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Chair

The Honourable Rob Merrifield

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• (1545)

[English]

The Chair (Hon. Rob Merrifield (Yellowhead, CPC)): Thank you very much. I will call the meeting to order. We want to thank our witnesses for coming forward. We're continuing our study on the Trans-Pacific Partnership and the benefits that are there for Canada. We have Rick White, the general manager of the Canadian Canola Growers Association with us today, and Jim Everson, the vice-president of government relations from the Canola Council of Canada.

We want to thank you for coming in. I know we have a little bit of an abbreviated time slot here, but we'll try to make the best of it. I'm not sure which one of you wants to go first.

Rick, go ahead. The floor is yours.

Mr. Rick White (General Manager, Canadian Canola Growers Association): Thank you, Mr. Chairman, and good afternoon to members of this committee. Thank you for inviting me here today to speak about the Trans-Pacific Partnership or TPP.

The TPP is a significant opportunity for the canola industry and canola growers to gain access to a growing trading region. Equally important, it is an opportunity to establish science-based policies that deal with non-tariff trade barriers amongst a block of countries. Specifically, this includes low-level presence, or LLP; maximum residue level tolerances, also known as MRLs; and approved processes for biotech crops.

Canola is an incredibly important economic and agronomic contributor to 43,000 canola farms that span this country. CCGA represents these 43,000 canola growers and is governed by a board of farmer directors representing the provinces from Ontario, west to B.C. Canola is a Canadian success story, increasing from marginal production in the early 1980s to becoming the number one cash crop in the country, now contributing \$15.4 billion to the Canadian economy annually. Over 14 million tonnes were produced in the last crop year alone and the industry has set a goal to increase production to 15 million tonnes by the year 2015. That goal may even be surpassed this year, two years early.

The canola industry is highly trade-dependent, exporting 85% of seed and canola products on an annual basis. Therefore, much of canola's current, as well as future, success is directly related to our ability to access and compete in global markets. With a large and ever-increasing population, the Asia-Pacific region continues to grow in economic importance and is a priority market for Canadian canola products. CCGA believes that establishing free and open trade with the TPP member countries will provide a significant

opportunity to the canola industry and canola growers. Together, TPP countries represent 51% of Canada's agrifood exports. For the Canadian canola industry, this represents \$2.9 billion in canola exports.

For a TPP agreement to really provide benefits to Canadian canola growers, it must address both tariff and non-tariff barriers to trade. In terms of tariffs, Canadian canola products currently face tariff issues in two of the TPP countries: Vietnam and Japan. This results in canola being less competitive in comparison to other oils such as palm, sunflower, and soy, and puts Canadian farmers at a competitive disadvantage. In addition, Japan and Vietnam have higher tariff rates on oil versus seed in order to protect their domestic processing industries.

This type of policy reduces the growth potential of Canada's value-added industry and its positive economic impact. For example, the tariff on canola oil in Japan can be as high as 20% versus a 0% tariff applied to seed. CCGA would like to see this market distortion eliminated by zeroing out the oil tariff.

Beyond reducing or eliminating tariffs, a TPP agreement must also deal with several non-tariff trade barriers. Non-tariff trade barriers have the potential to significantly disrupt trade and therefore directly affect the competitiveness and profitability of Canadian canola farmers. Canadian farmers are some of the most technologically advanced in the world, but non-science-based trade barriers limit the ability of growers to use and profit from technology. The ability to access and adopt new technology is vitally important to Canadian canola growers' ability to compete.

TPP negotiations represent a significant opportunity to establish enforceable and transparent trade policy that is aligned across a block of nations in the areas of LLP, MRLs, and biotech approvals. The importance of establishing transparent and science-based policy in these areas cannot be overstated. Yet TPP negotiations currently represent Canada's best opportunity to advance these issues in a very meaningful way.

In order to feed the world's growing population and at the same time ensure Canadian canola growers remain profitable and contribute to the Canadian economy, farmers must continue to adopt new and innovative technologies. This includes new crop protection products as well as new biotech traits. Crop protection products, which include herbicides, fungicides, and insecticides, are critically important tools in a farmer's production toolbox. They allow farmers to produce more per acre by helping to control yield-robbing weeds, diseases, and insects. Advancements in science are continually facilitating the introduction of new crop protection products that are more targeted, less expensive, easier to apply, or offer a different mode of action that aids in the effort to reduce weed resistance.

However, our trade rules are not set up to facilitate undisrupted trade with the ongoing introduction of new crop protection products. Importing countries can take years to establish legal tolerances for residue levels and often countries have near-zero tolerances for residues of products they have not yet approved themselves. To be clear, though, once a product is approved and an MRL is established in an exporting country, it becomes an issue of regulatory alignment, and is not a health and safety issue at that point. A TPP agreement should support cooperation in setting scientific, risk-based MRLs, thereby encouraging alignment between trading partners.

Another significant non-tariff trade barrier affecting canola growers is the approval of biotech traits. Every country is responsible for the regulatory approval of new genetically modified events. Unfortunately, the lack of consistency, and in many cases, lengthy approval processes, often results in non-tariff trade barriers that delay access to new technology, or in some cases, create disincentives to adopting new technology.

Through the TPP process, CCGA would like to see a commitment by the member countries to make regulatory system improvements that provide a clear and predictable approval process for canola and other events. In addition, this regulatory renewal should ensure a timely and synchronized introduction of new crop genetics to prevent non-tariff trade barriers and trade disruptions. This would require TPP countries to work towards synchronized approvals of new biotech crops as well as mutual recognition of scientific risk assessments.

In addition, with an ever-increasing number of genetically modified crops being grown around the world, there is the risk that the unintentional presence of genetically modified materials, which are approved in the country of export but not yet approved in the country of import, could disrupt trade, similar to the situation that arose with Triffid flax in Europe. It is very important that countries around the world adopt a consistent LLP policy to prevent this type of disruption to trade. As you are aware, the Government of Canada is currently developing a domestic LLP policy that would be applied to unapproved events found in shipments to Canada. CCGA fully supports the Government of Canada in these efforts.

The TPP is a prime opportunity to pursue the discussions around LLP, with the goal of putting in place an LLP policy that is consistent across all TPP member states, to help prevent future trade disruptions that will directly impact the competitiveness of Canadian canola farmers. In closing, I would like to make a brief comment on the Canada-Japan bilateral trade negotiations.

Although Japan is set to join the TPP negotiations this summer, CCGA believes it is still in our competitive interests to continue to aggressively pursue a bilateral trade agreement with Japan. Japan is a very important and consistent market for Canadian canola. They were one of our first, and continue to be one of our longest-standing international customers for canola seed.

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

● (1550)

The Chair: We all look forward to questioning you, but before that, we'll give the floor to Mr. Everson.

The floor is yours.

Mr. Jim Everson (Vice-President, Government Relations, Canola Council of Canada): Thank you very much.

Rick has done a really excellent job of covering a lot of the ground, so I'll try to cut back on my presentation, because we are entirely in sync—the Canola Council and the Canola Growers Association—in terms of the policy issues that Rick worked through there.

Good afternoon. I represent the Canola Council of Canada.

I will just make a brief mention of the council. It is a value chain organization that represents the entire canola sector in Canada, so the same 43,000 growers that Rick represents are part of the Canola Council of Canada, as well as the seed developers, the crushers who process the seed into oil and meal, and the exporters who export canola as a grain for processing at its destination. The Canola Council is a vehicle through which the industry comes together to set objectives and implement plans for the entire sector.

Canola returns the highest value to farmers of any crop in Canada. The industry supports 228,000 jobs, and as Rick mentioned, contributes \$15.4 billion to the Canadian economy annually. Our industry has doubled production in the last 10 years. This expansion has brought with it significant investment in rural communities. For example, there has been more than \$1.6 billion spent in crushing and processing capacity over the last six years, reflecting the confidence in the opportunity provided by the sector.

Importantly, this income and this economic impact are generated mostly from international trade. More than 85% of the canola we produce in Canada is exported as seed, oil, or meal, bringing in close to \$10 billion from exports in 2012. Our industry provides a heart-healthy canola oil and a high-quality animal feed protein to the markets that want it the most.

Our industry succeeds because we are competitive internationally. We've done best in markets that are free of tariffs and non-tariff barriers, where we can compete evenly. Government, through diplomacy and trade negotiations, has a very big role to play in growing and maintaining market access. The government's support of international trade and market access for canola and other agricultural commodities is welcomed by our sector.

Getting the most value from international markets by removing trade barriers means more economic growth, more jobs, and more prosperity for communities across Canada. This is what the TPP offers our industry—more value from international markets by eliminating tariffs and by making trade more predictable with science-based regulation.

I'll talk for just for a moment on trade. Our primary focus in the TPP would be to eliminate any tariffs that remain for canola seed, oil, and meal. Tariffs tax our exports and make them more expensive for consumers in the importing country. It's important to the canola industry that canola is competitive with other oil seeds and that tariffs for oil and meal—value-added products—are not higher than for seed. Eliminating tariffs is the base for a strong canola in export markets. Major markets for canola in the U.S., Mexico, and Japan have all developed in zero-tariff environments.

Japan, for example, has been a long-term and valued customer for canola seed. Our exporters have tariff-free access and can compete with other oil seeds. The result has been that canola has a very high market share in Japan. More than 40% of all vegetable oil consumed in Japan is canola oil, but as Rick mentioned earlier, we've shipped practically no oil to Japan because of restrictive tariffs, and this means that the economic activity that I was talking about earlier, with the new investment in Canada in crushing facilities associated with value-added processing, happens in Japan and not in Canada. The TPP provides an opportunity to address tariff escalation in some countries.

I was also going to speak about a number of the same issues related to non-tariff trade barriers that Rick spoke to. These include low-level presence policies for accessing markets, guaranteed access to markets in a world where there are more and more GM—genetically modified—products, and maximum residue levels. But Rick has outlined those pretty clearly, so I think that perhaps I'll skip that and just come to the conclusion.

I would just reinforce that access to international markets without trade barriers is critical to the canola industry. Canada's participation in free trade negotiations with 11 trade partners is very welcome. We call on the committee to recommend that our Canadian negotiators seek an agreement that eliminates tariffs on canola and canola products. That includes enforceable sanitary and phytosanitary commitments, and commitments to facilitate trade in the areas of crop protection products and biotechnology.

With that, I look forward to questions, Mr. Chairman.

•(1555)

The Chair: Thank you very much. I appreciate that.

We'll now move to the questions and answers. I believe we'll start with Mr. Davies.

Mr. Davies, go ahead.

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

Thanks to both witnesses for being with us today and sharing their knowledge and expertise.

At the outset, I just want to say, on behalf of the official opposition, how proud we are of the canola industry in this country. I think it's been an enormous success. It's been an increasing source of our export strength. I want to commend you and the members you represent for the fine work you do and the contribution to our economy.

I want to start with some general issues around the transparency of these negotiations, which has been an issue. Many of us feel that the TPP is not being conducted with the kind of transparency and accountability that we'd like to see in negotiations. I know there are similar issues in the United States, where some 600, I guess, private interests are allowed to see the text and get information about the Americans' TPP negotiations, but Congress and the rest of the American public are not. A similar issue I think exists, at least from our side of the House, in Canada.

Have either of your organizations received briefings from DFAIT or been asked for your input into the TPP talks?

Mr. Rick White: From the perspective of the Canadian canola growers, yes, we've had input, direct to DFAIT and negotiators, on what canola growers would like to see out of this deal. Some of the material that I went through today is the same message that went to the negotiators.

So yes, we've had very good access to them.

Mr. Don Davies: Thanks.

And at the Canada Council...?

Mr. Jim Everson: Yes, we've been briefed by the government, and have provided our brief to them.

Mr. Don Davies: Were your organizations required to sign confidentiality agreements?

Mr. Rick White: I personally have signed a confidentiality agreement to talk to the negotiators in a more negotiating-strategic discussion, but again, the messaging is clear. They know what we need, and so we're there in an advisory capacity to help them understand what it may mean to us.

But I have signed a confidentiality agreement on some of the finer details.

Mr. Don Davies: Mr. Everson, has the Canola Council of Canada signed a confidentiality agreement?

Mr. Jim Everson: I have on behalf of the Canola Council of Canada, yes.

Mr. Don Davies: Okay.

The U.S. Congressional Research Service pointed out in April of 2013 that one of Australia's TPP negotiating objectives, supported by New Zealand, is to secure discipline over other TPP countries' use of export subsidies, official export credits, and food aid in support of their agricultural sectors.

Are any of those areas things that the Canadian canola sector has at risk in these negotiations? Do you receive any official export credits, food aid, or export subsidies that might be the target of, say, aggressive action by Australia and New Zealand?

• (1600)

Mr. Jim Everson: No, not that I know of. It would certainly be a general policy goal of the Canola Council to eliminate export subsidies that would disrupt trade in canola in other markets.

Mr. Don Davies: Okay.

Labelling has been an issue, I know, in terms of accessing the European market for canola products. Are there any issues with labelling? Particularly, are any countries taking a position that Canadian canola products would have to be labelled in terms of their GMO designation? Is that an issue that will arise in the TPP, to your knowledge?

Mr. Rick White: Not to my knowledge, but again, it's not a topic that has come up. To my knowledge, I don't believe it's under discussion.

Mr. Don Davies: Mr. Everson?

Mr. Jim Everson: The same answer.

Mr. Don Davies: Okay.

We know that the numbers in TPP are changing. There are 11 countries, soon to be 12, including Canada. Canada already has free trade deals with four of the current TPP members, the United States, Chile, Peru, and Mexico, and we are negotiating with Japan.

Some of the figures we've seen indicate that, leaving Japan out for a moment, the other six countries—Australia, New Zealand, Malaysia, Singapore, Brunei, and Vietnam—account for less than 1% of Canada's exports. Do you see, in terms of that 1% export share, room for growth with respect to those countries in terms of increasing exports from the canola sector?

Mr. Jim Everson: What's really important about having 12 countries all negotiating in this way is the potential for having to set precedents in terms of advancing good trade policy and good treaties. So it's about tariffs, but it's also about the number of issues on the non-tariff side that Rick articulated in his opening statement, and the opportunity to have a trade bloc.

This is more challenging than a bilateral environment, where you're just negotiating with one country. If you're negotiating with 12 countries, particularly in TPP, where a number of those countries are major grain importing or exporting nations, and you're able to look at those issues that inhibit trade—both importing and exporting of grain products—in the family of countries and make some decisions that make the regulatory environment more coherent, more transparent, and more open to understanding for business for both importers and exporters, then there is some real value in that in terms of developing new trade policy in the future.

Mr. Don Davies: Of the four countries I mentioned that we do have agreements with—U.S., Mexico, Chile, and Peru—do we have any trade barriers or tariff issues with any of them or are things settled from a trade perspective? Am I correct in assuming that the trade barriers on canola products are already eliminated, or is there work to be done with those four countries to increase access? Or do we have that access at all?

Mr. Jim Everson: By and large, we have a really good trade environment with those countries. Mexico and the United States are major markets of our canola, and as I said in my opening statement, a good reason for their being major markets is that it's a tariff-free environment and there's a relatively good approach to dealing with issues that come up from time to time. Those might not be tariff issues but non-tariff challenges, where we're able to sit down and talk through those issues in the context of existing trade agreements.

The Chair: Thank you very much.

Mr. Shory, you have seven minutes.

Mr. Devinder Shory (Calgary Northeast, CPC): Thank you, Mr. Chair.

Thank you, witnesses, for being here and sharing your experience and expectations with the committee.

The TPP partnership is a significant opportunity for the canola industry to increase trade in the Asia-Pacific.

Mr. White, how significant is the percentage of canola exports to TPP member countries currently, and what member countries of the TPP currently import the most canola?

Mr. Rick White: Hands down, it will be Japan, when they come into the TPP. That really is the important market from a canola-specific perspective.

When we look at the trading bloc, we see it more as an opportunity to get into some better science-based regulatory systems—and LLP and MRLs and all those things. We want this trading bloc to get the trade policy right and to use it as an example of what can be done and pursue other agreements around the world, emulating this model, if we get it right.

It's not only about getting more product into these countries. That's very important. There's a huge demand and a lot of consumption going on there. Growing economies, that's very important. But secondary to that is the opportunity, within this trading bloc, to get the trade policy right.

• (1605)

Mr. Devinder Shory: You touched on tariff and non-tariff trade barriers in your presentation. Should these tariff and non-tariff barrier issues be resolved through a TPP? How much would your exports increase?

Mr. Rick White: That's a very difficult question. We have not done a very solid analysis of the economic impact on the Canadian canola industry in terms of this deal or what this deal could potentially do, but there are a lot of factors going into it.

It's not only better access to those markets. It's also getting the policy right, so that we can use it as a model. Additionally, it's about making sure that we're in agreement with some of our major competitors because we don't want them to get a better deal than us. If we weren't in this TPP, we'd have the U.S. and Australia, which is a strong competitor on the canola front, going into these Asian markets with a deal that maybe we wouldn't be privy to if we weren't part of this agreement.

It's very important to be there alongside our major competitors.

Mr. Devinder Shory: Mr. Everson, how could a TPP make trading access in the Asia-Pacific region more predictable? Also, for your industry, what are some of the largest barriers to trade in the region?

Mr. Jim Everson: In his opening statement, Rick mentioned maximum residue levels. This is the measurement of residues of pesticides used in growing a crop. There are maximum permissible levels of residues on seeds exported to foreign countries and those are established by regulators in those countries.

The challenge there is that sometimes that can take a very long time. You may have a product available to the Canadian farmer that makes the farmer more competitive. It helps them grow a crop at less cost and helps control weeds. It gives agronomic advantages. That product has to be safety assessed and approved in an export market before you can ship there, which means that the producer in Canada doesn't have access to that new, innovative technology until it's approved in another market. One of the goals we're looking for in our trade negotiations, including the TPP, is an ability to have more timely approvals and to have the countries, the scientists of the countries, working more closely together on the approval process to make that process more efficient.

Science is science. Science done in Canada should be the same as science done in one of those export markets. If they can pull together and make these products available to the farmer more quickly, it will make the Canadian producer more competitive in international markets. That's one example, sir.

Mr. Devinder Shory: Also, Mr. Everson, I'd like you to make a comment on Canada's brand in the Asia-Pacific region. Is Canada's brand there right now? If it is, where in the region is it the strongest, and what more can we do to strengthen it throughout the Asia-Pacific region?

Mr. Jim Everson: I think Canada has a very strong brand in a number of those markets. I mentioned Japan at the outset of my comments. We have over 40% market share of vegetable oils there. We have a very consistent, very valuable market for Canadian canola in Japan, one that we put a lot of effort into when we're working with the Japanese importers. It's very valuable for the Canadian farmer. That 40% market share of vegetable oil speaks to the brand that Canada has. It shows that we are a reliable producer and exporter of a consistently high-quality product, vegetable oil, that they can use for cooking in Japan.

What can we do there? I think, sir, what we can do there is exactly what this committee is all about: to look at ways we can reduce tariffs and add predictability to the trade environment. We're very confident and Rick's producers are very confident that if we're able to export to those markets without any barriers, our product is going to prevail. It's a high-quality product. It's the healthiest vegetable oil available in the international markets. It's free of trans fat. It has low saturated fats. It has the good fats that are good for you. It can be used in all kinds of applications—in cooking, in preparing food, and in processing food. So it's just a terrific product.

If we are in a tariff-free environment with predictable trade rules, Rick's farmers and our exporters are going to sell more of it.

• (1610)

Mr. Devinder Shory: You and Rick both mentioned Japan a few times. It seems as though the canola industry has established a presence and a trading relationship primarily in Japan. Do you foresee any increase in that trade relationship through the TPP?

Mr. Rick White: Certainly we have more product to deliver to Japan. If they would buy it and take it from us, we'd be happy to ship it there. They're a very important customer to us, but picking their suppliers is their decision. We have the capacity to sell them more. I think maybe we could work at that. I think Japan probably presents the largest opportunity to grow our market, but maybe Jim has a different opinion. I'm not sure.

The Chair: Our time is gone, but I'm sure you'll have an opportunity to answer that question with the next questioner.

Mr. Easter, the floor is yours for seven minutes.

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

Thank you, Jim and Rick, for coming in.

You answered previously that you had both signed confidentiality agreements, so the government is in at least some phase of negotiations. Have you seen any text of any agreement?

Mr. Rick White: I have not seen any text.

Mr. Jim Everson: I haven't either.

Hon. Wayne Easter: From our perspective at least, getting a report, whether it's from the chief negotiator or whoever, is crucial. It's their opinion. One of our great concerns with the government is the amount of secrecy around the negotiations. It's important that people see the text so they can offer advice and criticism in areas where the government can manoeuvre. It has happened in the past that texts were available to people involved in SAGITs, and so on. I think this is a major area of concern for the government as we go down this road.

In terms of Japan versus the TPP, if you look at all of the rest of the countries and compare them to Japan, do you have any idea of the percentage of trade you do with the total mix of countries versus what you do with Japan? I'm raising the point because I really sincerely feel that the government is not doing a great job on trade. They're signing agreements for the sake of signing agreements. They haven't established priorities. In my view, certainly Japan should be a priority, and that's where the emphasis should go. Yes, we need to be part of the TPP, but I think we'll be a long way down the road before that happens.

In terms of a comparison, how important is Japan versus the rest of the countries put together?

Mr. Jim Everson: In addressing the issue about text, I would want to add that in our experience at the Canola Council, working with the government negotiators on the Canada-European trade negotiation and on this one, it isn't so much access to text as it is access to understanding what issues are being discussed and having the opportunity to engage in technical discussions on issues that are quite complicated with them. That way, they really understand the issues and are well briefed, and able to represent us really strongly at the table in the negotiation. Our experience has been that this model has worked very well in past agreements. We have excellent negotiators across the board for these international negotiations. I would hasten to add this, in terms of having to see text of the TPP.

As to markets, we've talked about Japan because there is a tariff escalation issue in Japan, and it's such an important and valuable market for Canadian canola. But the United States is our most valuable market when you put the oil we sell there together with the meal and seed that we sell into the U.S. That's a critical market. Mexico is buying about 500,000 tonnes of canola seed, so it is a critical market for us too, and they are part of the TPP negotiations.

We see the opportunity here as not so much on tariffs, although some of these tariff situations among TPP countries are important, but rather on the non-tariff barrier issues. It's important to have agreements with countries like Australia, who's a competitor from a canola point of view, the United States, and other countries in order to address some of the non-tariff barrier issues. That's where we can make some substantial gains.

• (1615)

Hon. Wayne Easter: I don't disagree with you at all in that regard. Whether it's a low-level presence or the maximum residue level tolerance, those are extremely important areas, especially for an industry like canola and some of the other GM crops that are coming to the fore.

Are there any countries we have an agreement with that can be used as a model for low-level presence or maximum residue level

tolerances? Does Australia or any others have agreements where we do not on the non-tariff barriers? I think increasingly non-tariffs are becoming more important than tariffs. Do we have any models to follow?

Mr. Jim Everson: With respect to the discussion around low-level presence, which is certainly important to the canola industry, Canada is charting some new ground and showing some real leadership. The Minister of Agriculture really appreciates the challenge we have in that regard, as there are more biotechnology crops grown in the world. He understands the need to ensure that trace amounts of these GM crops that have already been safety assessed and approved by a competent authority don't disrupt trade. I think he has taken some real leadership there in trying to get a global discussion going about that. Certainly, we've been part of trying to have that happen.

Hon. Wayne Easter: You mentioned Triffid flax. We don't want any more examples like that.

Charles McMillan, who used to be a policy adviser in Brian Mulroney's government, was here and is big on the Japan discussions and their importance. In fact, he has worked on this for years. When he was here he said—and I agree with him—that there are other areas of trade that we need to look at. The government seems to feel that you sign a trade agreement and that's it. But we're not doing that well in creating jobs in Canada and adding value here.

What other areas do we need to be looking at, whether it's transportation or whatever, that would enhance our ability to take advantage of trade agreements when we sign them?

The Chair: Okay. Go ahead.

Mr. Rick White: I think out of everything that we have talked about, transportation is key. We're landlocked, but that's a whole different topic. There is movement and new legislation being put in place even as we speak, with the rail transportation bill. But it is a critical link to getting farmers' grain from the field and into position to serve our export markets. This is a critical link.

We have to make sure our research and development atmosphere in Canada attracts R and D dollars for investment. We need to encourage investors to put money into R and D to keep us at the leading edge of competitiveness. The money goes into biotech, pesticide products, farm equipment technologies, GPS, intellectual property protection, and all those things.

This is why we need to get it right and make sure we're an attractive place to invest. That will keep us competitive.

The Chair: Very good.

Mr. Holder, you have seven minutes.

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

I'd like to thank our guests for being here.

You know, gentlemen, my Cape Breton mom used to say that if something is hoggle-swap, it should be called hoggle-swap. What I just heard from the member opposite seems a lot like that definition.

Voices: Oh, oh!

Mr. Ed Holder: I'd like to ask you, how's the canola business doing just generally? Is it okay?

• (1620)

Mr. Rick White: Yes, it's doing very well. But the opportunity to do better is always there as well.

Mr. Ed Holder: That's good to know.

Mr. Everson, how do you feel about it all?

Mr. Jim Everson: The canola industry is doing very well. What the canola industry is doing is it's creating jobs and economic development all across Canada. It's growing. As I say, we doubled production in the last 10 years, and as a result of that, the crushing industry is spending \$1.6 billion on new processing facilities, which create jobs and economic development in rural Canada.

The seed developers, who create the innovation that goes to Canadian farmers, are spending roughly \$100 million in private seed development here in Canada to make the farmer more competitive.

It's a dynamic industry. If you can help us create a trade environment that is predictable and based on science so that we can export these innovative products, that growth will continue.

Mr. Ed Holder: I'm interrupting, but do you think we're helping?

Mr. Jim Everson: I think international trade development helps, for sure. The government—

Mr. Ed Holder: Mr. White, is that a yes or a no?

Mr. Rick White: Yes. I mean, we're going in the right direction.

Mr. Ed Holder: In the spirit of debunking hoggle-swap, what I have to say here is this. Every time we've had someone at this end of the table talk to us about their issues relating to their growth opportunities—in forest products, wheat, lentils, mining, and I could go on—I can tell you that we get all the great responses that you've just given us. Yet I hear members opposite...perhaps one in particular who comes back and says, you know, our trade deals aren't working.

Some people forget, gentlemen, that we've been through a large international recession, and Canada has done phenomenally well. In fact, I need to quote and put on the record, because I get so frustrated, about the four countries that we've cited that we're dealing with. With Mexico, we have a merchandise trade growth since 2009 of some \$600 million going up to 2012; on service trade, another \$14 million. With Peru, a small country, we've had \$20 million in merchandise trade growth. With the United States, just for fun, in the first 15 years of the free trade agreement—when folks like the members opposite say that our trade deal isn't working—in terms of our exports, not our two-way trade, Canada experienced some \$254 billion in growth.

I have to tell you that this does not happen by accident. It happens because of your entrepreneurialism and because we set the terms of reference so that you can grow and you can prosper within your dynamics.

I have a question for you about transparency. Here's the issue I have about transparency. I have friends opposite who have both claimed that it's too secret. That was their lead comment. Here's my question for you. My personal view is that politics are done in public but negotiations are done in secret.

Have you ever had a deal that you've had to do and you didn't want to tell anybody, in your dealings, so you kept it kind of quiet—either of you?

Sorry: you can't just nod. They can't...

Mr. Rick White: No, I wasn't sure if you were done. Sorry.

Mr. Ed Holder: I'm done for the moment.

Mr. Rick White: Okay.

Yes, there is a role for confidentiality in strategic negotiation. Personally, yes; I mean, I don't—

Mr. Ed Holder: Mr. Everson, do you think that makes some kind of sense too?

Mr. Jim Everson: Yes, and maybe I could comment, too, on your position on the overall economic agenda or trade agenda.

As I was saying, we really support the agenda that includes trade negotiations with some of the major economies. We're talking about TPP or negotiations with the European Union and India. These are major economies that have impact in the world. I think we do need to ensure that we finish them off and that we get them signed. They're complex. They take a long time. We certainly support the negotiations, but it's important to take time and get good deals and to be able to finish them.

Mr. Ed Holder: Well, I know you'd never want to challenge a member opposite when in fact within the next 100 years they may form a government again. But my question of you, when I think of the statement that I heard twice from one of our colleagues who said that we're not doing a good job in terms of our trade agreement, is this. Are we doing a good job, in your opinion?

Mr. Jim Everson: I think our negotiators are top-flight. I think the countries that—

An hon. member: Hear, hear.

Mr. Jim Everson: As I say, we are negotiating with larger economies that have an impact; certainly from the canola industry, with Europe and Japan. If we can deal with some of these non-tariff trade barriers with all of our export markets, those are important opportunities for the canola industry.

Mr. Ed Holder: Mr. White, are we doing a good job?

Mr. Rick White: Well, yes; I think there's always room for improvement, but—

Mr. Ed Holder: Like what? Like what, sir?

Mr. Rick White: Well, in terms of closing off some deals so we get them done, and—

Mr. Ed Holder: Okay, so doing more deals. I agree with that 100%, perfect.

Mr. Rick White: We need to finish them off. We have a lot on the go. We just need to get some sewed up and we're good.

Mr. Ed Holder: Before I get finished off by the chair here, I want to make the point that if the weakness in our approach is that we haven't done enough deals, I'd like members opposite and members around this table to understand that this is exactly what we're trying to do.

That deal with Japan, I'm confident we'll do. I've heard that from you, and I certainly agree with the member opposite that this, in fact, is one of those initiatives that we have to take forward, because you can't just necessarily rely on what TPP means.

Are you going to run out of canola with all these trade deals we're signing? I'm worried. Should I be worried?

• (1625)

Mr. Rick White: Well, we actually.... There's more demand than there is supply right at the present time.

Mr. Ed Holder: Is that right?

Mr. Rick White: There is. Yes.

Mr. Ed Holder: So how are you going to handle the supply when we sign more trade deals, which you've just said you want?

Mr. Rick White: Then the price goes up for farmers and they do better because of supply and demand—

Mr. Ed Holder: Yes, I know—

Mr. Rick White: —but the price signal will trigger more production as well.

Mr. Ed Holder: I guess that's the question. You said you had 43,000 growers and 228,000 jobs in this country, the largest....

By the way, to your credit, that's a phenomenal success story. You're another one of the witnesses we've had at our committee where there has been strong growth and strong success.

So you fully support us proceeding with the TPP?

Mr. Rick White: Yes.

Mr. Ed Holder: Sir?

Mr. Jim Everson: Yes, we certainly would.

Mr. Ed Holder: Okay. I just—

The Chair: You have one minute.

Mr. Ed Holder: Oh, that's lots. Thank you very much.

You see, it's interesting, because when you speak truth, then what happens is...and you're the ones who are speaking the truth. You're the ones I've heard who have said, get these deals done, get Japan done, get the TPP done, and you've talked about this as a broader model.

It's interesting. Around this table, when Doha was a discussion.... Well, I'm not sure we were born when Doha was first initiated, but it

seems to me, as I have said before, that it's deader than Elvis. I hate to break it to you, but he's gone. Now what has happened is.... People complained because we did bilateral deals, and frankly, they complained that they weren't multilateral. We can go back in text in this committee when members opposite said we weren't doing enough.

Now we have a multilateral that's called the TPP, we're working on the Pacific Alliance, and we have the CETA, which we're hoping to put to bed fairly soon. Do you support our efforts to try to aggressively go after multilateral deals?

Mr. Rick White: Yes.

Mr. Ed Holder: Is there any downside to either of your organizations, as related as you are, any way you would be hampered as a result of us proceeding with these multilateral arrangements, as well as the bilaterals like Japan?

Mr. Rick White: As it opens up markets, it's better for canola.

Mr. Ed Holder: Mr. Everson, your last word?

Mr. Jim Everson: I would agree with that.

I would just take the opportunity to say that while Doha is a real challenge, for sure, and may be the way you described it, the WTO is critically important still. If the government and all the governments can bring back the WTO and breathe some life into it, a multilateral negotiation is a superior way altogether, I think, of dealing with agriculture trade issues.

The Chair: If the committee would give me a little bit of tolerance, I have a couple of questions before we finish off with this one.

First of all, what's the percentage of the edible oil market in the United States canola industry?

Mr. Jim Everson: About 13% of the oil market would be canola.

The Chair: Compared to 40% in Japan?

Mr. Jim Everson: That's correct.

The Chair: So it's a tremendous opportunity as well.

Mr. Jim Everson: Yes, and we're growing that market. It has improved over past years.

The Chair: Yes, exactly.

GMO wheat in the United States has lent itself to their support when it comes to low-level presence. Would it not...? Because they found some GMO wheat in the United States, and obviously they've been caught in this one. Do you see that as an opportunity?

Mr. Rick White: Well, it could be, but we have to be careful and explain what LLP is. LLP is approved in one market, but not the market of import. So it has already gone through a regulatory process somewhere to make sure it's safe. I'm not familiar enough with the wheat issue—

The Chair: You're not sure if the wheat has gone through that process in the United States?

Mr. Rick White: I'm not sure.

The Chair: That's fair enough.

I'm glad you made reference to the fair rail freight piece of legislation. It should get royal assent next week, hopefully, and it is a great piece of legislation that got support from every member in this room and from every party. I'm pleased to see that going forward.

With that, I want to thank you for coming forward.

We will suspend as we set up our next panel.

• (1625) _____ (Pause) _____

• (1630)

The Chair: I call the meeting back to order.

We thank our witnesses for coming forward.

We have with us Mr. Peter Clark, president of Grey, Clark, Shih and Associates Limited. I believe you have been with us before a few times. Very good, I appreciate that.

From the Grain Growers of Canada, we have Richard Phillips, the executive director. We want to thank you, Richard, for being with us.

I believe we'll start with you, Mr. Clark. The floor is yours. I look forward to your comments.

Mr. Peter Clark (President, Grey, Clark, Shih and Associates Limited): Thank you very much.

We've prepared a lot of background information and given you a link to a study that's several hundred pages long. What I'd like to touch on in the opening remarks are some of the developments in the TPP, and then I'll answer in advance a couple of questions you might ask.

Is the TPP valuable to Canada? Yes, it is. It's valuable as a bridge to Asia, not so much for trade among the participating countries at the present time other than Japan, where we have another negotiation going on in parallel, hopefully a little more advanced than the one for the TPP.

The bridge to Asia is very important. My view of trade agreements is that you shouldn't look at them the way a corporation looks at its quarterly reports. You have to take the long-term view.

When I'm asked whether with CETA we are getting beaten up a little bit, yes, we are, but we shouldn't be looking at the CETA for now or next year or two years from now. We should be looking at it in terms of decades, because we're building a structure that is eventually going to lead to the various big groups around the world coming together to do something that the WTO hasn't been able to do, which is to create true global free trade.

I think Canada really doesn't have any choice but to support that. We're an exporting country. We're a trading country, and we have to be there.

Dealing with the TPP, I've been on the record as saying the TPP isn't really very interesting for Canada without Japan. That's because we have agreements with everybody on this side of the Pacific, and the countries on the other side, with the exception of Vietnam, are pretty small. I've come before this committee previously to talk about our negotiations in South America and Latin America, and I

described those as looking for love in all the wrong places—an awful lot of effort for very small markets.

So now we're going after the bigger fish. I think the negotiations with Japan are very important, and I think we're going to have to get on board with the Pacific Alliance fairly quickly.

Will the TPP be finished in October? Nobody really thinks so, not even the people close to President Obama. He has a habit, every time there's going to be a new leaders' summit for APEC, of setting that as the next date. Well, you don't set final dates according to photo ops. Maybe he does, but nobody who's negotiating does.

I do see changes coming. When we were asked back in December whether we thought there would be a TPP, I said what you're really looking at here and what you're looking at in Europe is that these negotiations—notwithstanding all the hype about comprehensive nature, no exclusions, and all that nonsense—are really about exclusions.

Why do I see more hope for the TPP now? Because the Americans are now consulting with their stakeholders. They're asking their stakeholders whether they could redefine their priorities in these negotiations. That means they're going to be backing off some of their more serious demands. But from our perspective if we want to get something out of this deal, there are certain American exclusions that have been there from the beginning that we have to be very wary of and we have to get at.

Our negotiators are first rate. We talk to them fairly often. They can't talk to me about the TPP for some reason because I write columns for iPolitics from time to time or National Newswatch, and we journalists can't be trusted.

A voice: That's true.

Mr. Peter Clark: That's true, yes. Notwithstanding the fact that the official secrets act that I signed when I was in the Department of Finance a long time ago is good for life, and I've been reminded about that.

In any event, it is coming together better, but we have problems with the way the Americans approach this. They've excluded the States from certain important parts of the deal.

• (1635)

They're playing a bit of a cagey game on market access with cumulation. When you have a plurilateral deal like this with 12 countries, you should be able to cumulate the content of each of the members to qualify for the rates. They're under a lot of pressure from Mexico, which doesn't want to buy candy and confectionery from Canada that's made with Australian sugar.

There are games like this going on that we have to be very careful of. I'm glad you're having these committee hearings because you're doing a major service to the country, exposing the issues that we need to deal with.

I'm concerned about the automotive industry. The Americans are doing their own negotiation with Japan, and I'm not sure we'll be able to get the same deal. This is one of the problems we had with Korea. We were nearly there. We stopped negotiating with them. Then the Americans got their deal and now the Koreans don't want to give us the same deal.

You have to face it, we're smaller. Why should they pay the same price for access to our market as they do for the United States?

These are the types of issues that you need to address. I'm happy to talk to you about any of these things, but I'm trying to set a framework. Number one, it's very important for Canada. Canada can't be left out of big deals. If we're not in there for offensive reasons.... Now you heard all kinds of good offensive reasons from the canola people, and I'm sure you'll hear them from my friend Richard as well.

What you're looking at in a trade agreement like this with preferences, and particularly when you have high tariffs, is playing a defensive game. It's far better to be inside the tent sharing the preferences than outside the tent and having people discriminating against you. That's just a basic fact of life in trade negotiations. When you look at Canada, we have to take a look at the size of the package compared to what we're offering because we are a relatively small market.

The last point I'd make is that everybody has problems and everybody tends to get them looked after if there's going to be a deal. The big problem with getting the deal with the United States is that even though they're diluting their ambition, and they're taking serious steps to dilute their ambition to try to get a deal sooner rather than later, the people who support it in Congress are the guys they are trying to dilute and they haven't spoken to Congress yet.

Mr. Easter was asking about people seeing copies of the text. Congress hasn't seen the text. They haven't seen the text, which I find hard to believe.

We were at Capitol Hill dealing with another issue for the Canadian pork industry and we asked them that specifically. They said they haven't seen the text. It's a funny way to run a railroad. In order to get fast-tracked in the United States, they have to go to Congress. Congress holds hearings, and Congress tells the negotiators how they want them to negotiate.

The big issue for them now is that because of the automotive industry and because of Japan, they want a permanency clause in the agreement, which is going to be very difficult to negotiate.

Now China is coming out of the woodwork. Hillary Clinton and somebody else suggested to them that maybe they should join the TPP. They said, "Well, yes, we'd like to join the TPP, but we want it to be more flexible. We want it to be more pragmatic and we want it to take account of differing stages of development."

If China gets there, it will go longer than Doha.

• (1640)

The Chair: That's very good. That will stimulate a lot of questions, I'm sure.

We'll now hear from Mr. Phillips.

The floor is yours, sir.

Mr. Richard Phillips (Executive Director, Grain Growers of Canada): Thank you.

I'm going to be referring specifically to the deck that was passed around. I'm going to take you through it. There are a number of photos and some facts in there. I'll be referring to that continuously as I go through, so I will ask people to follow along with me.

Thank you very much, on behalf of the Grain Growers, for the invitation to be here to talk a bit about TPP. I looked at the witnesses you were calling and there are some people giving you lots of stats and arguments for and against, and I thought I would to take a little different tack today. I'm going to back it right back down to the farm gate and why this is important for farmers and how we farm today in Canada.

The Grain Growers of Canada represents over 50,000 producers. We grow wheat, durum, barley, oats, corn, soybeans, lentils, canola, peas, rye and triticale. Those are the commodity associations that directly belong to the Grain Growers of Canada.

We're excited about a large regional deal because, as Peter talked about, you can make more gains than you can in a simple bilateral deal.

Coming back to the farm gate, in the next picture here you see a field full of weeds. This is a field of corn and it's full of weeds. The reason I show this to you is that this is how it happens if you plant some crop in the ground in Canada. Whether you're in Quebec, Prince Edward Island, or in the Prairies, a lot of weeds will come up like this. It will choke out the crop. It takes away the nutrients and takes away the water and your yield suffers a lot.

Hon. Wayne Easter: But obviously not P.E.I., though.

Mr. Richard Phillips: Not quite. The weeds would be bigger.

Some hon. members: Oh, oh!

Mr. Richard Phillips: Wherever you farm, if you have a lot of weeds growing you have only a couple of solutions.

One is hand tillage. Here's a photo out of Africa. I used to work for an international organization and I did a lot of work in Africa. This is how you control the weeds in Africa. If you were to go back far enough in Canada, you'd find that people controlled weeds this way in Canada, as well, before we were mechanized.

In the next photo there is a tractor in a cornfield. This would be more of a North American model, where you would till the weeds. If you did not farm with modern methods, you would simply use that tractor. You would drive up and down that field three times, four times, five, six, maybe even seven times in a season, burning fuel, continually cultivating the soil, and drying out that soil, as well. Again, there's an effect on your yield, and you burn a lot of fossil fuels. You spend a lot of your time on that tractor seat, farming that way.

Those are two options.

The next picture is a tractor with a lot of dust on it. This is how I grew up farming on our farm. What happens is, if you don't use biotech and you don't use pesticides, you have to kill all the weeds with cultivation, this is exactly what your fields will look like. Many of you from the Prairies would have seen this, people driving down their fields with dust blowing everywhere. The soil erosion, alone, is incredible. I can tell you that farmers do not want to go back to farming this way.

After you've worked your land and you get a big rainstorm, there's soil erosion. This happens in Africa, as well, if they overwork the soil. The soil washes away when you're trying to kill all those weeds by working the fields. In Canada and in many countries, in fact in a growing number of countries, we're seeing far more spraying to kill the weeds. You'll see the sprayer coming down the field. We don't work the soil nearly as much. We farm much more sustainably than we used to.

In this next slide you see the total number of acres seeded to biotech in the world. The green line is the developing countries. This is the developed world. The blue line, which has actually surpassed us now, is the developing world. This is Africa and Central America. You see that farmers in both developed and developing countries are adopting the new technologies.

When you hear the canola people and others talk about how in this agreement we should have maximum residue levels and low-level presence policies, how we need to get biotech approvals, and how we need to do all these things so that trade can continue, it's because all over the world farmers are adopting these new technologies. We need to have trade agreements that, in the modern era, will take into account what's really happening on farms, not the way it was 20 years ago.

I can tell you that once he starts farming with the new tools, there isn't a single farmer in Africa or a single farmer in Canada who wants to go back to putting that hoe in his hand and hoeing those weeds. Nobody wants to go back to that. That's why you see the graph continually going up.

You see a photo of me in my wheat field. If you farm the new way, this is what you get when you use the new tools. You end up with clean fields. You end up with good yields because you haven't overworked the soil. In fact, in many places we're seeing the soil organic matter coming back because we've stopped cultivating so much. In the next photo, you see me in a field of canola.

In summary, it is absolutely critical in a deal like this, which has so many countries in it, that we find tools within these trade agreements to deal with these non-tariff trade barriers. There are countries that are really good at putting them up. Peter knows far more about tariffs than I'll ever know in my life, and he can answer questions on that. But on the non-tariff trade barriers, the reality of modern agriculture today and the growing acres in it, these agreements need to have clauses with effective dispute resolution mechanisms and effective levels that we can manage for the reasons of both trade and food security in the world going forward.

Thank you very much.

• (1645)

The Chair: Thank you.

Mr. Davies, the floor is yours, sir.

Mr. Don Davies: Thank you both for being here today.

Mr. Clark, I have a copy of the speaking notes that you prepared, dated May 22. I want to use these to ask you some questions.

You point out that the TPP will not be comprehensive:

Forget everything you have heard about the TPP being a comprehensive or an all inclusive deal. It is not—and it never was.

You point out the following:

The wholesale exemption of U.S. states from many of the important proposals currently on the table is clearly a colossal gap between the spin and reality.

Is that the case? Will U.S. states be exempted from many of the important proposals on the table?

Mr. Peter Clark: The United States drafted the texts, and they drafted the texts on procurement, leaving out state procurement. They drafted texts on investment and investment challenges, leaving out subnational governments. The controversial provisions about state-owned enterprise do not include subnational governments.

Even when you go within the procurement, they still have exclusions for minority-owned business, whether the owners are women, minorities, or aboriginal. These are big holes in the agreement. The United States has no intention of doing anything on sugar. The United States has no intention of doing anything on cotton. The United States is not likely to give Australia anything on beef, and the United States' dairy farmers are adamant that they are not going to open up their market to Fonterra for dairy products.

• (1650)

Mr. Don Davies: I'm going to focus on state procurement. In your brief, you ask the question, "Will the TPP protect Canadian jobs?" Your answer is no. It says:

NAFTA did not. And there is nothing in the TPP to discipline or limit domestic subsidies in the U.S. to agriculture and to manufacturing.

The U.S. offers generous locational subsidies that often take the form of financing of plant construction and training through tax-free revenue bonds. This is cheap money to attract investors and jobs.

Why did Hyundai and Kia locate in Georgia and Alabama? Because local governments contributed over \$650 million towards the companies' \$3 billion investment in creating what was expected to be more than 5,000 jobs....

The State of Tennessee paid Electrolux \$188 million to build a \$190 million plant which moved jobs from...Quebec to Memphis.

You're telling me that, in the TPP, the Americans have no intention of changing the states' ability to pay subsidies to take jobs, and this will have a net effect on jobs in Canada. Is that still your position?

Mr. Peter Clark: They can't. I don't have positions, by the way. I'm telling you the facts.

Mr. Don Davies: From a jobs point of view, TPP cannot be good for Canada.

Mr. Peter Clark: It's no different from having NAFTA. We haven't addressed those things in NAFTA. In the Canada-United States Free Trade Agreement, we used a mechanism whereby we would allow companies to get duty remissions on imports of finished goods and parts. Mr. Flaherty has gotten rid of all the duties on parts now, but that's the way we used to attract investment. That's how we attracted Michelin. That's how we attracted some of the early auto investments. We had to give up our ability to do that to get the Canada-U.S. agreement. We have no discipline on domestic subsidies in the United States.

Frankly, it doesn't matter. If we bring a greenfield plant to Canada, it's going to export 70% to 80% to the United States. If we subsidize it, we're exposing ourselves to the countervailing duties. If the United States puts up a world-scale plant, they might export 5% to Canada. That's a pinprick.

Mr. Don Davies: You also say:

At this point, participation in the TPP raises more questions for Canada than it answers. Gordon Ritchie, who was so pivotal in negotiating Canada-U.S. Free Trade, suggests the TPP will not be worth much to Canada. I agree.

You say, "the near-term prospects are, frankly, underwhelming." You point out that Canada already has free trade agreements with four participants.

...there is thus little new market access that Canada can gain from Chile, Peru and Mexico. And, the U.S. has made it clear that market access discussions with Canada will be one way—[going] South.

There was a sermon from my honourable colleague, Mr. Holder, about the value of trade agreements, but you point out that "Canada has negative trade balances with all members of the current TPP group other than the U.S. and Australia."

For the countries we have trade agreements with, there are negative trade balances. With Chile, we have a \$1 billion deficit. With Mexico, we're have a \$21 billion deficit. With Peru, it's a \$3 billion deficit. We've had trade agreements with some of these countries for a long time. We have deficits with Vietnam, Singapore, New Zealand, Malaysia. Brunei is a wash. With Australia, there's a slight surplus, and the same with the U.S.

When you point out that we have negative trade balances, even when we have trade agreements with some of these countries, can this possibly be of economic value to Canada?

Mr. Peter Clark: I would suggest that it would be an awful lot worse if we didn't have trade agreements with them, but other people did.

Mr. Don Davies: That's hard to tell, though, isn't it? Would it be better if we didn't?

Mr. Peter Clark: Everything is hard to tell, but my first comments suggested that you have to look at trade agreements in the long term. The gorilla in the room, which deals with our trade balances with a lot of people, is the current strength of the Canadian dollar. If we had a Canadian dollar that was more competitive, our trade balances would be different.

Mr. Don Davies: You also say:

Don't look for fairness. As Harvey Logan told Butch Cassidy—there are no rules in a knife fight. Those who saw the movie will remember what happened to Harvey.

Do you foresee a Paul Newman result for Canada?

Mr. Peter Clark: You mean, at the end of the movie?

Mr. Don Davies: I'm thinking of the knife—

Mr. Peter Clark: If we try to stay in a cocoon it will, but no.

Mr. Don Davies: You say, "The TPP's new, so-called '21st century issues' were introduced by Washington and are geared to U.S. interests."

You also refer to this as being a hijacking by the Americans of the original P4. Can you tell us about that?

• (1655)

Mr. Peter Clark: The P4 was a deal with Brunei, Singapore, New Zealand, and Chile. It was open for admission to any member of APEC that wanted to join. The Americans stuck up their hand and said they'd like to join, and then they proceeded to move it from something simple into basically a much broader, much more detailed, agreement. They took over.

Mr. Don Davies: You say the TPP is owned and operated by the U.S.A. as a hub-and-spoke deal.

The Chair: Time has gone, Don.

Mr. Don Davies: Do you stand by that?

The Chair: Yes or no.

Mr. Peter Clark: Yes, I stand by anything that's written in that paper.

The Chair: Thank you very much.

Mr. Keddy, the floor is yours.

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

Mr. Chairman, I'm going to share my time with Ms. Glover, so that means you will have to stop me. You can cut me off at three or four minutes, whichever comes first.

The Chair: Okay.

Mr. Gerald Keddy: First of all, welcome to our witnesses.

I would like to say, for the record, as Mr. Easter knows and I thought everyone knew—except Mr. Davies—that Butch Cassidy and the Sundance Kid escaped to Argentina and then spent their retirement years on the Champs-Élysées. I'm pretty certain that's correct. You can find that out, but I'm pretty certain.

An hon. member: That's not what the movie said.

Mr. Gerald Keddy: It's all good.

The Chair: It must be the reference to the long game.

Mr. Gerald Keddy: I think it is a reference to the long game, Mr. Chair.

Mr. Clark, thank you for your comments. Many of them here, quite frankly, I agree with, and I do think it's the long game. You can look at your comments and you can say that the glass is half empty, or as I would prefer, look at it and say that the glass is half full.

I appreciate your comments earlier about TPP, and about the importance of being at the table. I'm not about to suggest that it's a perfect set of circumstances, or that the Americans are simply there for the good of all of the other countries involved. I think they're there to protect their self-interest.

My first question is on the challenge. I expect that Japan will be ratified and be a full member. The challenge will be to keep the Americans focused—I think they have been making most of the snowball so far, without question—and to make this broader than it is at this time.

I don't disagree with your statement that this is a long game and it's going to take some time.

Do you agree with that? Is there the possibility that we can actually turn this into something that's workable?

Mr. Peter Clark: I believe there is a possibility that it can work.

My function is usually to try to stir up discussion and try to point to problems. The problem I see with the United States is that they've sold a big package, and Congress really hasn't had a look at it yet. When they go to get trade promotion authority, I think Congress could make it a bit of a Christmas tree—they have a habit of doing that—and it could make it somewhat harder to do.

My view of the TPP is that it's something we need to do to start our bridge across the Pacific, because the Pacific partners that we have in the TPP are not the ones we want. We want Thailand. We want Indonesia. We want the Philippines. We want those bigger countries that have the capacity to take a lot of our agricultural goods and to take our manufactured goods, especially in the high-tech area.

I look at trade agreements that we're getting involved in now in two ways. One way is that they're defensive, because if you're not in there you're going to lose markets you have. The other way you really have to look at it is as a bridge, and the bigger part of the bridge across the Pacific is the Pacific Alliance, and that's something that you should...

I know the Prime Minister said that we're not ready to jump on board full-time, but when I was in Chile last year they were quite happy that Canada had observer status and that Canada was showing interest.

• (1700)

The Chair: Very good. We'll go to Ms. Glover now.

Mrs. Shelly Glover (Saint Boniface, CPC): Thank you for allowing me to take part in this committee.

The Chair: Any time somebody from the finance committee comes, we're willing to yield you the floor.

Mrs. Shelly Glover: As the chair says, I'm from the finance committee, so I took great interest, Mr. Clark, in hearing what you had to say in response to Mr. Davies. I know that you got cut off every once in a while.

I know we're talking about westerns, so let's talk about the good, the bad, and the ugly.

Voices: Oh, oh!

Mrs. Shelly Glover: If we did not buy into this, if we did not pursue this with the vigour that we are pursuing it, if we cocooned, like you said, or turtled, as the NDP would have us do on all trade agreements, what would be the ugly of this?

Mr. Peter Clark: You can't be outside the tent. You just can't be outside the tent. It's not just a question of the tariffs, because in a lot of cases the tariffs are disappearing anyway. The tariffs are not as big an issue. It's the differential treatment. You're not going to be dealing.... For example, when you have these agreements, you usually have ministerial committees where you deal with problems. You have a different relationship.

Mrs. Shelly Glover: Economically, though, we would suffer more, would we not?

Mr. Peter Clark: We wouldn't be able to take advantage of opportunities where other people are in the market with preferences.

The other way to look at it.... I can give you an example. I represent pork producers. I'm doing that most of the time these days. When we got into Colombia before the Americans, the Americans raised a great fuss because we were taking their market. We were getting in there, we were getting the distribution, and we were getting the best retail opportunities.

The Americans got into Korea before we did, and now we're suffering. We're really suffering. We had a lot of business—\$100 million—and it's just being.... Well, it's like being nibbled to death by ducks.

Mrs. Shelly Glover: Very good.

I do want to move to Mr. Phillips. I have to tell you, Mr. Phillips, that I was thrilled to see you on the agenda, because I have tremendous faith in our grain growers. In Manitoba, of course, where I'm from, I know an awful lot of producers who do a fantastic job. They add to our GDP. They are some of the most hard-working people I've ever had to deal with. I commend you for what you've done.

You were sitting in when the Canola Council was talking about the opportunities that trade agreements provide. I want you to touch on that. Do you agree with what the Canola Council said with regard to opportunities for your grain growers? How do you see this potentially affecting jobs? We've heard that it won't affect any jobs, but will it in fact increase your exports? Will it in fact allow you to potentially increase jobs?

Mr. Richard Phillips: Thank you for the question.

As you know, what a trade agreement does is it gives you the opportunity to be successful. It doesn't guarantee you'll be successful. That's up to your own entrepreneurial skills. It's up to you to go out there and market your products and displace someone else. What it does is give you a head start over other countries, if you're in there earlier with the tariff lines. Every time there's an agreement like this, yes, there's the opportunity for creating jobs. As the canola people said, there's tariff escalation. If you can ship more value-added goods, that actually keeps the jobs here in your country, versus only shipping raw goods. That's one opportunity.

But I want to go back to not being part of it. South Korea is a really good example. If you're not in that trade agreement, if you say to not do one because you can't see the balance working, then we're losing out on the pork side, we're going to lose out on the malt barley side, we're going to lose on the canola side, and we'll lose out on the wheat side. By not being in the agreement, you actually can suffer harm and lose jobs. That's the flip side of it.

The Chair: Thank you very much.

Mr. Easter.

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

Thank you, folks.

At the risk of having another rant or sermon from the member opposite, I think you mentioned, Mr. Phillips, that it's not a question of being for or against an agreement. I'd agree with you, but one of the difficulties we do have with this government... I think the real idea is this. How do we get the best deal to make a trade agreement work for Canada?

I maintain and stand by the fact that we're not doing well under trade. Of the last 61 months, 41 have shown trade deficits. Now, even with a trade deficit, you're still in the value chain and make some gains within Canada. Mr. Clark mentioned the \$100 million in pork exports to Korea, where we had a market. In total, when you add in beef, it's a billion-dollar market lost, and the Americans are bragging about taking over our market.

I don't think we're doing well under the trade agreements, and I agree with Mr. Clark that we would do worse if we didn't have them. However, any time you open up a discussion to say there are some problems here, the government takes it as criticism.

Do either of you have any suggestions as to how we can do better under the current trade agreements than what we're doing? What do we need to do to make trade agreements work for Canada? Those questions are for both of you.

• (1705)

Mr. Richard Phillips: I think on the grain, oilseed, and pulse side, we are selling to a large degree. We are selling malt barley. We are selling wheat. We are selling canola. We're selling a lot of our crops to a number of these countries that are already in the TPP. We are selling a lot of that. I think where we see the challenge in our sector is the non-tariff barriers.

I think we need to put as much effort as we can into sitting down with the countries to discuss the following: how we can come up with biotech acceptances, how we can come up with a low-level presence, how we can agree on maximum residue levels. So if I go

out and spray the weeds on my field here, I don't have to keep that grain separate for South Korea versus Japan versus Thailand versus the Philippines. Can't we harmonize some of this in these larger agreements with 14 countries? I think that's where we need, on the grain side, to see more focus, because people are masters at coming up with reasons to stop trade.

Mr. Peter Clark: I think what we have to do, Mr. Easter, is to try to conclude the agreements faster. Now somebody might ask me how you do that, and I would then say shoot all the lawyers—

Hon. Wayne Easter: It's a good idea.

Voices: Oh, oh!

Mr. Peter Clark: But that's not really the problem. The problem is the spin and the way that people try to sell these things. You have to be much more focused on what's practical. If you can do the deal on 98% of the tariff lines, you should do the deal on 98% of the tariff lines, instead of taking two years to get the rest. It's just being more pragmatic and taking a little bit more leadership.

If the next step, really, for us is to try to get the ASEAN countries, we should be exploring with them how to get that deal. I think that ASEAN is probably a better deal for us than trying to open up trade with South America, with MERCOSUR, because there are more people, and they're essentially less protectionist.

Hon. Wayne Easter: You did say in the beginning that you've seen the real value of this as being a bridge to Asia, and that this is very important. I happened to be at a trade session put on by the school of economics at the University of Calgary, which was here in Ottawa the other day. One of the things that came up there was in terms of the timeframes we're working with. I think there's a real concern that if we do not sign trade agreements within the next 10 years—it seems like a long timeframe, but it's not—that the driving force in future trade agreements would be China, and they would be different kinds of agreements from what we might want to accept. What's your view on that? It's not really related to TPP, but I know you're involved in that area.

Mr. Peter Clark: China does want to be in TPP, and China is negotiating a deal called ASEAN+6. It's a reality. I understood that we were almost ready to announce negotiations of a free trade agreement with China, and there was a hiccup and it didn't happen. I think that if the Americans can get their deal with Europe, and we get the TPP and other things, these blocs are going to start to come together. Firstly, business isn't going to want to cope with different standards from one agreement to the next.

Hon. Wayne Easter: Are you saying that some of the bilateral agreements will eventually lead to a kind of a multilateral agreement?

Mr. Peter Clark: I would think so.

Hon. Wayne Easter: That's what was said the other day, and that's an interesting concept. That would be a good thing.

You raised some really serious points, I think, on the United States—the exclusion of the states, the cagey game they have on access—and you raised your concerns about the automotive industry. Could you expand on that? I do think that's a real issue for us. We lock in everything on our side. The Americans have really a double standard.

• (1710)

Mr. Peter Clark: Well, they're bigger. They're bigger and they can do these things. That's really the reality. We need the Americans to get a deal with Europe so we can get better access to Europe in terms of cumulating our content. When we're dealing with Japan, we started out first, and hopefully, we stay first. But what we're looking at... If you're looking at the concerns that the auto workers and the companies have about competition from Japan, and on the currency, I did a presentation in Washington where one of the senior representatives from Ford told me that the currency differential from Japan was costing them \$6,000 a vehicle, and it has gotten worse since then.

The Chair: Thank you.

We'll now move to Mr. Adler.

Welcome to the committee. The floor is yours.

Mr. Mark Adler (York Centre, CPC): Thank you, Mr. Chair.

I am not a regular member of this committee. I'm normally on the finance committee. I'm sitting in today and I'm glad to be here. Trade is somewhat of a part-time passion of mine.

I was interested in hearing Mr. Clark. I've read a lot of what you've written in the past. I was interested when you said you are representing pork.

Mr. Peter Clark: Not here!

Mr. Mark Adler: No?

Mr. Peter Clark: Oh no, I was giving an example.

Mr. Mark Adler: I understand that. I would suggest that after today's meeting you follow up with Mr. Easter, because he and his party are experts on pork. It might be worth a conversation.

Some hon. members: Oh, oh!

Mr. Mark Adler: I would like to follow up—

Mr. Wayne Easter: If you want to talk about who is breaking election laws, let's talk about today. There's a member sitting here who shouldn't be here.

Mr. Mark Adler: Mr. Chair, should I be subject to this abuse?

The Chair: Just carry on.

Mr. Mark Adler: Thank you.

Mr. Clark, I'm interested in the comments you made. "Free trade agreement" is a bit of a misnomer because it's more managed trade rather than free trade. Is that correct?

Mr. Peter Clark: It's not truly free—there are still subsidies and regulatory differences.

Mr. Mark Adler: Exactly. It's more like codifying a legal regime so that everybody who falls under that regime knows the rules to play by. It provides predictability and stability so there are no surprises.

Mr. Peter Clark: That's a fair description.

Mr. Mark Adler: Let me go back in history a bit. We talked about how the raising of tariffs is not necessarily a good thing. If we go back to the depression, the natural reaction of countries was to raise tariffs to protect domestic industry. Is that correct?

Mr. Peter Clark: That's the way we built our manufacturing industry, with the National Policy.

Mr. Mark Adler: The raising of tariffs in the late 1920s was a major cause of the global depression. Is that right?

Mr. Peter Clark: I'm not sure it was the 1920s or if it was the late 1920s and the 1930s. Smoot-Hawley was 1928, I think.

Mr. Mark Adler: That was a major cause of the global depression, you would say.

Mr. Peter Clark: Yes, it was.

Mr. Mark Adler: So tariffs are not necessarily a good thing, I think it is safe to say.

Mr. Peter Clark: I used to work for the Department of Finance. They didn't mean much to revenue but they did have a use.

Mr. Mark Adler: Canada's trade deficit is a major result of our strong dollar. Is that correct?

Mr. Peter Clark: Yes, it is.

Mr. Mark Adler: I know that the opposition would like us to have a weak dollar because that's what they base their industrial policy on. They say that Canada should have an industrial policy based on a weak dollar, but that's not what we believe on this side.

There are a number of trade deals that are negotiated for defensive purposes. Is that correct?

Mr. Peter Clark: Yes.

Mr. Mark Adler: The Canada-U.S. Free Trade Agreement was certainly one of them.

Mr. Peter Clark: The Canada-U.S. Free Trade Agreement gave us a significant market opening because we were prepared to make concessions on the security of energy supply and a number of other issues. NAFTA was a defensive agreement for Canada

Mr. Mark Adler: Okay.

There were exemptions even under the initial free trade agreement. For example, Canada exempted beer, right?

Mr. Peter Clark: Yes.

Mr. Mark Adler: It's a common practice to have exemptions.

• (1715)

Mr. Peter Clark: Absolutely. That's going to happen in virtually every agreement.

Mr. Mark Adler: I want to get to the U.S. example. You talked about state procurement and subnationals. The feds in the U.S. cannot negotiate on behalf of the states. Is that correct?

Mr. Peter Clark: They need their permission. It depends on what the constitutional issue is. But for the most part, they have to get the permission of the states.

Mr. Mark Adler: Similarly in Canada, we cannot negotiate on behalf of the provinces.

Mr. Peter Clark: I'm not a lawyer but I understand that issue is not crystal clear. It's not one that the federal government has ever been prepared to take to the Supreme Court.

Mr. Mark Adler: We have involved the provinces in negotiations. Particularly in the free trade agreement, the provinces were brought in and actually had seats at the table.

On the U.S. administration getting trade promotion authority to fast-track, this is not common in this point in negotiations on any trade agreement in the U.S. Is that correct?

Mr. Peter Clark: It should have been done much earlier, because normally they do it earlier.

Mr. Mark Adler: It should have been done earlier than at this point in the negotiations?

Mr. Peter Clark: Yes.

Mr. Mark Adler: Okay.

Mr. Peter Clark: They usually get trade promotion authority periodically, and it lasts for a period of five years or so. They take a period of time and they negotiate the various agreements under the TPA. If you go back, I think to 2007, they had a bipartisan consensus on basic issues they wanted to see in every trade agreement. People in Congress think it's unusual to let it go this long.

Mr. Mark Adler: Really?

Mr. Peter Clark: Yes.

Mr. Mark Adler: Okay.

Now, typically, a trade agreement, once negotiated, would come back to Congress, and then they would sort of fight it out?

Mr. Peter Clark: No, usually if they have TPA, it's an up-and-down deal.

Mr. Mark Adler: That's if they have TPA. But if they don't, then, all the special interests and everything will just weigh in.

Mr. Peter Clark: The last one that was done like that was the Kennedy Round.

Mr. Mark Adler: So it's been a while.

Mr. Peter Clark: In the Kennedy Round, the issue the Americans had was that they had what they called an American selling price system of valuation for chemicals and they were supposed to trade it away. Congress withdrew it during the approval period, so it upset the balance. In order to go into the Tokyo Round, they had to develop this fast-track authority.

Mr. Mark Adler: Okay. I get it.

Mr. Phillips, how many members do you have?

Mr. Richard Phillips: We have over 50,000.

Mr. Mark Adler: What is the total value of what your members contribute to the Canadian economy?

Mr. Richard Phillips: I didn't break ours out.

Mr. Mark Adler: What is it roughly?

Mr. Richard Phillips: We have about, I'd say, just over \$20 billion.

Mr. Mark Adler: How many does that employ?

Mr. Richard Phillips: I don't have that number off the top of my head, but I can make a commitment to get it to the committee.

Mr. Mark Adler: Okay.

Am I done?

The Chair: You're done.

Thank you very much. This has been very interesting.

We're through the first round. We do have some business we need to take care of.

We want to thank you for coming forward and for your very stimulating comments and very interesting answers to some of the questions. With that, on behalf of the committee, I thank you for coming in.

We will suspend to move in camera.

[Proceedings continue in camera]

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