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—
Chair

Mr. Fabian Manning

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•(0910)

[English]

The Chair (Mr. Fabian Manning (Avalon, CPC)): Good morning. I will call the meeting to order.

I'd like to welcome back our guests, and thank Mr. Gauthier for his presence here this morning. My understanding is that the three of you may have some opening remarks, so you decide who is going to be first.

Go ahead.

[Translation]

Mr. Gilles Gauthier (Director General, Multilateral Trade Policy, Trade Policy and Negotiations, Department of Foreign Affairs and International Trade (International Trade)): Thank you, Mr. Chairman.

My name is Gilles Gauthier. I am the Director General of Multilateral Trade Policy at the Department of Foreign Affairs and International Trade. I would like to address the overall WTO process and then turn to my colleagues to elaborate on the specific issue of fisheries subsidies.

The current Doha Development Agenda of WTO negotiations was launched in Doha, Qatar, in November 2001. Since then, there have been WTO ministerial meetings to take stock and provide political direction to the negotiations. One in Cancun in September 2003, and one in Hong Kong in December 2005. This development-focused round includes negotiations in a wide range of areas, notably agriculture, non-agriculture market access, fisheries products, services, trade rules, and a host of other issues linked to trade facilitation.

The work is carried out in negotiating groups for each of these areas, and obviously, Canada is an active participant in all the negotiating groups.

[English]

Over the past years, chairs of each negotiating group have issued negotiating texts on their own responsibility to help guide the discussion in the negotiating group. In all respects, these negotiating texts represent a work in progress, and they are subject to revision. They are not agreed texts, nor are they final draft texts that could be submitted to ministers for decision. Indeed, in some areas, for instance, we have seen more than one revision to these chairmen's texts.

At this stage the work continues in the various negotiating groups to assess various proposals, the purpose of which is to identify those

proposals with sufficient level of support to eventually become part of a final package of recommendations for ministers to decide on.

The WTO is a member-driven organization. Decisions are based on consensus and are typically taken by a ministerial conference. At this point in time, no date has been set for a ministerial conference.

In earlier testimony before the committee, reference was made to a possible ministerial meeting in April. While it is accurate that the WTO secretary general has raised this possibility, and indeed it was discussed among a group of ministers who met in Davos earlier this year, this will not be a ministerial conference to decide on the final outcome of the Doha Round. If such a ministerial meeting takes place, and it has yet to be scheduled, the purpose will be to provide guidance on how to move the negotiations forward. In that regard it very much resembles similar ministerial gatherings and formal meetings that typically occur throughout the year. I just mentioned that the last one took place at Davos.

All that is to say, Mr. Chairman, that Canada remains fully committed to a successful completion of the Doha Round.

I'd like to now ask my colleague to address the question of fisheries subsidies.

Thank you.

The Chair: Thank you.

Mr. Gorazd Ruseski (Director, International Fisheries Policy, Department of Fisheries and Oceans): Good morning, everyone. My name is Gorazd Ruseski, and I'm the director of international fisheries policy at DFO. I'd like to offer a few brief remarks that build on the discussions at SCOFO last week.

When the chair of these negotiations introduced his draft fisheries subsidies text and draft text on other aspects of the agreement on subsidies and countervailing measures on November 30, he stated that he did not expect participants to agree to the text at this stage; he expected every participant to find things they did not like, and even things they disliked intensely. This goes to show that everyone involved in these negotiations accepts that there's a great deal of work ahead.

The chair's draft fisheries subsidies text has not yet gone through a first reading, and is only the first in what will likely be a series of drafts. As my colleague just mentioned, in other areas of these negotiations WTO members are working on second and even third drafts. In the end, until all WTO members, including Canada, agree to all areas of the round by consensus, including fisheries subsidies rules, there will be no deal.

In some places the chair's draft fisheries subsidies text was both controversial and unacceptable to Canada and a number of other WTO members. As a result, Canada is working with other like-minded WTO members to remove prohibitions on income support and port infrastructure from the text. We will also be working with other like-minded WTO members to develop text that will protect inshore and aboriginal fisheries programs, for example, that in our view are not part of the global overcapacity and overfishing problem that these negotiations are intended to help address.

Canada also has trade and sustainability interests to advance in these negotiations when it comes to developing countries. We have no interest in giving a blank cheque to those developing countries that are heavy subsidizers and contribute to overcapacity and overfishing. Canada has taken the view that if developing countries can afford to subsidize their fishing sectors, they can first afford to manage their fishing fleets responsibly. However, we've also taken the view that both developing and developed countries can benefit from legitimate, small-scale, inshore or aboriginal programs, and we will work with others in this direction.

Achieving the best outcome for Canada in these negotiations means not only ensuring that we retain the program flexibility we require for sustainable fisheries development within Canada's exclusive economic zone, but also ensuring that those programs that do contribute to global overcapacity and overfishing are eliminated.

Thank you.

• (0915)

The Chair: Thank you.

Mr. O'Neill.

Mr. John O'Neill (Chief, Trade Rules, International Trade Policy Division, Department of Finance): I'm John O'Neill, the chief of the trade rules section of the Department of Finance, and the lead negotiator for Canada in the WTO rules negotiations.

This morning Mr. Gauthier explained how the WTO process is evolving in the negotiations overall. Last week I explained how the process is unfolding in the rules negotiations. We are at a stage where the chairman of the group, in an effort to progress the group's work, issued a first draft text proposal late last year. This draft proposal was prepared and circulated by the chairman on his own authority—not by the WTO as an organization, and certainly not as an agreed text by members. The negotiating group has met three times since then, but we've not yet finished a first reading of the text proposals.

Most of what I had to say has been said by my colleague, so I'm going to skip pretty close to the end of my statement so there'll be more time for questions.

There's one clarification I would like to make to the statements I made last Tuesday. I stated quite categorically in an answer to a question that neither aquaculture nor inland fisheries was included in the proposed additional disciplines on fisheries subsidies. That's certainly our understanding of the text as it's written, and that's how we interpret it. The discussions to date in the group certainly support that position. But I would like to reiterate that this is a negotiation, and nothing is final until the final text. We will be vigilant in

watching to ensure that aquaculture and inland fisheries do not sneak back into the text.

In closing, I would like to reiterate that this is a first-draft text. Canada and many other members of the WTO have asked the chairman to release a first revision as soon as possible to address the numerous deficiencies we have found in the text, including the inclusion of income support and port infrastructure in the proposed prohibition. Our work is not nearly complete, and we have a lot of work to do before any text can be put before ministers for a decision.

Thank you for your time and attention this morning.

The Chair: Thank you, Mr. O'Neill, and thank you to all of you for your presentations.

We'll open the floor for questions now. We'll begin with Mr. Simms.

Mr. Scott Simms (Bonavista—Gander—Grand Falls—Windsor, Lib.): Thank you, Mr. Chair.

First of all, gentlemen, thank you for coming. I really do appreciate this. There's probably some short notice involved here, and I'm glad you recognize that it's quite an issue for us, an eye opener to say the least. Mr. O'Neill, by your expression I'm sure you understand how grey this is.

In my research I was reading some of the chat going back and forth regarding some of the talks over the fishery subsidies. I noticed here that you mentioned that some of the inshore fishery would be exempt, or at least it would not be affected too much. But from what I can gather, the only emphasis on who will be exempt, when it comes to the subsidies, is on the developing nations. From this I understand there's a big push back from Canada, EU, Japan, Norway, United States, New Zealand, and Australia. On the other side of the thing, I'm assuming our subsidies are much higher than those. But they're really targeting the specificity. We have a situation here: when it comes to income support, we have a particular program that is set for fish harvesters in the EI system. I don't mean to meander about here from my research, but nonetheless it seems to me that the developing nations are the group that will receive more of a fair hearing than the developed nations.

Second, this text is so specific. They are really zeroing in on the specifics so that some of our programs, such as infrastructure, EI, and income support, are really going to have a hard time getting through this.

● (0920)

Mr. John O'Neill: The question has a couple of parts. I guess the first part is on whether any inshore fishery is exempt. You're absolutely correct. In the text right now are some special and differential treatment provisions for developing countries, not for developed countries. Last week we mentioned that one goal that Canada and a number of other developed countries have is to ensure that there is an exemption for programs in support of small-scale fishing, artisanal fishing, in the text. It isn't in there now, and we are pushing for that.

With respect to employment insurance fishing benefits, you're absolutely right that there are different criteria to qualify for benefits under EIFB. We have taken the position that EIFB is but one part of the overall employment insurance scheme in Canada, and it is part of a generally available program. That's our position, and certainly we will defend that. However, in these negotiations we're looking wider and we don't want to go to a WTO panel to find out whether our position will hold up or not.

Mr. Scott Simms: Is this similar to something like the softwood lumber jurisprudence here or a precedent that they've set on their ruling? Is that what we're going to get into?

Mr. John O'Neill: Certainly down the road that would be possible. The WTO does play a dispute settlement role in trade disputes, but our position overall is income support. Social safety net programs do not properly belong within the mandate of the fisheries subsidies negotiations and therefore should not be included in any prohibition. That's it.

Mr. Scott Simms: I understand that. Here's what I keep reading through this, which bothers me the most. Article 4 of the draft text, entitled "General Discipline and the Use of Subsidies", stipulates that "no member shall cause, through use of any subsidy...depletion or harm to, or creation of overcapacity". We have a serious overcapacity issue, which we are addressing domestically, certainly for the east coast.

Mr. John O'Neill: Yes, but I believe we're trying to decrease the overcapacity.

Mr. Scott Simms: Yes, that is true.

Mr. John O'Neill: So that would be subsidies that would lead to increased overcapacity.

Mr. Scott Simms: But here's the problem. Let me create a scenario for you. The provincial government of Newfoundland and Labrador has a provincial loans board. It allows people to achieve financing to buy a bigger boat, for example, because the minister has just changed the rules on the vessel regulation size. Now, it doesn't increase, but it certainly doesn't decrease either, and that goes back to the capital gains tax issue, because that too is an increase to harbours. So you are allowed to bring your children in.

I'm creating these scenarios because although we are trying to decrease overcapacity, it's not going to happen very quickly, and we still have to maintain some semblance of an industry or infrastructure for an industry that's already there.

Mr. John O'Neill: Yes, I understand that, and I'm aware of all those programs—first of all, on the loans, and there are some loan guarantee programs. It differs from province to province. We believe

those can be slotted in under an exemption for programs in support of small-scale fishing, and that is our objective.

As for the capital gains, what's been called the exemption, we're still looking into that, but what we have found so far is that it's actually a deferral, so the principal doesn't have to pay the capital gains. They can transfer the assets to children, a spouse, and there are other family members, I think, but I'm not sure of the rules exactly. It defers the capital tax rather than exempting it.

It's available for many small businesses; it's available for farmers, and there's a fishers program as well. Our position would be, again, this is generally available to the wide spectrum of the business community.

● (0925)

Mr. Scott Simms: What is a small-scale fishery? I open this up to anybody.

Some of the material I read is that when it came up, they said no, we don't want this to affect small-scale inshore fisheries. Some of the opponent countries said yes, but 80% to 90% of your fishery is inshore.

This is just some of the stuff I've been reading. But in your mind, what is "small-scale", when it comes to this country?

Mr. Gorazd Ruseski: I can offer a brief response from my part, and maybe just a follow-up to your earlier question as well.

As I understand it, the way these negotiations have gone over the past five or six years, even before a chairs text was introduced, there has been a lot of debate about what is a small-scale versus an artisanal fishing program, and how do you ring-fence that concept for the purposes of these negotiations?

I think most of the discussion was focusing around trying to ring-fence the concept as desired to be applied by developing countries. So you might hear some developing countries say, well, we have small-scale fisheries for vessels that operate on the high seas that are x metres and so many tonnes. From our perspective, it's really difficult to call those small-scale fisheries.

That's something that we think does need to be looked at in these negotiations. After all, as I've mentioned before, developing countries account for half of world fisheries exports now. There are major developing country fishing powers out there now that are considered some of the heavy subsidizers—and to quote one of your previous expert witnesses from last week, the heavy "bad" subsidizers. So we think that should be covered in these negotiations.

The debate was never really resolved. I don't think there was ever really a consensus on what the concept of small-scale fisheries should be. That also means that in the ongoing discussions, developed countries, as I mentioned in my opening remarks, could have similar ground to occupy with developing countries, depending on what you define as a small-scale fishery, or an inshore fishery, or a fishery within an exclusive economic zone.

That's my best answer to that question.

I just want to clarify, you mentioned article 4 in your first question, but it might be instructive if we read the entire first sentence of that article so that you can get a sense of what I think the theme of that particular article is intended to address. If I could beg your indulgence, I'll just read it to you:

No Member shall cause, through the use of any subsidy referred to in paragraphs 1 and 2 of Article 1, depletion of or harm to, or creation of overcapacity in respect of, (a) straddling or highly migratory fish stocks whose range extends into the EEZ of another Member; or (b) stocks in which another Member has identifiable fishing interests, including through user-specific quota allocations to individuals and groups under limited access privileges and other exclusive quota programmes.

When I read that sentence, I think it's a little bit more oriented to high-seas shared fisheries and the responsibility of fishing countries to not provide subsidies to their fishing fleets in situations where that can lead to overcapacity or overfishing by those fleets that detrimentally affects other fishing countries. I think that's the theme of what that article is intended to address.

I hope that's helpful.

Mr. Scott Simms: It is. Thank you very much.

The Chair: Thank you, Mr. Simms.

Mr. Blais.

[*Translation*]

Mr. Raynald Blais (Gaspésie—Îles-de-la-Madeleine, BQ): Thank you, Mr. Chairman.

Good morning, gentlemen.

I will start with a question that has been bothering me for some time. A text written by the chairman is in circulation. We are not talking about just anyone. He can, to a certain extent, take the initiative, but as far as I know, that chair is not necessarily a specialist or an expert in fisheries. He has undoubtedly drawn his inspiration from somewhere. He was surely inspired by people, groups, countries, and ideas.

What is your opinion on that? Who inspired him? It was surely not Canada. If you say that was the case, you will surely expose yourself to criticism. He must have been inspired by someone. Who?

• (0930)

[*English*]

Mr. John O'Neill: Yes, that's absolutely correct: he found inspiration somewhere. He found inspiration from the almost six years of discussions in the negotiating group. In the fisheries text, certainly, there are parts of it that were not inspired by Canada, and there are certain parts that were inspired by Canada. In particular, we pushed hard that any special and differential treatment that developing countries might get should not extend to high seas

fisheries. That's something we had been putting forward, and it was included in the text.

There's inspiration from a large number of WTO members in this text. It's the chair's attempt to bring the thoughts of many members into a consolidated text, so that the issues can be debated in total, rather than on an individual basis.

Canada also has a number of issues we were pushing for in the other aspects of the text that were included. As well, there are a number of things in other aspects of the text that we really don't like. So fisheries is no different from other parts of the text; it reflects the thoughts and desires of a great number of WTO members.

[*Translation*]

Mr. Raynald Blais: Is it true that the chair's main inspiration or main influences have come namely from New Zealand and Australia, and that these countries are supported by others like the United States and Iceland?

[*English*]

Mr. John O'Neill: In the prohibition section—article 1 of the chair's text—yes, I would say that would be correct. With the exception of income support, all of those prohibitions derive from papers that were submitted by one of the countries you mentioned—over the six-year period. Income support was something that was most often mentioned as specifically exempt, which is where we think it should be.

[*Translation*]

Mr. Raynald Blais: I will now ask you a question based more on interpretation than facts. How can we explain that the chair in question was not influenced by your comments, or your concerns, and that he was inspired to a larger extent by other concerns? My question aims to determine what your efforts were. How did it work? Do you believe you didn't make enough of an effort? Do you feel that ending up with a text like that is a failure?

[*English*]

Mr. John O'Neill: No, I don't feel it's a failure. This is a draft first text, and in it the chair has basically put the wants and desires of almost every member, in trying to get consensus on some aspect of the text. In doing so, he has put in many things that Canada doesn't like, that the European Community doesn't like, that developing countries don't like, that India has great problems with, and that Brazil has great problems with.

I'm talking about the text in total, including the fisheries text. It's almost as if the chair threw everything in the pot and stirred it up and now the negotiators will have to sort it out. That's what we will do in subsequent meetings.

[*Translation*]

Mr. Raynald Blais: In your presentations, you referred to texts dealing with prohibitions, but above all with income support and infrastructure. You did not mention the part dealing with fishing vessels.

Is that simply an omission or is it because that is not necessarily part of Canada's negotiating priorities?

• (0935)

[English]

Mr. John O'Neill: The prohibition on the acquisition and construction of vessels is certainly part of the text. We believe that anything we do have in Canada is in the nature of small-scale fishing, in support of small-scale fishing, and we hope to cover that off through the exemption we're looking for and demanding in the next revision of the text.

[Translation]

Mr. Reynald Blais: In reality, you represent at least three departments, if not four, but are there four departments involved in all of that? How does it work at the departmental level? Is there an interdepartmental committee? You must surely have to report everything you do to the ministers or to the representatives of each department? How does that work?

Mr. Gilles Gauthier: Let me give you a general idea of how we work. Of course, we have a manager of negotiations, who is the assistant deputy minister of the Department of Foreign Affairs and International Trade.

I am his assistant manager of negotiations, beside being in charge of a specific file. We share the work according to the files involved. There is a manager of negotiations for agriculture and there is also one for regulations. Thus, we have a negotiation team. Of course, the minister in charge of international trade is the Honourable David Emerson, to whom we report. He, in turn, also consults his colleagues, such as, for instance, the Minister of Fisheries and Oceans, the Minister of Agriculture or the Minister of Industry. Thus, we are working on an interdepartmental level, and we are bound to observe the negotiation mandates and they are given to us by cabinet.

[English]

The Chair: Mr. Blais, we'll get back to you.

Mr. Stoffer.

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

Mr. Gauthier, you had said that these negotiations are ongoing. When is the drop-dead date by which there has to be an agreement?

Mr. Gilles Gauthier: Actually, there is no such drop-dead date.

Mr. Peter Stoffer: Good. Okay, that's good then. So talks are ongoing indefinitely.

Mr. Gilles Gauthier: That's correct, but of course people will want to achieve a result at some point. It's a question of when there will be consensus to move to that final decision.

Mr. Peter Stoffer: And the final minister who signs off on this is the trade minister, Mr. Emerson. Is that correct?

Mr. Gilles Gauthier: Well, as a whole, it is Canada that....

Mr. Peter Stoffer: Yes, but he is the one minister who actually says "Okay, we're done, this is it. We agree."

Mr. Gilles Gauthier: With the appropriate support of his colleagues in cabinet, of course.

Mr. Peter Stoffer: Right.

With regard to indigenous exemptions, both professors agreed that there should be indigenous exemptions when it comes to these talks, not just protection of some aboriginal programs.

Will Canada be arguing for indigenous exemptions when it comes to these fishing talks?

Mr. John O'Neill: We have not, as yet. The programs that exist in Canada for aboriginal fishers are of the nature of programs in support of small-scale fishing. The rationale that we use in demanding such an exemption is the fact that we have indigenous fisheries and we need to cover those off some way.

Mr. Peter Stoffer: Why not just ask for the exemptions?

Mr. John O'Neill: We can certainly ask for anything, and that may be something that's palatable and something that we can explore.

Mr. Peter Stoffer: I hope you explore it well.

The other point I have is on the scenario I used the other day. If we want to reduce our fishing effort within Canada—so Canada does the buyback program, and I buy out all my colleagues here with government money to get them out of the fishery, yet I remain as the fisherman, and now I have access to that resource and in many ways that's a benefit to me because my competition's gone now—would that buyback program be considered a subsidy?

• (0940)

Mr. John O'Neill: I think the missing link, from what I can see of the transcript from last week, was with government money—

Mr. Peter Stoffer: Yes.

Mr. John O'Neill: —and there was a debate between the two witnesses.

Mr. Peter Stoffer: Yes. They were divided on that opinion.

Mr. John O'Neill: Depending on how the government money you're talking about is structured, it's very likely, yes. Unless it involved loans at truly market rates, then it is a subsidy.

Mr. Peter Stoffer: No, I'm just basically saying if we believe the argument that there are too many boats chasing too few fish, we need to reduce the effort. So one of the ways the government can do that is to buy them out. The federal government says okay, Mr. Allen, Mr. Keddy, Mr. Kamp, here's x number of dollars, now out you go—and by the way, Mr. Stoffer, you get to remain.

The reason I say that is because the Mifflin plan in B.C. was similar to that. They stacked the licences and basically you had to eat or become eaten, and half the fleet was gone literally overnight. The people who were left were told that they'd be successful and everything else, but it didn't quite work out that way.

So if government uses direct tax dollars to buy someone out and indirectly benefits someone else, that could be considered a subsidy.

Mr. John O'Neill: First of all, it wouldn't be indirectly, because under your scenario they would be giving you the money to buy out the licences. Now, as I said—

Mr. Peter Stoffer: No, not me, the government directly buys them out—that's it, he's gone now. Now I'm left. That means I have more access to the resource. My competition has been bought out.

Mr. John O'Neill: So it's truly a restructuring and a redistribution of quota.

Mr. Peter Stoffer: Yes. The reason I say that is because—

Mr. John O'Neill: I can see why the expert witnesses were perplexed. That's difficult to say right off the bat whether it is or not.

Mr. Peter Stoffer: The reason I say this is because that's more or less what the Marshall decision did. They bought enterprises from non-aboriginal fishermen and turned them over to communal licences in the 34 bands within Atlantic Canada. Could that be construed as a bit of a subsidy?

Mr. John O'Neill: I'm not sure of the particulars. I understand that program basically has run its course.

Mr. Peter Stoffer: Yes.

Mr. John O'Neill: We haven't really looked at those programs that are not going on in the future—

Mr. Peter Stoffer: The thing is, though, it could happen again.

Mr. John O'Neill: —so I don't know the particulars of how it—

The Chair: Your time is up, Mr. Stoffer

Mr. Kamp.

Mr. Randy Kamp (Pitt Meadows—Maple Ridge—Mission, CPC): Thank you, Mr. Chair, and thank you, gentlemen, for coming.

I appreciate the opportunity to continue, I think, to provide some clarity to this. I don't want, in the brief time I have, to talk about the substance of the draft text at this point. Perhaps some of my colleagues will do that. I just want to make sure we really understand the process.

The Doha Round, as I understand it, is divided into five sections, and one of those sections is about rules. Fisheries subsidies is one of the areas we're looking at in terms of rules, and I'm sure agriculture subsidies and so on are part of these negotiations as well. My understanding is that even though there are these five areas in the Doha Round, it's not possible for the rest to fail and somehow some declaration on fisheries subsidies, on its own, come out of this round. My understanding is—and you can correct me if I'm wrong—that the round is a totality and that it either succeeds or fails in totality. Is that right or not?

Mr. Gilles Gauthier: You're absolutely correct. The WTO operates not only on a consensus basis but also it is what we call a single undertaking. So all the issues that are in negotiation have to move together to a final decision.

Mr. Randy Kamp: It seems I'm hearing from some who seem to think that what's being worked on is a fisheries subsidies document, and somehow it could make it if everything else failed in the Doha Round—and certainly it has had its difficulties after the last number of years in reaching consensus on a wide variety of issues. This is only one of them.

You mentioned as well that decisions are made by consensus, so that means if consensus can't be reached, then the round would fail. And is the failure of the round still a possibility, in your view?

●(0945)

Mr. Gilles Gauthier: It's hard for me to speculate on the outcome here. What I would say is that countries are fully engaged in the discussion. A number of issues are at play, and it is difficult to see how one particular topic can be hived off because it may be of interest to a few members but not to the rest; you need to have sufficient support across the board to try to arrive at a consensus at the end of the day.

The issues are complex, but the effort remains there, because overall I think it is in Canada's interest to have a strong and effective multilateral trading system, since we are one of the largest trading nations in the world.

Mr. Randy Kamp: With respect to the fisheries subsidies discussions, I assume they've been going on since 2001 as well. Is it accurate to say that the chair's draft text was produced because the group was pretty seriously divided on a number of issues, and it wasn't heading towards any consensus on what the text should be?

Mr. John O'Neill: That is correct. That's a very concise summary of why it was produced.

Mr. Randy Kamp: So he just went ahead and produced something more or less as a discussion document to try to crystallize some of the lack of consensus. In your view, is the group still pretty seriously divided on these issues?

Mr. John O'Neill: They are probably more so, on some of the issues; yes.

Mr. Randy Kamp: There are eight articles in this draft text, and they're doing a run-through article by article. Is that right?

Mr. John O'Neill: Correct.

Mr. Randy Kamp: Are they bracketing and expressing their disagreements?

Mr. John O'Neill: It has been a process of the members making statements on each and every article and the chair taking notes. There have been a number of calls already for a revised text that reflects the discussions we've had, but the chair wants to complete what he calls his first reading of all of the articles, and we haven't quite finished that in either anti-dumping or in fishery subsidies.

Mr. Randy Kamp: How many articles have been completed so far?

Mr. John O'Neill: Of the fishery subsidies, of the eight articles, we've done article 1, article 2, and article 5. We've had some discussions on the special and differential treatment in article III and a very brief discussion of the general prohibition or adverse effects provision in article 4. There has not been very much discussion of the rest of the articles. Those are the administrative parts, such as notification and dispute settlement, which are still very important.

Mr. Randy Kamp: So there's still—

Mr. John O'Neill: There's still a lot of work to do.

Mr. Randy Kamp: —a lot of work to be done.

In a newspaper article, one of our committee members is reported as saying it worries him that no objections have been made by Canada to these rules. He's referring to some of the things that bother him. Would you take issue with the statement that no objections have been made by Canada to these rules?

Mr. John O'Neill: Yes, I would. As I stated last week, we have made numerous interventions during the negotiating meetings and in meetings with the chairman, particularly about the income support and port infrastructure and about the lack of an exemption for programs in support of small-scale fishing. We've made those several times.

Mr. Randy Kamp: In terms of the timeline in that same article, individuals are encouraged by this member to write their MPs. It says, "Once April comes and Canada gives its nod to these WTO rules, the room for negotiation or to voice protest is next to non-existent". What's likely to happen by April, as you see the process unfolding?

• (0950)

Mr. John O'Neill: Right now there isn't a meeting scheduled yet to continue the fishery subsidies discussions. We hope there will be one in early April, and then once the first reading of the entire text has been done, the chair has said he will produce a first revision. He has even said it will be the first of probably many.

Mr. Randy Kamp: It sounds like all three of you are saying that it certainly wouldn't be as simple as Canada giving its nod of approval to the draft text.

Mr. John O'Neill: To this draft text?

Mr. Randy Kamp: Yes.

Mr. John O'Neill: No, neither for Canada nor many other countries in the world. It's not in that shape. It certainly is nowhere close to a final text.

Mr. Randy Kamp: Okay.

If there's more time, I think Mike has one question.

The Chair: You have about a minute and a half, Mr. Allen.

Mr. Mike Allen (Tobique—Mactaquac, CPC): Thank you, Mr. Chair.

I just have a quick follow-on to that. If Canada and one or two other countries have a significant issue with any of these, whether it be income support or infrastructure, or whatever it happens to be, even in the next revision in the text, by definition of consensus it's not going to go forward if two or three countries don't agree. Is that true?

Mr. John O'Neill: At the end, after the next revision, I fully expect I won't get everything I want. If I do, then I will be very happy; but I expect that I will have to negotiate through several revisions of this text to achieve my objectives.

In the end, if I don't, it will go to senior officials and eventually to ministers. If the ministers do not agree, it will not be approved by the members. The WTO doesn't approve anything, but the membership do.

Mr. Mike Allen: Okay.

You made an interesting statement about aquaculture and inland fisheries, putting a "but" in your statement. I think the words you used were "to ensure that aquaculture and inland fisheries do not sneak back into the text". Was there a time when that was in the text?

Mr. John O'Neill: No, it was never in the text, because this is our first draft, but it was something that was discussed early on. I won't

say there was consensus, but basically the vast majority of the members in the negotiations had agreed that the subsidy rules existing under the agreement on subsidies and countervailing measures were adequate to deal with any subsidy issues in aquaculture or inland fisheries.

Mr. Mike Allen: Okay.

The Chair: Thank you, Mr. Allen.

We're going to a second round of five minutes each.

Mr. MacAulay.

Hon. Lawrence MacAulay (Cardigan, Lib.): Thank you very much, Mr. Chair.

Welcome, gentlemen.

I'm certainly pleased that my good friend Mr. Kamp keeps on top of my press releases. That's good.

I don't recall saying there would be no possibility, but we did have witnesses before the committee who indicated that we're getting well down the road and that Canada has probably not been as strong at the negotiating table on these issues as it should have been. So I guess we have to listen to witnesses.

One question I would like to ask you is that if this should go down the road, and there are declines in the fishery, and those types of things, can this have an effect on who rules on the subsidies? What I'm thinking about is the lobster fishery, where you have some areas that have declined and need employment insurance and the small craft harbours programs, and those types of things that are in place.

Could this have an effect down the road if it is adopted?

Mr. John O'Neill: I'm not sure I understand your question.

If there's a decline in the fisheries—

Hon. Lawrence MacAulay: Yes.

Mr. John O'Neill: —would the subsidy disciplines, or whatever might eventually be agreed to, hamper assistance?

It would depend on the type of assistance and on what is eventually agreed to.

Hon. Lawrence MacAulay: Obviously, then, gentlemen, you feel there is not a great problem with our subsidies.

I have two questions. If there is no problem, why do all of the things that are so important to the inshore fishery end up in the red box? If I understand correctly, that box is hard to negotiate out of.

Also, I would like to ask you, has anybody at the Department of Fisheries and Oceans been clear that subsidies are not a problem with overfishing in this country?

• (0955)

Mr. John O'Neill: I'll answer the first part of that.

There are a number of subsidy categories in the “red box”, as some people call it. It's our job to negotiate things out of that, and/or to put things into the green box. Is it easy? No, but that's what our job is. And Canada is not alone. We're working with like-minded members to get what we want out of this prohibited red box, if you will, and into either a green or amber box.

Hon. Lawrence MacAulay: But DFO does not promote the view that subsidies are a problem in the decline of any fishery in this country, which, in my opinion, if they did, would have a very negative effect. Just ask them.

In essence, they are supporting the removal of the subsidy programs out of the red box, and by that, they're not indicating that subsidies are a problem.

Can I ask that question?

Mr. John O'Neill: The Government of Canada's position has been developed—and this goes a little bit to Mr. Stoffer's question, I guess—by interdepartmental committees, which have discussed all of the proposals that have come out over the last six years regarding the chair's text, and we do not feel that income support programs add to overcapacity or overfishing, or that they actually belong in the scope of these negotiations.

Hon. Lawrence MacAulay: Thank you very much, Mr. O'Neill.

The Chair: You have one minute left out of your five minutes.

Mr. Scott Simms: How much time do I have left?

The Chair: One minute and fifty-four seconds, to be exact.

Mr. Scott Simms: That's not bad.

I'm going to focus on article 8 for a moment. Article 8 is part of the SCM, or subsidies and countervailing measures agreement, which came out of GATT 1994. Is that correct?

Mr. John O'Neill: Article 8 deals with additional provisions to the dispute settlement understanding that came out of GATT in 1994.

Mr. Scott Simms: Okay.

That brings me to this point: in the House of Commons, the minister talked about the fact that because this is bracketed material, it's not necessarily written in stone, per se.

Now, my understanding is that the brackets are suggestions used by the chair. So would you say that article 8 is entirely under discussion right now, as brought forward by the chair?

Mr. John O'Neill: The whole text is in brackets, starting at the beginning of one bracket. The chair made it clear in his introductory note to his text that everything is bracketed.

Mr. Scott Simms: But it shouldn't be taken lightly, is that correct?

The Chair: No buts.

Mr. Blais.

[*Translation*]

Mr. Raynald Blais: Thank you, Mr. Chair.

I appreciate your frankness. In any case, this is how I feel about your answers. Now, let me be equally frank. The situation is very worrisome to me; I do not know about you, but this is my case. In my personal experience, negotiations always begin with a text, a

subject, or a fact, and then the bargaining follows. In the text that is currently being negotiated, three specific points are totally unacceptable to you. How can we negotiate? You are a negotiator, you have the experience. How can we be satisfied with negotiating a text that we would like withdrawn altogether? I feel that this is a very bad way to start negotiating. In other words, it means that the negotiations will bring about a situation that would be slightly less painful. But I do not want to hear anything about a “slightly less painful” situation. It is as simple as that. In that sense, how can you mitigate my worries, my concerns?

• (1000)

[*English*]

Mr. John O'Neill: First of all, yes, there are some parts of this text that we do not like, in the fisheries subsidy section and in the anti-dumping and the trade subsidies. There are some parts in all of these texts that we don't like. There are many parts that we do like, including in the fisheries subsidies.

We like the exemptions that are in article 2. We like the fact that special and differential treatment that developing countries may get will not extend to high-seas fisheries as they very much wanted to. We like that everything hinges on the fact that countries that provide any subsidies must have a very good fisheries management regime. We like the fact that it calls for a great deal of transparency, and any country that does offer subsidies has to notify those subsidies to the WTO. There are opportunities for peer review of fisheries management issues. There are a great number of things in the text that we like.

So we aren't starting with a text that Canada rejects completely. We are starting with a text where we have some problems and many areas we're happy with. That goes for all three sections of this rules negotiating text, and quite certainly it goes for all the draft text that is being discussed in other areas of these negotiations.

We aren't in there with our back up against the wall. We can move. We are working with like-minded countries to achieve Canada's objectives.

[*Translation*]

Mr. Raynald Blais: I am coming back to the question that I wanted to put earlier, but I had no time to put it because the chair stopped things right there. It has to do with the way things work on departmental and interdepartmental levels. If I understand correctly, four departments are involved in these negotiations: the Department of Foreign Affairs and International Trade, the Department of Fisheries and Oceans...

A member: The Department of Industry.

Mr. Raynald Blais:...and the Department of Finance. It that all? Are there any other departments?

A member: How about Industry?

Mr. Gilles Gauthier: Of course, in fact, several departments are involved in the discussions. Clearly, the Department of Agriculture is in charge of all agricultural issues. With regard to trade...

Mr. Raynald Blais: But what does this mean in terms of this file?

Mr. Gilles Gauthier: In terms of this file, this is, in fact, the case. We must note the fact that the activities of the WTO, as a whole, involve a vast variety of different fields. Therefore, there is always some interest that goes beyond merely private interest.

Mr. Raynald Blais: The one who is in charge of managing all of that is Mr. Emerson, the Minister of International Trade, I think? Did I understand correctly?

Mr. Gilles Gauthier: Minister Emerson is in charge of International Trade, which includes Canada's obligations towards the WTO. Obviously, he must have...

Mr. Raynald Blais: He works in collaboration with the...

Mr. Gilles Gauthier: He works in collaboration with all his cabinet colleagues.

Mr. Raynald Blais: However, he is the one who takes responsibility.

Mr. Gilles Gauthier: Ultimately, Canada will sign the agreement if we find that it is in Canada's interest to do so. The ministers will make this decision in due time.

[English]

The Chair: Thank you, Mr. Blais.

Mr. Stoffer.

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

My colleague Mr. Kamp asked a question about the totality of this discussion. How many different issues are being discussed at this? You have fisheries; you have agriculture. How many other subjects are being discussed? Is it a variety?

Mr. Gilles Gauthier: Yes. Agriculture is one of the top ones. Then you have tariff negotiations on industrial goods, or on fisheries products as well, so you have a negotiating group on that. You have a negotiating group on rules; you have a negotiating group on trade and the environment; you have a negotiating group on trade facilitation, all the custom related matters; and you have a negotiating group on trade in services.

Mr. Peter Stoffer: So once all those discussions are done, at the end of the day, hopefully a consensus can be made, you sign off, and Bob's your uncle. That means there have to be trade-offs. You may not get everything you want in this particular area, but you have to weigh out the consequences—if we give this up, we get this, and there's a balance—right?

Although when you first spoke I was feeling better than I did the last time I saw you, I'm a bit concerned now, because the concern that I hear from fishermen is will they give up something in order to benefit another industry in Canada?

In these negotiations, there's give and take, back and forth. One of the concerns that the world countries have is our supply management system. They don't like it in agriculture. We do, but they don't. If we went out and said that under no circumstance will that be touched,

and then they said, okay, Canada, but you have to give us something, could that be in the fishery?

I know it's presumptuous to say that, but that's how the negotiations go. There's give and take on both sides. Is it possible that we could sacrifice certain aspects of the fishery to benefit another industry?

● (1005)

Mr. Gilles Gauthier: I'm not aware of any country around the negotiating table that does not have sensitivities as well. The challenge of these negotiations is how to deal with the sensitivities that all countries have.

Mr. Peter Stoffer: I know the challenge it would be to have to negotiate through the media. I can appreciate the difficulty.

One of the concerns of the fishing groups and first nations groups I've spoken to is that they're completely caught off guard by these negotiations. Is it not possible to have more of a consultative process for those who are most affected by these negotiations? At least let them know that Canada is going to these talks and will be talking about fisheries, farming, or something of that nature. Is it not possible to let them know in a more public nature that these discussions are happening, so people don't run off half-cocked and get kind of scared?

Mr. John O'Neill: Our first round of consultations on anything is always done interdepartmentally in the federal government. We go to provincial and territorial governments and industry associations. We don't go out to individuals.

On the DFAIT website have a negotiations web page that is available to any Canadian. We receive input from anyone who wants to provide it. But we go out to make sure that industries affected by negotiations are aware of them and have the opportunity to let us know their issues.

Mr. Peter Stoffer: That's industry, but I speak to groups like PEIFA, NFU, FFAW, and FFAWU, and they weren't consulted on these talks. Who in industry are you talking to? Is it the big guys? None of the aboriginal groups were consulted. I spoke to Phil Fontaine the other day, and they were completely caught off guard by this.

Mr. John O'Neill: We consult with DFO on aboriginal programs and the provinces.

Mr. Peter Stoffer: Are those internal discussions?

Mr. John O'Neill: There are internal discussions in the federal government and with provincial and territorial governments.

Mr. Peter Stoffer: But they're not with the actual people themselves.

Mr. John O'Neill: We consult with the people who have the programs that could be at risk.

Mr. Peter Stoffer: That's my great fear, sir. You're going overseas to have negotiations that directly affect individuals' lives, and most of those individuals have not been consulted. Having discussions with other government leaders and major industry players is not what I would call consultations with the rank-and-file fishermen in these small communities, especially in Atlantic Canada, parts of northern Canada, and the west.

If the major unions representing fishing groups have not been consulted, why weren't they?

Mr. John O'Neill: I would have to check to see whether they were. I don't recall that. It could have been in the early days. I'm not sure whether unions in particular were consulted. I have a list of some 300 names of associations, etc., that were consulted on these rules of negotiation.

Mr. Peter Stoffer: Can you supply us with that list?

Mr. John O'Neill: Sure. It's a mailing list.

Mr. Peter Stoffer: That would be great. Thank you.

The Chair: Thank you, Mr. Stoffer.

Mr. Keddy, you're on.

Mr. Gerald Keddy (South Shore—St. Margaret's, CPC): After listening to my NDP colleague, I'm trying to figure out where to start my line of questioning. I'm going to have to consult with a bunch of people before I ask.

I want to review a little of what we have learned here today. I'm extremely concerned that the NDP wants to have a first nations exemption and do away with the Marshall agreement in Nova Scotia. It for the first time allowed first nations into the fishery without increasing the effort because they bought up existing licences. So they're a legitimate part of the fishery based on conservation. If we go away from that we'll be getting into a serious problem here. It would be a serious problem everywhere.

•(1010)

Mr. Peter Stoffer: Point of order, Mr. Chair.

Mr. Gerald Keddy: There is no point of order.

Mr. Peter Stoffer: If a committee member says something that's completely false, that's not right. I never said that, sir. I said—and the other professors agreed—that we should have indigenous exemptions to the grounds.

The Chair: Hold on, now; hold it. Order.

You can take it outside if you want to, but we're going to finish up here with the questions.

Mr. Gerald Keddy: I would be very concerned about indigenous exemptions. In Nova Scotia we've done a good job of bringing first nations into the fishery without increasing effort; and I would expect that with the way the Marshall decision works in Nova Scotia, it would be acceptable to the WTO, because it's based on conservation and doesn't increase effort.

Mr. Ruseski, would you or someone else want to answer that, based on the knowledge that you may have? I'm not expecting you to be the expert on the Marshall decision, but that's how it works: it's based on conservation and doesn't increase effort.

Mr. Gorazd Ruseski: My understanding of the way that program operates is that it is intended to be capacity-neutral.

Mr. Gerald Keddy: Absolutely.

Mr. Gorazd Ruseski: With that in mind, that would certainly be the position of DFO and the position of Canada in these negotiations that those kinds of programs, particularly where they are designed to be capacity-neutral, should not be part of the prohibitions that are described in this first-draft chair's text.

Mr. Gerald Keddy: Thank you.

My next question—I realize I have limited time here—is on employment insurance, and it's a topic that I think all of us on the committee have some concern about. Employment insurance is an income subsidy put out there for seasonal workers. It's applied to many areas in Canada. It's applied to industry and in a number of different areas. It doesn't work any differently in the fishery, and it does not increase effort in the fishery.

I've heard some comments that somehow employment insurance is being changed. We have a draft agreement that's subject to change and that every country will want to haul things out of, including such things as supply management. I've been through the supply management debate for the last seven years, since the Doha Round, and supply management is still there. It's supported by the previous government, it's supported by this government, and it's not about to be given up.

I think we have to deal with the actualities here, not the possibilities of what could happen three rounds down the road. And at this time, I would expect that the government, and the minister in particular, would recognize that EI is part of the Canadian fabric and is something we would want to protect. Have you any reason to believe otherwise?

Mr. John O'Neill: No, sir. As I've stated, it is Canada's position that income support, or all social safety net programs, do not properly belong within the mandate of this negotiation.

Mr. Gerald Keddy: My next question becomes one of...

Do I have time?

The Chair: Well, you can have a short one.

Mr. Gerald Keddy: With regard to capacity and the inshore fleet, the question was brought up about buying out licences. As long as you're not increasing your capacity to catch, as long as you're not increasing your TAC, what difference does it make to our negotiations—if you have one fisherman or ten fishermen—as long as you haven't increased, you're still based on conservation, and you haven't increased your TAC?

Rationalization is something that's been occurring in a number of the fleets.

Mr. John O'Neill: That's right. There are a number of—

Mr. Gerald Keddy: And I don't see it prevented by these negotiations.

•(1015)

Mr. John O'Neill: We would be working to make sure it isn't; rationalization is something that's needed in the fisheries sector around the world, and something that all countries recognize has to happen.

Mr. Gerald Keddy: Especially in the high-seas fleets; we have a number of—

The Chair: Thank you, Mr. Keddy.

We're done here, but we'll leave the floor open to our guests. Would either of you want to make some closing remarks, or on behalf of the others? No?

Mr. John O'Neill: Thank you.

Thank you.

The Chair: We thank you once again for your appearance here today. You certainly have given us some food for thought.

We're going to take a short recess and return to some committee business.

[Proceedings continue in camera]

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