



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

## **Standing Committee on Fisheries and Oceans**

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FOPO • NUMBER 004 • 2nd SESSION • 41st PARLIAMENT

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**EVIDENCE**

**Thursday, November 21, 2013**

**Chair**

**Mr. Rodney Weston**



## Standing Committee on Fisheries and Oceans

Thursday, November 21, 2013

• (1535)

[English]

**The Chair (Mr. Rodney Weston (Saint John, CPC)):** I'll call this meeting to order.

Before we get into the orders of the day, I'd like to take a moment to recognize one individual among us here today who is celebrating a very special occasion. Mr. MacAulay is celebrating 25 years of first being elected to the House of Commons, and I want to congratulate him.

**Some hon. members:** Hear, hear!

**An hon. member:** And you don't look a day over 75.

**The Chair:** I am circulating an article that appeared in today's newspaper, Mr. MacAulay—it's a bit of a history of Mr. MacAulay's actions over the years—so that you can enjoy the article, as I did.

I want to wish him all the best as he celebrates this important milestone. He was telling me that he had a party last night. Now, I wasn't invited, and I'm assuming you weren't either. But he told me that the former prime minister said this was just the beginning for him.

So we certainly look forward to many more years, Mr. MacAulay.

**Mr. Randy Kamp (Pitt Meadows—Maple Ridge—Mission, CPC):** That's a pretty good PM.

**The Chair:** Mr. MacAulay.

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

I don't know whether it's a wake or a celebration, but it's a wonderful event. And I thank you for this. I didn't even get a chance to read it, but whatever it says, I thank the colleagues who have been decent about the 25 years—and those who were not, look out.

**Some hon. members:** Oh, oh!

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

We have no doubt that you will certainly remember those who took the low shots at you.

To begin with today, I'd like to welcome our guests here. Thank you for coming to our committee. I know you have a brief statement to make before we get started and that committee members have many questions. We appreciate your coming today to talk about some of the work you've been doing and to answer some of the questions the committee members have.

I want to invite you now to make your opening statement, Mr. Verheul, and, if you would, to introduce your associate with you as well. We look forward to it.

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

My name is Steve Verheul. I am the chief negotiator for the Canada-EU comprehensive economic and trade agreement negotiations. I have with me Ana Renart, deputy chief trade negotiator for CETA negotiations.

Thank you for the invitation to appear before you today; I appreciate it.

As you know, the government announced an agreement in principle with the EU on the CETA negotiations on October 18. Although some technical issues remain to be completed, all the key issues have been resolved with the completion of the agreement in principle.

When it comes to fish and seafood specifically, this package of issues was among the most difficult parts of the negotiations to conclude. It was one of the last issues to be resolved. The fish and seafood negotiations covered a wide range of issues including tariffs, rules of origin, export restrictions, services, investments, subsidies, access to ports, and the environment.

The EU is the largest fish and seafood importer in the world at about \$25 billion a year in imports. We now export about \$400 million a year to the EU in fish and seafood products and clearly have significant room to grow once the barriers we now face under the EU market are removed.

Fish and seafood have been a top priority for a number of provinces and territories, in particular Newfoundland and Labrador, Nova Scotia, New Brunswick, Prince Edward Island, British Columbia, Manitoba for the freshwater fishery, and even the territories have expressed an interest in fisheries issues to a considerable degree.

We worked closely with these provinces and territories to identify priorities in the negotiations on fish and seafood, and they were very helpful in developing the final outcome. We also consulted closely with industry representatives throughout the negotiations. Both the industry and provinces and territories have been strongly supportive of the final outcome.

The issue of access to the EU market was the highest priority among the fish issues, and we managed to achieve an ambitious outcome. Fish and seafood are a sensitive area for the EU. CETA represents the first time that the EU will completely eliminate its tariffs on fish and seafood and all other forms of protection for a country with exports as large as Canada's.

Of the EU tariffs on fish and seafood, 96% will be duty-free on the first day the agreement comes into effect. This is an important achievement when you consider that currently only 3.2% of Canada's exports enter the EU duty-free. After seven years, 100% of those EU tariffs will be eliminated. EU protection levels are also very high in this sector, at an average of 11% for their tariffs, with peaks of up to 25%. Some of our key priorities, such as some shrimp and lobster products, face tariffs of 20%.

The EU also has something called an autonomous tariff rate quota on some of our key interests, including cooked and peeled shrimp, cod, crab, and hake. While these ATRQs provide us with duty-free access within certain limits, the EU could remove these at any time. They have no obligations associated with them. These ATRQs also usually include end-use restrictions, which prevent our exports from being able to be sold directly on retail shelves. These restrictions will all be removed under CETA.

We have also negotiated temporary Canada-specific quotas on some products to allow us duty-free access within agreed limits during the transition period. This includes a 23,000-tonne quota on cooked and peeled shrimp, and a 1,000-tonne quota on cod.

The final package also includes flexibilities to allow our exporters to import raw product from outside Canada, process it in Canada, and ship it to the EU as Canadian product. We have negotiated specific quantities for processed salmon, shrimp, crab, halibut, lobster, herring, and sardines. This will allow the domestic industry to fill in gaps when domestically sourced product may not be available.

With respect to other elements, the EU insisted it could not accept an outcome that would provide completely open access to its market but allow us to maintain export restrictions. As a result we reached an agreement that Newfoundland and Labrador would remove its minimum processing requirements on exports destined to the EU three years after the agreement comes into effect. This is not expected to result in any significant impact as these restrictions have not been targeted toward the EU.

• (1540)

We also agreed to provide most-favoured-nation treatment to vessels of EU member states with respect to access to Canadian ports. This simply means that we will treat EU vessels no worse than we treat vessels from any other country. It does not mean that we have any obligation to provide preferential treatment when it comes to safety, environmental, or any other requirements we may wish to impose on access to our ports.

On subsidies, we have agreed to work jointly to develop resolutions to fisheries subsidies, and there are specific provisions related to consultations if subsidies or support provided by one party to the fish and seafood sector is adversely affecting the interests of the other party.

Finally, with respect to the environment, we have agreed to take specific measures to conserve fish stocks, and to adopt actions and cooperate to combat illegal, unreported, and unregulated fishing. That's a summary of the outcome of the fish and seafood negotiations in the CETA. We would be happy to respond to any questions you might have.

Thank you, Mr. Chairman.

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

We're going to start off with a seven-minute round and we'll start with Mr. Kerr.

**Mr. Greg Kerr (West Nova, CPC):** Thank you, Mr. Chair.

Thank you very much to the both of you for coming in today and it's a job well done as far as many of us are concerned. I know it's still early stages in terms of the final deal and so on, but there's a lot of enthusiasm. I come from Nova Scotia, and certainly on the Atlantic coast I'm running into a lot of people asking very good questions about where do we go from here and we do that. Obviously the tariff is a big part of it.

But I would like to start on the lobster part. Being down in the western part of Nova Scotia, it's a huge part of our fishing industry. We are at the point of receiving a panel report looking at marketing and price problems, etc., and it seems to me a very timely opportunity to bring up the fact that government can't fix prices, but can provide opportunities. I wonder as we look at that whole issue of pricing whether you have a sense of opening the market up, and I'll just use lobster as an example. What kind of growth might one expect over the next few years from this opportunity?

**Mr. Steve Verheul:** I think it's really a bit of a challenge to estimate that. We have seen estimates of more than 20% growth with respect to the fishery sector across the board, but I think that's considered to be an increase in growth in the volume of the exports. What I think is more important is the opening up of the EU retail markets... and we're doing that on lobster as well because the EU tariffs on lobster products are much higher for the processed products than for the raw product. So I think that once we are able to start putting our products directly on grocery shelves, and starting to market them under Canadian brands, then we can really start to get full value for our exports into the EU for those products.

• (1545)

**Mr. Greg Kerr:** Many of us have been involved in a lot of discussions with the fishing industry in the last few years, and there's what we think of as an ample supply—some call it a glut—of lobster that has to be moved somewhere. Of course, having depended on the American market for so long with their economy the way it has been has opened up a lot of conversations. I get the sense then that we're talking about value-added, that if there's more processing taking place in our jurisdiction it not only adds jobs but also adds value to the product. Do you see where this could be heading?

**Mr. Steve Verheul:** I see that as one of the main benefits of the outcome we've negotiated; we have removed those restrictions to the retail sector that are in place right now. By doing that I think it does allow or provide us with an incentive to do much more of that processing at home. I think on lobster specifically the prices have been somewhat depressed in large part because of the reliance on the U.S. market. I think that having another market to ship to, the largest market in the world where prices are generally quite high, gives us another opportunity too to look at other possibilities for getting more out of our exports outside of the country.

**Mr. Greg Kerr:** I mentioned lobsters to start because of what we're going through right now, but I assume that the benefits can pretty well be seen across the seafood industry. It's to varying degrees of course, but the opportunity has opened up for all kinds of value-added additional processing and so on because of the retail opportunity. It's really a challenge for the industry itself to look at how to become a little more innovative and perhaps a little more sophisticated in how it deals with it. Would you say then that it's fair to apply that opportunity right across the industry?

**Mr. Steve Verheul:** Yes, I think it's probably more important for some species than for others, but if you take some of the main species we have of interest, lobster being one of them, shrimp, crab, and various others, the EU does actively discourage further processing in terms of imports. They have outright prohibitions to get to the EU retail market shelves. All of that will be removed under CETA. So we will have that market entirely opened to us. I'm certainly hopeful that it will provide a strong incentive to do a lot more of that marketing and that processing out of Canada directly.

**Mr. Greg Kerr:** Do I have a little more time left?

**The Chair:** You have two and a half minutes.

**Mr. Greg Kerr:** We're surprised that I haven't used up all my time right off the bat, but I'd just like to stick with that part of it because obviously you made a note of the fact that the seafood sector is one of the more difficult parts of the negotiations overall. Here I must say that after watching this potential over the years, I marvelled that they would agree to the processing opportunities taking place in Canada, to go into that \$500 million market.

Do you want to just expand a bit as to what that reaction was? I'm not looking for details about the debate, but to me, to reach that is one of the greatest accomplishments in this arrangement because I think the opportunities for us are huge.

**Mr. Steve Verheul:** No, I entirely agree with that.

The discussions on fisheries were difficult from the beginning. This is a sensitive sector for the EU. Even though they are the world's largest importer, they have a lot of sensitivities with specific

member states that rely, to a considerable extent, on the fisheries sector to provide economic support within their own areas. And they have the same kind of situation that we have, where they have a lot of ports and fishing villages that are dependent on the industry. So they were lobbied hard not to open up the fisheries sector to Canada.

In terms of the agreements that the EU has done before, this is the first time they have opened up their entire fisheries market to a country that's a significant exporter, as Canada is. For the most part, they have excluded at least some of the fisheries sector from liberalization under previous agreements. And that really played into part of the broader package of the negotiations. This was one of our key offensive interests. So we pushed very hard on it and that balanced off against our accommodating some of the EU interests in some other areas.

But this is one area where we thought there were significant gains to be made and we exerted a lot of leverage behind this issue and I think it came out in the best way we could have hoped.

• (1550)

**Mr. Greg Kerr:** I just want to finish by saying that we are very, very appreciative of the efforts made, because we think there's nothing but good opportunity, provided we manage it correctly and invest correctly and do the things. So there would be a lot of information that has to flow, I assume, in the next few years as we reach that market potential.

**Mr. Steve Verheul:** Yes, if I can briefly respond to that, that's a point we've been making in various places lately. We're on the verge of completing an agreement that will provide us with a lot of opportunity in the EU market.

But it's opportunity. It's Canadian business that's going to have to take advantage and be able to hit the ground running to be able to take advantage of those openings, and that's the next step we have to focus on.

**The Chair:** Thank you very much.

Mr. Chisholm, go ahead please.

**Mr. Robert Chisholm (Dartmouth—Cole Harbour, NDP):** Thank you very much, Mr. Chair. Hopefully, I won't take all of the seven minutes. I'll share it with my colleague Mr. Cleary.

Thank you very much to our guests. I appreciate your being here.

As you know, the New Democratic Party is certainly well aware of the potential value of this particular trade deal. Working with a country like Europe, in terms of standards and values and principles, is something about which we're very interested in trying to find out all the details, so we know exactly what it is we're working with.

We certainly, from my perspective as a Nova Scotian member of Parliament, have paid a lot of attention to potential positive impacts as they relate to the fishery and other sectors. But I want to also add that we're all aware of the history over the past 100 or so years of the difficult relationship between European fishing nations and Canada, our coastal communities. So there are some questions we need to explore a bit further.

I would also add, as Mr. Kerr has talked about, regarding the lobster industry and the maritime panel report that just came down, that if we have more opportunity out there to market the product, now's the time for the industry, with the help of governments, to figure out how best to access that in a way that's sustainable for the resources and that benefits coastal communities.

Anyway, I wanted to ask you one specific question, and that was regarding access of fishing vessels to our ports and the question we've had over the years of monitoring vessels suspected of fishing illegally in international waters. I wondered if you could just expand a little further on what it is we've agreed to.

**Mr. Steve Verheul:** Yes, I'm happy to.

We have agreed that we would not treat EU vessels any less favourably than we would treat vessels from other countries in like circumstances. That's the extent of the commitment that we have made. Essentially, we can't unfairly discriminate against EU vessels compared with other vessels.

We have entirely maintained the discretion of the Minister of Fisheries and Oceans to have authority over licensing of fishing and related activities, including access to fishing vessels in various waters and ports. If we take an action for environmental reasons, for safety reasons, for issues related to the state of the resource, as long as we don't discriminate against the EU, we have full scope to do that, as we have now.

**Mr. Robert Chisholm:** Okay.

The provinces have played an unprecedented role in these negotiations. Like I said, we're trying to get more information. I understand there are a couple of appendixes to this that deal with the role of the provinces, appendix A and B.

• (1555)

**Mr. Steve Verheul:** No, there won't be specific appendixes that would relate to provinces and territories. They are integrated in the various chapters where we could cover issues that fall under provincial and territorial jurisdiction. For example, on services and investment, you will see reservations that are specific to each province and each territory in light of what they're prepared to do in that sector.

**Mr. Robert Chisholm:** Right. Okay.

I want to pass this on to Mr. Cleary and mention that I'll be joining the trade committee next week in Halifax. I'm looking forward to hearing from a lot of people in industry and from our communities. We're going to have some representation from some people in the fishing industry. I'm looking forward to hearing more about that. Thanks very much.

Mr. Cleary.

**Mr. Ryan Cleary (St. John's South—Mount Pearl, NDP):** Thank you, Mr. Chair.

To start, I'd like to read a notice of motion I'm going to bring forward at a later date:

That the Standing Committee on Fisheries and Oceans undertake a study of the impacts of the Comprehensive Economic and Trade Agreement (CETA) for the fishing industry in Newfoundland and Labrador, including the repercussions of

the elimination of Minimum Processing Requirements, and that the Committee report to the House on its findings.

Now I have two quick questions.

First off, how would the eventual removal of minimum processing requirements impact the processing jobs in Newfoundland and Labrador and Quebec? That's the first question.

The second question follows on a question that Robert asked. Just so there's clarity here, in the past Canada has restricted access to Canadian ports of EU ships that have been cited for illegal fishing outside the 200-mile limit. Under the CETA deal, when this comes into effect, will that no longer be allowed to happen? Will Canada no longer be able to block EU vessels, pirate vessels, from access to Canadian ports?

**Mr. Steve Verheul:** First of all, with respect to the first question relating to minimum processing requirements, I think it's important to clarify that what we're doing in CETA is not applying minimum processing requirements against exports to the EU. For all other destinations, those requirements remain in place.

**Mr. Ryan Cleary:** That's clear.

**Mr. Steve Verheul:** Certainly, from what we've been told, minimum processing requirements are of most benefit in protecting processing jobs for more local competitors, whether in other provinces or from the U.S. It's not of a great value to the EU, because some of those minimum processing requirements are fairly modest, such as putting elastic bands around the claws of lobsters.

**Mr. Ryan Cleary:** So there would be no job losses?

**Mr. Steve Verheul:** I would not anticipate any job losses. I would anticipate quite a bit of job gains. In fact, what we do now, because we have limited access to the EU, we send raw product to countries that have unlimited access. So we sell raw product to Greenland, to Iceland, to Norway, all of whom have access to the EU market. Without having to do that, we can process in Canada and send directly to the EU. So I think we'll see quite a bit more processing in Canada as a result of this.

**Mr. Ryan Cleary:** Why is there \$400 million in compensation, then?

**Mr. Steve Verheul:** Well, there has been some concern expressed in various places that the removal of minimum processing requirements on exports to the EU might have some impact, and some, I'm convinced, probably believe that. I think that was part of the justification.

The other justification is that if we're going to take full advantage of this new access into the EU, we need to be prepared, well positioned, to do that, particularly if we're going to go into the retail market, which we haven't done to a great extent so far.

So it's more about restructuring the industry, positioning it to compete in the European market.

Now I'll add on your second question.

**The Chair:** Please be very brief, Mr. Verheul.

**Mr. Steve Verheul:** Sure.

You mentioned the issue of illegal fishing and the concerns we've had in the past with some EU vessels doing illegal fishing. Absolutely nothing will change on that front. We have the full scope of powers that we've had before and will have them under CETA to address those issues. We will not be inhibited in any way.

**The Chair:** Thank you very much.

Mr. Cleary, I take it that you'll provide text for that notice of motion to the clerk.

**Mr. Ryan Cleary:** Absolutely.

**The Chair:** Thank you.

Mr. Weston.

**Mr. John Weston (West Vancouver—Sunshine Coast—Sea to Sky Country, CPC):** Thank you.

This is a historic agreement, and it's really great to meet two of its architects. Thank you for being here. I'm sure it was a long, hard process, and we might love to hear the novel behind the presentation sometime. It's such an exciting agreement, with so many benefits for Canadians.

I understand that there are some specific niche markets for seafood of which we can take advantage. I wonder whether you could touch on a couple of those.

I'm from the riding of West Vancouver—Sunshine Coast—Sea to Sky Country, in British Columbia. It would be interesting for me and a couple others on the committee to know what British Columbian products might go there. But generally, what niche markets do you think we're going to be able to take advantage of?

• (1600)

**Mr. Steve Verheul:** Well, I think there are many and that they coincide nicely with the key products that we have been producing in our fisheries sector over the last while. It's not on the west coast, of course, primarily, but shrimp in particular will be a big success story. We have faced significant obstacles into the EU market on cooked and peeled shrimp, for example. But we will have entirely open access in that market. Newfoundland and Labrador is very interested in that specifically.

When it comes to the west coast, the tariffs on salmon will be completely eliminated as of day one that the agreement comes into effect. We will have full access to the EU market on the first day for all salmon products, no matter what degree of processing they may have.

We'll also have access on various other types of fish species of interest to British Columbia, whether it's ground fish, or whether it's.... Well, British Columbia has indicated an interest in hake and sablefish and.... Let's find another one. Certainly the salmon we have covered. I'd have to say that with the exception of tuna, in which British Columbia has a modest interest, everything else is going to be duty-free immediately.

**Mr. John Weston:** You know, there was a point as recently as 2012 when the sovereign debt crisis in Europe meant that countries lacked the capacity, possibly, to make decisions. That must have been one of your impediments.

Can you talk about that, or any of the other key impediments in getting to where we are? What was the big breakthrough?

**Mr. Steve Verheul:** There were a lot of bumps along the road, I can assure you. When the European Union went through those financial difficulties, we got a fair number of questions about whether this was the right trading partner to be launching such an ambitious enterprise with. But at the end of the day, the EU is still the largest, wealthiest market in the world. Certainly some of its member states are having some struggles—we've all read about Greece—but when you look at the strength of the German economy and even the strength of the U.K. economy, the big three with France included, there is a lot of economic wealth, and there is certainly a lot of growth in some of the new member states that have entered as well.

They've hit a few bumps in the road, but the European Union is not going away. It is going to continue to be an extremely wealthy market.

**Mr. John Weston:** Would either of you like to comment on what competitive advantage we might have vis-à-vis the United States in accessing the European market, based on CETA?

**Mr. Steve Verheul:** It's a considerable advantage. It's probably an advantage that the U.S. would have little chance to compete with. If we have faced a 20% tariff on some of our key exports, such as lobster or shrimp, and now have access to the retail market, the U.S. would have neither of those. They would have to pay those tariffs and would not have access to the retail market. That allows us to establish customer relationships; it allows us to develop markets and name brands. We have a significant advantage in that respect.

**Mr. John Weston:** We've heard that more than 80,000 new Canadian jobs may result from CETA. We've heard that the average Canadian household may receive \$1800 or more per year out of this. Our seafood exports were some \$400 million between 2010 and 2012. What increase do you see in the seafoods category, above that \$400 million? Is it possible to even predict?

• (1605)

**Mr. Steve Verheul:** It is difficult to predict, I think. I tend to think that the studies that were done before the negotiation were underestimates somewhat, but there was an estimate done that in the fish and seafood sector we'd be looking at a 20% growth as well.

I think we have to keep in mind first of all that the 20% relates to the volume of exports, and I think our exports have a very good chance of being of much higher value than our current exports, given that we'll have access to the retail market. Personally I think we have the opportunity to achieve much higher growth rates than 20%.

**Mr. John Weston:** Do you have any specific advice for people in the export business? You have been there; you have seen what's going on. What would you say to a small to medium-sized enterprise in the seafood export business about hitting the ground running now that CETA is a reality or will become one soon?

**Mr. Steve Verheul:** I think that's the priority we have to turn to now that most of the issues have been settled: getting Canadian industry ready to compete in the EU market. It's not the same market as the domestic market, not the same as the U.S. market, and I think there's an education process that we're going to need to undertake to ensure that people are aware of the opportunities that are out there. We need to provide information about how to access those opportunities, and if we're going to take full advantage of this, we have to put a lot of effort into making sure that they are ready to hit the ground running and realize the scope of the opportunities that are available there, which won't be available to our U.S. competitors and won't be available to competitors from other developed countries. This is our chance to get in there first.

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

Mr. MacAulay.

**Hon. Lawrence MacAulay:** Thank you very much, Mr. Chair.

Welcome. I certainly hope that it's as successful as it's portrayed to be. The fishing industry can certainly stand it, because the lobster industry in particular, as has been stated here, is depressed at the least.

It is of concern to me that there would be a \$400 million package put in place in Newfoundland to compensate for processing and that now we're portraying this as a massive asset to the processing industry. I just hope it is; I hope very much that it is.

Do we ship a lot of live lobster to the European market? And with this new deal happening, do you expect that instead of shipping the live product we will ship the processed product? That's what I would gather from what you're saying.

And just as an aside, we are going to treat the EU member states with respect at our Canadian ports. Were we disrespectful up to now, or what? Or did I just not understand this? It seems to be strange language. If somebody is breaking the law, we can deal with them. We could before, and I suspect we will now.

**Mr. Steve Verheul:** To start with the live lobster, at the moment we export about \$39 million worth of live lobster to the EU. That is something that I think we have the potential to change over time, because we face much higher restrictions on processed lobster in particular. The tariff on live lobster into the EU is 8%; it's 20% on processed lobster. Removing both of those gives us the opportunity to go after the processed lobster market in particular. This is part of what we have to think about: what we need to do in terms of adjustment to our approach domestically.

On the access to ports issue, certainly there has been a bit of history with respect to EU fishing in Canadian waters, and there have been some moments of tension in the past, as I'm sure you're aware. What we have committed to is to address more of an optical issue, I think, than a real one, in that the EU wanted some assurance that we would not unfairly discriminate against them relative to everybody else. We were certainly prepared to make that commitment, because we don't discriminate unfairly against the EU in comparison with others.

• (1610)

**Hon. Lawrence MacAulay:** Thank you very much.

Also, on subsidies, we have agreed to work jointly to develop a resolution to the fisheries subsidies. I would just like you to elaborate on where that would take us, specifically with some of the subsidies that have been in the news lately.

Number one would be employment insurance, wharf repair and this type of thing that DFO was involved in. As we know, with the WTO, there was a great concern about the subsidies that fishermen received in this country, as in the small craft harbours programs.

If you could, I'd like you to inform the committee where that's going and where you expect it to end.

**Mr. Steve Verheul:** Yes, happily.

**Hon. Lawrence MacAulay:** I'd also like to ask...but likely won't have time. But go ahead.

**Mr. Steve Verheul:** On the subsidies issue, we generally don't have a subsidies chapter in most of our free trade agreements. The EU wanted one in this agreement and, at first, I have to say we weren't that interested.

**Hon. Lawrence MacAulay:** Why aren't we interested? Because I would expect that with the European community there would be something here. We're dealing with subsidies and it's there for a reason.

**Mr. Steve Verheul:** Yes. Well, the reason we weren't that interested to start with was because—and the EU actually shares this view—we think the best place to deal with subsidies is at the WTO. Very few countries are going to be prepared to take obligations on subsidies in a bilateral agreement and, in effect, disarm themselves against the rest of the world. So we weren't prepared to do that either.

But the battle we had with the EU on subsidies was that they wanted to exclude the fisheries sector and they wanted to exclude the agriculture sector. We said that if we were going to have any kind of treatment of subsidies in this agreement, it had to include agriculture and fish as well. But at the same time we're not looking at obligations that are going to change the way we provide assistance to the fisheries sector now.

What we've agreed to is that we would have notification requirements on subsidy programs, so if you're introducing a new program, you'd have to notify the other side so they are aware. In the event that a subsidy program from one party or the other is causing damage to the interests of the other side—

**Hon. Lawrence MacAulay:** That's the one I'm interested in.

**Mr. Steve Verheul:** —then there is an obligation to have a consultation about it to see if there is a way to try to avoid that kind of impact on the other's interest.

But there is no obligation to remove any subsidy program; there is no obligation to reduce the level of subsidies. I think that, really, if you compare the subsidies provided in the European Union on fisheries compared to what we provide, we're in a much better position because the EU common fisheries program provides a lot of support to the fisheries sector.

**The Chair:** Very quickly, Mr. MacAulay.



**Hon. Lawrence MacAulay:** You indicated, of course, that we're going to respect the environment and we're going to respect the measures to conserve fish. Looking at eco-certification, do you see that becoming a problem?

Let's say, for example, there is a downturn in a certain area, as in the catch of the lobster could be down for a number of years. Do you see this eco-certification having an impact on whether you can fish in a certain area or not?

I'm just thinking of area 26A off Prince Edward Island. The catch was down for a number of years. If there were eco-certification we might be told we couldn't fish there. Last year the catch was very high. That's a great concern to the fishing industry.

Do you see that having an effect?

**Mr. Steve Verheul:** No, we're not going into that kind of specific area. Much of that resides either under our domestic policies or under policies of regional organizations like NAFO.

We've agreed to cooperate in regional organizations and we've also talked about effective monitoring control mechanisms that we would both take to ensure that the stocks do remain healthy or become healthy, and that there is not extensive over-fishing.

We're particularly interested in the illegal, unreported types of fishing that occur mostly on the margins, and certainly outside of any officially sanctioned practices. That's really going to be all about how we can jointly try to preserve this very precious stock that we have now, and then use it in generations to come.

•(1615)

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

Mr. Donnelly, we're going to move to a three-minute round now.

**Mr. Fin Donnelly (New Westminster—Coquitlam, NDP):** Thank you, Mr. Chair.

And thank you to both of our guests for your hard work on the agreement.

I want to pick up where Mr. MacAulay left off on eco-certification. Right now DFO considers the seeking of eco-labelling as industry-lead and voluntary market-driven decisions, but the EU is slightly different. You did touch on it there in the response to Mr. MacAulay's question, and I just wanted you to elaborate a little further on whether this inclusion in CETA and the recognition of the benefits of eco-certification will have implications for Canada?

**Mr. Steve Verheul:** We haven't gotten into that kind of specifics. It's more about making sure we have very effective monitoring and control mechanisms, so if we can jointly start to see if there is a problem developing, or if fish stocks are going down and need to be protected in some way or other, or if we're pursuing issues like you mentioned on the eco-labelling, that we try to do that together to the extent we can, because—

**Mr. Fin Donnelly:** Do you see that coming?

**Mr. Steve Verheul:** It's part of the cooperation element we've incorporated into areas like fisheries. We have specific provisions in the environment chapter in relation to fisheries for that purpose, which is something we've never done before, so that we can try to start jointly managing the fishery sector.

I'm sure you're aware that the EU has struggled with its own fishery sector to a great degree because it's suffered from the effects of a lot of overfishing over a very long time and they are still dealing with that. We need to have a more sustainable type of approach to the fishery sector that we could both get on board with, to advance it.

**Mr. Fin Donnelly:** Is there a sort of single certification program that is recognized by the EU?

**Mr. Steve Verheul:** No, and we haven't gone that far either. But that's something that, through the cooperation mechanisms we developed, could certainly be a possibility in the future.

**Mr. Fin Donnelly:** The government says 95.5% or 96% of tariffs for fish and seafood products will be eliminated when CETA comes into force. On the remaining 4.5% or 4% in seven years, what products will continue to have tariffs and what guarantee is there that these tariffs will be eliminated down the road or in seven years?

**Mr. Steve Verheul:** There will be a binding commitment in CETA that those tariffs will have to be reduced in equal annual steps over seven years. So you're going to have a certain reduction every year until the tariff is eliminated.

Now, for some species that we had particular concerns about—and cooked and peeled shrimp was one of them because the EU has put that at seven years—we said that if you're going to have a seven-year phase-out on a tariff for a product that's as important as that one is to us, then we want a Canada-specific quota while that tariff is being phased out. We negotiated a 23,000 tonne quota that would remain in place until the tariff was gone, to provide us with open access to the EU at least up to that level. We've done that in a few cases.

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

Go ahead, Ms. Davidson.

**Mrs. Patricia Davidson (Sarnia—Lambton, CPC):** Thanks very much, Mr. Chair.

Thanks, Mr. Verheul and Ms. Renart, for being here with us this afternoon. This is an exciting deal, and I want to add my congratulations to both of you for being a part of such a successful outcome.

I'm not like my colleagues on either side. I am from Ontario, from the Great Lakes area. So when you were going through your presentation, Mr. Verheul, you talked about the provinces and territories and named some in particular where the fish and seafood industry had been a top priority. You mentioned Manitoba for the freshwater fishery.

Was Ontario much involved with this as well?

**Mr. Steve Verheul:** I don't think Ontario has a freshwater fishery to the same extent as Manitoba does. But we did talk to Ontario about these elements and recognized that this was an important element to it as well.

For all of the freshwater fish that comes from Ontario as well, with the exception of trout if there is extensive trout fishing, everything else will be duty free immediately on the first day. So we did pay quite a bit of attention to the freshwater fishery as well, given that it does represent a significant resource within Canada.

•(1620)

**Mrs. Patricia Davidson:** So there are opportunities there that could be developed as well in the freshwater fisheries.

**Mr. Steve Verheul:** Absolutely.

**Mrs. Patricia Davidson:** I just want to go back a bit to some of the questions that Mr. Donnelly had when we talked about the high tariffs for the products going to the EU before the agreement, averaging 11% with peaks of up to 25%. When these tariffs will be removed and go to zero, is it common to see the resulting percentage of profit go to the exporter, to the companies, or are there other costs that creep in that bring that profit margin down?

**Mr. Steve Verheul:** No, there aren't any additional costs that would creep in. What it comes down to is really what kind of price the exporter negotiates with the importer in the EU. As it stands now for some of our exporters who are paying 20% tariffs into the EU, that's a considerable cost of doing business. When that's gone, certainly it will add increased value to the exports. I think as importantly from our perspective it will give those exporters a chance to compete with anyone in the world going into the EU market, because they will have that 20% advantage over everybody else.

**Mrs. Patricia Davidson:** We've talked quite a bit about increased opportunity....

Am I done?

**The Chair:** Yes, you're done, I'm sorry.

Thank you, Ms. Davidson.

Mr. Chisholm.

**Mr. Robert Chisholm:** Thank you very much, Mr. Chairman.

I wanted to ask a little bit about the rules of origin. I know that was a tough issue in a number of different areas, but as it relates to fish products in particular I wondered if you could expand a little bit on it. I'm thinking, of course, of lobster coming from the U.S. and being processed in New Brunswick. Maybe you could talk a little bit about how that will all be treated.

**Mr. Steve Verheul:** Yes, the rules of origin was another long fight when it came to the fishery sector. We got a lot of resistance from the EU because when we had scenarios like the one you described, our bringing lobster in from the U.S and then processing it in Canada and exporting it to the EU, which we do, the EU would respond that this was a free trade negotiation with Canada and not with the U.S., so why should we give benefits to the U.S.?

Our response was that this is part of the way we do business. We operate in an integrated North American market in many cases and this is part of our reality and we need some accommodation. What we did end up doing was that we agreed to rules that primarily meant that for us to benefit from the tariff advantage, it has to be Canadian product going into the EU market. But for the main species of interest to us—and that does include salmon and shrimp and crab, halibut, lobster in various forms, herring, and sardines—we agreed to specific quantities where we would be allowed to import the product from the U.S., process it in Canada, export it to the EU and benefit from the duty free tariff environment. We did that species by

species as specific volumes. That was a concession that we negotiated.

**Mr. Robert Chisholm:** In terms of the minimum processing requirements, we've talked about Newfoundland and Labrador but we didn't talk a lot about Quebec.

**Mr. Steve Verheul:** No, I didn't. For Quebec, we did have extensive conversations with them as well, because aside from Newfoundland and Labrador, Quebec is the only other province that applies minimum processing requirements at this time, as you probably know.

For Quebec, at the moment they don't export a lot of their production to the EU. They tend to focus more on the U.S. market, the domestic market and some others, but without a big focus to the EU. So they thought that they could operate without minimum processing requirements on exports to the EU with very limited, if any, impact on their sector. They seem to be capable of dealing with that without any real disruption.

•(1625)

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

Mr. Leef.

**Mr. Ryan Leef (Yukon, CPC):** Thank you, Mr. Chair.

I thank both of you for coming.

I can tell you that even folks up in the Yukon Territory are pretty excited about the fisheries aspect of this trade agreement. There's been a bit of chatter of course on Facebook; people use that social medium to kick around their comments on the EU. I read one that said: "Good morning Newfoundland and Labrador, all the ships at sea, and our fishery crew. Canada's free-trade deal with Europe will not fix our broken fishery—it will give it away...."

Would you agree with that characterization?

**Mr. Steve Verheul:** Hardly, no.

I would say that this is going to represent a real opportunity for growth in our fisheries industry, the likes of which we haven't seen for a very, very long time.

**Mr. Ryan Leef:** Thank you.

That would probably sound familiar to folks across the way because it came from Mr. Cleary, in fact. As Mr. Chisholm said, we're all interested in hearing about the CETA agreement. He wanted to articulate that the NDP was supportive of the trade deal with the EU, but that they had some questions.

Interestingly enough, Facebook posts like this happened in October, long before we had an opportunity to hear from you. It might solve one of the mysteries of Mr. Cleary's question about why people are fearful of things they don't know about when we have members of Parliament who are broadbanding this kind of fear before they even give you an opportunity to sit here and tell us. I think some of the clarity you've brought here today was fantastic; it was great.

I just want to ask you a question about the three-year deal where it says that Newfoundland and Labrador will remove its minimum processing requirements three years after the EU deal comes into effect. Would you see that as providing sufficient time to realize the increase in the market share for people in Newfoundland and Labrador to adjust to a phased-in minimum processing requirement being removed?

**Mr. Steve Verheul:** My personal view is that, yes, that provides lots of time to make that kind of adjustment. Again, this only involves removing minimum processing requirements on exports to the EU, not to any other markets. We don't actually need them or use them that much on exports to the EU. In fact, in Newfoundland and Labrador, when they get requests for exemptions from the minimum processing requirements, they agree to 90% of them. We wouldn't consider this a real obstacle in terms of any kind of adjustment within Newfoundland and Labrador.

I'd also like to make an additional point. This requirement on minimum processing requirements is not out of step with what we already have in terms of commitments. CETA does include rules with respect to restrictions on exports, but we have those exact same commitments—Canada and the EU do—under the WTO, so this is not a brand-new commitment.

**Mr. Ryan Leef:** Will CETA apply to aquaculture products as well?

**Mr. Steve Verheul:** Yes, indeed, it will.

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

We'll go back to Mr. MacAulay.

**Hon. Lawrence MacAulay:** Thank you, Mr. Chair. You're doing a fine job.

**The Chair:** Thank you. I appreciate that.

**Hon. Lawrence MacAulay:** I appreciate your indicating, basically, that the process in industry will expand a lot in this country after the deal is finalized. Of course, I can understand Mr. Cleary's wondering why there would be a \$400 million package; I can just understand that. They don't generally give these things away if there's not some little problem.

The Americans have not signed an agreement yet. When do you expect them to sign?

**Mr. Steve Verheul:** The Americans have just started their negotiations with the EU. I think they've held two rounds now, and they're at the very early stages. They've got a lot of negotiation ahead of them.

**Hon. Lawrence MacAulay:** It's expected to be put in place by 2015. The Americans will have signed by that time, most likely.

Do you expect any changes in the deal or are the Americans just going to comply with what the deal is? Is that what you would expect?

**Mr. Steve Verheul:** The deal that we've negotiated is between Canada and the EU. The U.S. will have no say—

•(1630)

**Hon. Lawrence MacAulay:** —on our deal.

**Mr. Steve Verheul:** —on what our deal looks like.

**Hon. Lawrence MacAulay:** I hope that's right, for sure, and possibly it is, but I'm just wondering about processed product. We expect to do a large amount of processing. Do you expect the Americans to receive the same type of deal, let's say with their processed lobster? Would you expect that they would receive the same type of deal as Canadians do? You would expect that would have some effect on what we would export on the processing side to the European Union.

I don't see the European Union leaving the Americans out of this deal. Perhaps they will, but I think they will be in on it in some way or another; they generally are. I would also expect that they will be involved in the processing industry. Do you not see that affecting the amount of processed product that we would be able to put on the shelves of European Union countries?

I would hope that we'd be able to fill all of the shelves, and nothing would be better. Whoever wants to take credit, it's great, and whichever government does, it's great. But sometimes it does not always work out that way.

**Mr. Steve Verheul:** Well, I think I'd have two reactions to that.

First of all, by getting the agreement first on our side between Canada and the EU, it gives us a chance to develop those markets, to develop joint projects, and to develop customer relationships, to be in there first and get established long before the U.S. would be able to. If the U.S. and the EU manage to reach an agreement— and that is an “if”, because I think they will have some significant challenges—including on that element, then certainly we will have some head-to-head competition with the U.S., but we will have had a head start.

The other benefit that would come to us in that situation is that, in all likelihood, we would then be able to have no restrictions on bringing U.S. product into Canada, processing it, and exporting it to the EU, because then it would be considered of North American origin, and we'd both have free trade agreements with the EU.

**Hon. Lawrence MacAulay:** And that's what—

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

**Hon. Lawrence MacAulay:** Thank you, Mr. Chair.

**The Chair:** Mr. Verheul and Ms. Renart, I want to thank you very much for being here today. It certainly has been very informative for me and I'm sure for all committee members. We certainly appreciate your taking the time to come here and enlighten us on this historic agreement. Once again, on behalf of the committee, thank you very much.

Now we'll go in camera for committee business.

*[Proceedings continue in camera]*





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