

**The Chair:** Thank you.

Monsieur Roy.

[Translation]

**Mr. Jean-Yves Roy (Haute-Gaspésie—La Mitis—Matane—Matapédia, BQ):** Thank you, Mr. Chair

I will ask a quick question so that my colleague can come back to this a bit later.

Mr. Minister, I am the Bloc Québécois fisheries critic. I am sure you are aware that the border closing has been very hard on the fishery, particularly in the east, where it has caused very serious problems. But that was not what I wished to speak with you about.

It is entirely possible right now that certain ecological groups are boycotting Canadian seafood being exported abroad because we have allowed the seal hunt. In recent years, the Standing Committee on Fisheries and Oceans has presented a unanimous report on this topic. We have called on the Department of Foreign Affairs to intervene and clarify what is actually going on.

We are talking about herds of 8 million seals who each eat a tonne of fish every year. In my view, there is a problem of understanding on an international scale. For years, we have been asking for negotiations with the American government. But we have never succeeded in getting the go-ahead to export seal products, although seal are hardly an endangered species, even though they are considered such in the United States.

What does the Department intend to do if ever there is a boycott, and what does it intend to do to promote our products?

• (1710)

**The Chair:** Mr. Paquette.

**Mr. Pierre Paquette:** Mr. Minister, I would have liked to look at the question of pork. I have learned that there was an anti-dumping investigation into four producers, one of whom went bankrupt and another of whom got nothing. An average of the two was used, which is ridiculous. I would like to know if you intend to do something to prevent this turning into another softwood lumber crisis.

**Hon. Jim Peterson:** I will begin by answering the question about pork. We are working very closely with the industry against the decision imposing 14 percent tariffs on us. We have been fighting the United States for close to 20 years on pork, and we have always won. We are prepared to work very closely with the industry.

As for seals, this is something I discussed this morning with our ambassador in Belgium. It is a major problem. We have decided to launch an information campaign over there to try to convince Europeans that seals are not in danger of disappearing and that what we are doing is not cruel, but normal in the circumstances.

But it is difficult because people remember Brigitte Bardot out on the ice. Mr. Roy, perhaps we should take a photo of you out there with the seals to offset this image. We must continue to discuss this with our allies everywhere, and that is what we are going to do. That is exactly what we told our ambassadors, especially in Europe.

**The Chair:** Quickly, Mr. Paquette.

**Mr. Pierre Paquette:** I see that your commitments for 2004-05 include involving Canadians, including clients, more directly and more openly in your work. But nowhere do you name the groups interested in international trade. I am thinking, for instance, of international cooperation groups and people interested in work ethics.

Might it not be an idea to broaden this commitment so that all groups interested in international trade, even for the purpose of lobbying, are always involved in your reflections on our trade policies? I am thinking of everything having to do with child labour, forced labour, and a number of other development concerns. Otherwise, you are really limiting your commitment to immediate clients of the department.

**Hon. Jim Peterson:** Thank you very much, Mr. Paquette. I fully agree that we must involve NGOs in discussions about trade and investment. We will do so. We are going to have three round tables to discuss new markets. This month, it will be intellectuals, authors and writers. Next will be representatives of the business community, followed by NGOs.

• (1715)

**Mr. Pierre Paquette:** In what frame will that take place?

**Hon. Jim Peterson:** Are you asking about the dates? It will be December 1 for the round table...

**Mr. Pierre Paquette:** In the frame of which of the department's initiatives will that take place?

**Hon. Jim Peterson:** This is an initiative by our department that will be directed by the parliamentary secretary, Mark Eyking, who is here at the table. The objective is to hold discussions and consultations with Canadians about new world markets, challenges and opportunities. We want to quickly find out their ideas about problems and their suggestions for stepping up our efforts in these markets.

**The Chair:** Thank you.

Ms. Stronach is next.

**Ms. Belinda Stronach:** Thank you, Mr. Chair.

[English]

Minister, you've indicated that you're going to be enthusiastically leading a trade mission to China in the new year. I'd like to know a little bit more about what you hope to accomplish. Does it perhaps include a bilateral investment treaty with China? Several other countries have successfully negotiated treaties with China, France, and Germany included. As well, will there be consideration given to a framework that will respect international patent rules?

**The Chair:** Mr. Minister.

**Hon. Jim Peterson:** I would like to be able to say yes to all of those. It's going to take two to tango. We feel very strongly that one of the difficulties that some companies have faced in the past in doing business is patent violation, copyright violation.

I've had discussions about this with the Americans, and we're looking at ways of working very closely with them. They have a so-called STOP program and ways of policing goods that come into North America and that may involve violations of copyright or patents. This is certainly one of the approaches we're looking at. Of course, respect for patents and copyrights is the number one goal in terms of coming out of China. To the extent we can get agreements respecting our investments with them, this would be desirable and we will be making such efforts.

**The Chair:** Thank you.

We'll go to Mr. Julian.

[Translation]

**M. Peter Julian:** Thank you very much, Mr. Chair.

[English]

I wanted to come back to the questions I asked earlier, two areas I'd like concrete responses to.

First is the whole issue of our supply management institutions and the Wheat Board. As I say, the impression that was left this summer was that the government was not defending the Wheat Board. If it is the case that the government is and that the ministry is, I'd like to know what allocation of funds is being provided to defend our supply management institutions and what the strategy is to defend those institutions, which are very important.

Secondly, coming back to chapter 19, an article that was published this summer talked after NAFTA and the fact that NAFTA requires the dispute settlement process to be completed within 315 days. Yet Canadian cases in the U.S. average 696 days because of a variety of delaying tactics employed by U.S. agencies and the industry groups that bring complaints before them. As I mentioned earlier, in British Columbia 20,000 jobs have been lost because of that. I'd like to know, what is the strategy on chapter 19 around this dispute settlement mechanism that does not work, and what, if any, is the allocation of funds.

[Translation]

My last question has to do with the framework for negotiations on the General Agreement on Trade in Services. I would like to know if the Canadian government has made a firm commitment not to include education, public or private, in these negotiations.

Thank you.

[English]

**The Chair:** Mr. Minister.

**Hon. Jim Peterson:** Very simply, on the GATS, education is definitely off the agenda, there's absolutely no doubt about it.

**Mr. Peter Julian:** What about the environment?

**Hon. Jim Peterson:** It never has been and never would be.

On article 19, the Baker & McKenzie study was a very important one and it showed what we'd been feeling all along on the softwood dispute, on the pork issue, swine. Our strategy is to work with our counterparts. I got the commitment this summer out of trade representative Zoellick to work on it. I reconfirmed this commitment last week with Secretary Canales from Mexico, which is that our three countries will work together on looking at ways we can make article 19, trade disputes, more efficacious and effective.

Officials are working on this right now. And as I said, if this committee has any suggestions as to amendments or changes that might help, I would welcome those.

On the supply management side and the Wheat Board, I wish you'd been there in Geneva. I invite you to talk to the representatives of the supply management industries who were there; there were 40 of them. I invite you to talk to the representatives of the Canadian Wheat Board who were there; we met with them once or twice a day in terms of these discussions.

• (1720)

**Mr. Peter Julian:** What is the strategy going ahead?

**Hon. Jim Peterson:** It is to protect them. It is to protect these particular industries in the negotiations that are going ahead.

I can't tell you what funds we allocated to that or to the article 19 issue.

Maybe you could help me here? Why don't you go ahead and fill us in here.

**Mr. Paul Thoppil:** Sir, in terms of business priorities, under WTO and FTA negotiations the department has allocated \$13.4 million towards the negotiations in those two forums. It is not broken down by the specific initiative you have requested, but that's *grosso modo* what we're doing at the international level to protect Canadian interests. That also excludes the effort by other departments such as the Department of Agriculture and the Canadian Wheat Board itself.

**The Chair:** Thank you.

**Hon. Jim Peterson:** In terms of the strategy, we're working very closely with the industry groups, which are very well organized and know these issues very cold. We have ongoing meetings; the parliamentary secretary has had a number of meetings with them. We have since had meetings with the Wheat Board and supply management groups and we will continue to meet on an ongoing basis with them. I just met two days ago with Bob Friesen, and we talked about these very issues.

Part of it has to be, I think, that these groups are going to try to get some farm groups from other countries onside, so that hopefully Canada is not alone at the table—one out of 148 countries at the next negotiations—fighting for these issues.

**The Chair:** Thank you.

Now we'll go to Mr. Sorenson.

**Mr. Kevin Sorenson (Crowfoot, CPC):** Thank you again, Mr. Minister, for coming here.

When we go to page 27 of the old 2003-04 estimates, on those business lines we had international business development at \$268.9 million.... It's on page 27. When we had the combination of Foreign Affairs and International Trade, the international business development was at \$268.9 million and the trade policy business line was at roughly \$131 million. These roughly made up \$400 million in those two business lines.

When you look after the split-up at what we have in the Department of International Trade, we have \$95.4 million for international business development and \$44.7 million for the trade policy end of it. I think there was a notation saying that from Foreign Affairs roughly \$100 million would be taken away. When you add all those up, we're still \$100 million or \$140 million short.

As I look at the lines in comparison with 2003-04, the only difference was the environmental aspect—at least, that's what we can see in the old supplementary estimates. Where did that other \$100 million or \$140 million go?

• (1725)

**Hon. Jim Peterson:** Mr. Sorenson, if you're saying we short-changed ourselves by \$100 million, I'm going to.... I would welcome your help in getting it back.

**Mr. Kevin Sorenson:** No, I'm just questioning where it is here.

**Hon. Jim Peterson:** I'm going to ask Kathryn McCallion to respond to Mr. Sorenson, if you don't mind, please.

**The Chair:** Ms. McCallion, please.

**Ms. Kathryn McCallion (Assistant Deputy Minister, Corporate Services, Passport and Consular Affairs, Department of International Trade):** Thank you.

Mr. Sorenson, it's how we presented the books in the previous years and how we're migrating towards a new way of showing the estimates. In the old way, when it was a consolidated department, the costs of the business line as it pertained to locally engaged staff or the costs of managing our embassies were divided between the business lines. You would see in the old estimates of DFAIT exactly the same thing—a large number for peace and security, as an example. It's how we did what we called our roll-up. For an individual abroad, it would include what they're worth plus the support of that individual. For portions of individuals, such as the ambassador doing trade, it would be two-tenths of him plus the support.

The way the estimates are now presented, the support is all in the foreign affairs department's estimates. If you take the two together there is no missing money. What has been allocated to the trade department is the salaries of trade commissioners and trade policy officers, but the support, the locally engaged staff, the housing—all of those costs—are kept in the Department of Foreign Affairs estimates.

**Mr. Kevin Sorenson:** You're saying that even though—

**Ms. Kathryn McCallion:** I'm sorry, the services are still provided. The key is that in the shared-services format, we continue on the foreign affairs side of the house to offer the same service level to the trade department.

**Mr. Kevin Sorenson:** Those numbers then would correspond—

**Ms. Kathryn McCallion:** They appear in the estimates of the foreign affairs department.

**Mr. Kevin Sorenson:** And they would be roughly close to that same \$400 million, when you combine the two?

**Ms. Kathryn McCallion:** Absolutely.

**Mr. Kevin Sorenson:** One of the notations on the old estimates talked about \$100 million being put over into Foreign Affairs. That still leaves us \$100 million short.

I have one other quick question. It stems from an article in the paper where the finance minister has asked each minister to find places to have these major 5% cuts. It's very frustrating that this would include Public Safety and Emergency Preparedness, CSIS, and the RCMP.

Where is that 5% in your department?

**Hon. Jim Peterson:** It's come from PEMD-1; we've taken about \$5 million out of that.

**The Chair:** Thank you.

Mr. Stoffer, please.

**Mr. Peter Stoffer (Sackville—Eastern Shore, NDP):** Thank you very much, Mr. Chairman.

I'm not a regular member of the committee, but Mr. Julian had to leave, and he's advised me of a couple of concerns. Because of all the ongoing questions he has, Mr. Julian would like to know if the chair of the committee could ask the minister, at a time that's convenient for the minister, to come back again and continue the dialogue.

I have three quick questions for you, Minister.

First, Mr. Pettigrew was in discussion with some European countries on the EFTA talks. I was wondering how those talks were going. One of the concerns we have in Atlantic Canada is about the future possibilities for shipbuilding in this country.

Second—and excuse my ignorance on this one, but I'm not sure where things are right now—is there is a concern about shrimp access into Europe? Apparently there's a 20% duty on it.

The third concern, which you may or may not be aware of, is that the Taku River watershed in northern British Columbia is the last roadless watershed in North America. There's a mine site there called the Tulsequah Chief Mine. A company called Redfern Resources wishes to develop that mine and put in a road. The mine has been abandoned for many years, but they want to put a road in from Atlin, British Columbia, down to there, a distance of about 160 kilometres.

There's great opposition to this road, especially from Alaska. The Governor of Alaska, the City of Juneau, and all the fishermen of that area are very concerned about the destructive effect this road may have in that area. The Tlingit people of that area are split. You have the leadership of the Tlingit people of the first nations saying no, but

you have the younger people saying if it leads to economic opportunities, why not?

I'd like to know if you're aware of this and the concern it causes. The Alaskans are very upset over the possibility that this proposal may go ahead. The Department of Fisheries and Oceans and the Department of Environment may allow this thing to go ahead even though we haven't had the full environmental impact statements on what that road might or might not do to the area.

I'd like to have your comments on those three concerns if possible, please.

● (1730)

**The Chair:** Mr. Minister.

**Hon. Jim Peterson:** Thank you very much, Mr. Stoffer.

I'm not up to speed on the last issue you talked to me about, but I undertake to talk to our environment minister and natural resources minister.

Concerning the shrimp, the EU has limited the amount of shrimp we can put in there. They limited it to about 5,000 metric tonnes. I was able in my discussions last year with Pascal Lamy to get this increased to 7,000 metric tonnes.

It's still not enough for our fishers in Canada. Our shrimp is better than the European stuff. The Danes are fighting to keep us out of the European market; they want to corner it. We will continue to advocate on behalf of opening up that fishery to our fishers.

The EFTA initiative has stalled for the very reason you've put forward: shipbuilding. I would welcome the views of this committee on where we should go with an issue such as shipbuilding. Do we preclude ourselves from having a free trade agreement with the EFTA countries, or with countries such as South Korea, etc., because we want to preserve our shipbuilding industry in Canada and the few jobs still left in that particular industry?

These are tough issues, and I as minister would very much welcome the input of members of Parliament, because there are trade-offs. We're much more dependent than the Europeans on trade, in terms of the size of our economy. We are a trading nation. What prices are we prepared to pay in order to get greater access to foreign markets?

**The Chair:** A very short reply, Mr. Stoffer.

**Mr. Peter Stoffer:** Thank you, Mr. Chairman.

Sir, I notice the government looking at Bombardier in Montreal with a more favourable attitude, and that is something we support. If you're going to use tax-dollar initiatives in order to assist an industry in Quebec or anywhere else, we support that.

We also want that same attitude applied to shipbuilding. As you know, we lost a half-a-billion-dollar contract in British Columbia to a German firm, and not one job was created in B.C. The AOR vessels of the military, the coast guard vessels, the laker fleet, ferries, tugs, you name it, all need to be replaced in the next ten years. Every single one of those vessels I just mentioned can be built in Lévis, Quebec; Marystown, Newfoundland; and should have been done in Saint John, New Brunswick, but it's too late; possibly in Halifax; and most importantly, even though I'm not from the west, the Victoria Shipyards in B.C. If you really want to help out the regions of the country, give us the development attitude towards shipbuilding—just like you do towards the aerospace industry—and we will be able to proceed in a very positive nature.

**Hon. Jim Peterson:** I welcome the views of the committee on issues such as this.

**Mr. Peter Stoffer:** Thank you, Minister.

**The Chair:** Thank you.

We'll go with one question from Mr. Paquette.

[Translation]

**Mr. Pierre Paquette:** You surprise me. In all the federal government material that I have read to date, the only thing excluded from the GATS negotiations, apart from health, was public education.

I am glad to hear that education in its entirety was excluded. That having been said, the material on your web sites will have to be corrected: public education appears everywhere. I always thought that it was not clear, given that in the private sector, a lot of training is provided. For instance, universities are almost all private, both in the United States and in Canada.

**Hon. Jim Peterson:** I may have been mistaken with respect to private education. I will have to turn to my experts.

[English]

**The Chair:** Do you have the answer?

[Translation]

**Mr. Pierre Paquette:** Basically, we would like it to be the way it is in health, where the private sector is present nonetheless: the framework would be public, and therefore come under the legislation...

**Hon. Jim Peterson:** Mr. Paquette, I could perhaps give you an answer in writing. I will look into this matter.

I am not sure, but you may be right.

●(1735)

[English]

**The Chair:** Mr. Minister, would you send the response, please, to the clerk?

Now we'll go to the last question, from Mr. Menzies.

**Mr. Ted Menzies:** Thank you, Mr. Minister.

A few more comments on the WTO Doha development round.... I might remind you that I hope you are putting as much effort into this as the effort you're putting into defending the monopoly of the Canadian Wheat Board. Don't forget that the majority of commercial

farmers within the Canadian Wheat Board's jurisdiction are not in favour of the monopoly. They're certainly in favour of the board, so if you're going to commit that much effort, I would hope that you're going to Ontario and suggesting putting as much effort into promoting the fact that probably they should have a monopoly Canadian Wheat Board if the western farmers are under that jurisdiction. This is a little tongue-in-cheek, I'm sure you realize, but don't forget that this is a very regional issue in this country.

I have a quick comment about the allies you are working on. We saw a tremendous effort from the G-20 come forward with some effect. Hopefully, we're continuing our efforts with the Cairns Group, and possibly you can share with us who else we may be working with to get some of our issues on the table and to build some allegiances that we will need if indeed we are going to come out of the meeting in Hong Kong in December fruitfully.

**Hon. Jim Peterson:** Thank you very much, Mr. Menzies. You're absolutely right: nothing in Canada is simple and uncomplicated, including the Wheat Board, including supply management.

On the issue of building allies for the talks that are ongoing on the WTO, the U.S. is absolutely critical to us, and Europe is absolutely critical. These are the big players who have put on the table the enormous agricultural subsidies that they are paying to their producers and that are creating such a distorted playing field for Canadian producers and keeping developing countries out of global trade.

The agricultural subsidies are estimated by the OECD to be about \$1 billion a day, about five times the amount of foreign aid we give. So we have an incredible opportunity here. That is why I was so happy that this breakthrough occurred. I'd love to talk to you about it in greater detail.

They are going to be critical because getting rid of those subsidies is going to do so much for our farmers, giving our farmers access to more global markets.

We're working very closely with Mexico. This is why the visit of President Fox with ten cabinet ministers and signing the Canada-Mexico partnership was such a breakthrough in terms of goodwill.

A lot of these things are just goodwill. They're part of my discussions with countries such as Brazil, India, and China. Part of our being there on these trade missions is to discuss face-to-face with our counterparts.

On a number of occasions since I've been in this position, I have met with my counterparts from other countries in an attempt to convince them, and I see that probably the Quad is no longer the thing it used to be.

We saw the emergence of the Brazils and the Indias in forging this deal, the framework agreement for the WTO. So we have to make friends everywhere, but I think those major markets are some of the ones that are going to be most instrumental in terms of the ongoing agreement, because they were instrumental in getting the framework agreement, along with Canada.

[Translation]

**The Chair:** Thank you very much. That is the end of our session with the Minister for International Trade.

[*English*]

Thank you for your appearance, Mr. Minister, with Mr. Fonberg, Ms. McCallion, Mr. Gero, Mr. Thoppil, and all your other staff.

● (1740)

[*Translation*]

**Hon. Jim Peterson:** Thank you.

[*English*]

**The Chair:** Thank you.

The meeting is adjourned.

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