



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on International Trade

CIIT • NUMBER 078 • 1st SESSION • 42nd PARLIAMENT

EVIDENCE

Monday, October 2, 2017



Chair

The Honourable Mark Eyking

Standing Committee on International Trade

Monday, October 2, 2017

• (1530)

[English]

The Chair (Hon. Mark Eyking (Sydney—Victoria, Lib.)): Good afternoon, everyone. We especially welcome our witnesses today.

As our witnesses and the people listening know, our committee is the international trade committee. Right now, we're in the midst of a study on the priorities of Canadian stakeholders having an interest in bilateral and trilateral trade in North America, of course, between Canada, the United States, and Mexico.

Our committee has been fairly active in dealing not only with Canadians and Canadian stakeholders; we've also spent considerable time in the United States. We travelled west to California and the State of Washington, and we were in the Midwest and also in the city of Washington.

Thank you for coming today. If you're new to coming in front of a committee, I'll let you know that we have French and English translation. You might get some questions in French. Also, we'd like you to keep your presentations under five minutes, if you can. That gives us a lot of time for dialogue with the MPs.

We're supposed to have somebody on video conference from the Women's Enterprise Organizations of Canada. If we can connect, we'll hear from them a little later.

Without further ado, right now we have with us Spirits Canada and the Organization of Women in International Trade.

From Spirits Canada, we have Mr. Helie and Mr. Westcott.

Folks, you have the floor. Go ahead.

Mr. Jan Westcott (President and Chief Executive Officer, Spirits Canada): Thank you very much, Mr. Chairman.

I'm the president and CEO of Spirits Canada. Joining me today to answer any questions you may have is my colleague, C.J. Helie, our executive vice-president.

The Canadian spirits industry produces amongst the highest value-added processed agrifood products made in Canada. Canadian distillers source locally grown cereal grains—barley, corn, wheat, and rye—and transform these into premium-branded consumer goods.

We often talk about the value that the international export of Canadian spirits, and of Canadian whisky specifically, brings to

Canadians in terms of jobs and wealth creation. Open and free markets are not a zero-sum game. Canadian spirits manufacturers can compete with the best the rest of the world can produce.

Certainly, Canadian consumers have benefited from the elimination of import customs tariffs on spirits, the elimination of higher liquor board markups on imports, and the introduction of a very wide range of new products, including single-barrel American bourbons or reposado and añejo tequilas, product categories unknown to most Canadians before NAFTA.

While Canadian whisky has been a dominant player in the U.S. market since the American Civil War, we've actually enjoyed a 100-fold increase in the value of our exports to Mexico since the coming into force of NAFTA in 1994. That's a pretty dramatic improvement in our business.

With fully 70% of Canadian spirits production exported, international trade is essential to the health of domestic manufacturers and to thousands of Canadian companies, many of whom are classified as either micro-, small- or medium-sized businesses that provide essential goods and support services to us as manufacturers.

However, Canada actually exports very little Canadian whisky, the commodity. What we do export are brands of Canadian whisky, iconic brands such as Canadian Club, Crown Royal, Canadian Mist, Black Velvet, Alberta Premium, Forty Creek, and Wiser's, as well as a whole series of innovative new brands, such as Alberta Dark Batch, Lot 40, and, Crown Royal's best whisky in the world, Northern Harvest Rye, amongst many others. It's actually this branding and the Canadian value-add that distinguishes spirits from many other agricultural exports and even many processed agrifoods.

As I mentioned earlier, 70% of Canadian spirit product is exported. Relevant to today's discussion, our NAFTA partners, the U.S. and Mexico, account for 85% of that total, so saying that retaining open access to the NAFTA market is critical to the future of the Canadian spirits industry is actually a gross understatement.

NAFTA is critical to spirits, and spirits are critical to NAFTA's beverage alcohol trade. In fact, spirits account for over 65% of the value of beverage alcohol imports sourced from Canada by the U.S. and Mexico. NAFTA, in fact, has helped distilleries in Canada, the United States, and Mexico compete with products made outside of North America. People often miss that. That's a very important point.

After 20 plus years of NAFTA, our supply chains are very closely interwoven. We benefit from the mutual recognition of our respective signature products such as Canadian whisky, American bourbon, and Tennessee whiskies, as well as tequila and mezcal. We also recognize that after 20 years the agreement could use some improvements and modernization.

The priorities of the Canadian spirits industry for the renegotiation of NAFTA include the retention of duty-free access for all Canadian spirits to the American and Mexican markets, including maintenance of the current rule of origin, and the extension of the formal recognition of “Canadian whisky” as a distinctive product of Canada, which is to include Canadian rye whisky as well.

We've also tabled a joint proposal, along with our colleagues at the Distilled Spirits Council of the United States and Mexico's National Chamber of the Tequila Industry, for an annex to the “Technical Barriers to Trade” chapter, modelled after a similar annex under the TPP negotiations, to deal with various labelling, packaging, certification, and similar regulatory issues. We're working hard to get alignment between our industries across the North American footprint.

We've also requested the inclusion of additional disciplines for beverage alcohol state monopolies to ensure that things like product markups and fees are fully transparent, standardized, and applied equally on all spirits, regardless of country of origin.

- (1535)

In closing, I would simply add that despite the accelerated pace of negotiations we are experiencing in the NAFTA context versus more traditional negotiations, we are extremely pleased and satisfied with the outreach and the consultations being undertaken by both Global Affairs and Agriculture and Agri-Food Canada. We remain extremely confident in Canada's negotiating teams, and underline both their professionalism and expertise as best in class.

We would be happy to answer any questions you may have.

Thank you.

The Chair: Thank you, gentlemen.

We'll move over to the Organization of Women in International Trade. With us we have Alma Farias and Ainsley Butler.

Welcome. You guys have the floor.

Ms. Ainsley Butler (Representative, Ottawa Chapter, Organization of Women in International Trade): Thank you, Mr. Chair.

It's a pleasure to be here to discuss how OWIT embraces the modernization of NAFTA and efforts to make it more progressive. Thank you for the invitation.

I will be providing OWIT's opening remarks today. I am a board member of OWIT's Ottawa chapter. I work as a responsible sourcing programming manager for UL, Underwriters Laboratories, where I advise companies and brands on supply chain issues. I'm here today with Alma Farias, who will respond to the committee's questions. Mrs. Farias is a board member of OWIT's Toronto chapter. She is at the trade facilitation office for Canada as the Ontario regional representative. She also has a consulting practice to assist Canadian companies to access the Mexican market.

The Organization of Women in International Trade, or OWIT, is a global not-for-profit association seeking to advance women's role in international trade and business. With 2,000 members in 30 chapters around the world, OWIT members are professionals engaged in all aspects of international trade. Together, our members make a significant contribution to global economic growth.

OWIT believes that women are a valuable resource in trade. Women-owned businesses are an increasingly important driver of change in the private sector for broader economic development. Many studies demonstrate that women's economic participation contributes to higher GDP levels. In Canada alone, for example, women-owned businesses contribute \$150 billion to the economy per year, and employ more than 1.5 million people. But around the world, and also here at home, women continue to represent an untapped economic potential. The current NAFTA renegotiations offer an opportunity to develop and build on this potential. Gender is an essential issue for trade and for NAFTA.

It goes without saying that in the 23 years since NAFTA entered into force, technological progress has transformed North American business operations. The context in which trade takes place today is vastly different from what it was last century. Critical trade issues must be addressed. A few topics that we discuss regularly, for example, are supply chain transparency and labour standards equivalency. On a forward-looking basis, we wonder how emerging and newly emerged sectors will impact women and men.

We know that trade agreements impact men and women differently around the world. This is also true here at home. For example, women in the SME sector are less likely to access the credit they need to increase their participation in trade and fully benefit from the trade agreements that Canada signs. Evidence suggests that even when a sector expands as a result of trade liberalization, women are less likely to experience wage increases and are more likely to remain small producers. This is bad for everyone. Innovation, Science and Economic Development Canada confirms that female-owned SMEs exhibit lower growth rates compared with male-operated enterprises.

In general, OWIT strongly supports the inclusion of a gender component in all future international trade agreements. OWIT also believes that specific actions must be taken in parallel with trade agreements to improve the participation and economic impact of women in trade.

This brings me to three issues that OWIT would like to highlight today in the context of current NAFTA renegotiations.

First, OWIT supports Canada's commitment to pursuing free, open, and progressive trade that benefits all parties. As such, OWIT supports increasing focus on gender in NAFTA. Although negotiations on this matter may be difficult, we encourage ambition. OWIT was inspired by the modernization of the Canada-Chile trade agreement, which will enable all parties to benefit from the agreement through a better appreciation of how women can participate in trade and the impact of trade on women.

OWIT sees the strong potential of a trade and gender chapter in NAFTA, and encourages Canada, the United States, and Mexico to develop a model of co-operation to address trade and gender issues. A framework for trilateral committees considering gender and trade would be the minimum *de rigueur* action to be taken to demonstrate commitment on this issue. OWIT encourages Canada's trade negotiators to be aware of the various ways in which women and men operating businesses can be impacted differently by any renegotiated provisions. A gender analysis would offer concrete information about the differential impact of NAFTA on women and men.

• (1540)

OWIT believes that in the context of NAFTA greater focus on SMEs would have positive gender benefits because of the significant involvement of women in the SME sector.

In particular, SMEs would benefit from a more harmonized regulatory network that simplifies the complex administrative processes of North American trade. OWIT believes that a gender analysis of the question of mobility of persons would reveal how modernization of this chapter would best benefit women, men, and families. OWIT points to the comprehensive economic and trade agreement as an example to draw on.

To further support a progressive trade agenda, OWIT recommends using the gender and trade tool box developed by the United Nations, which is the first attempt to provide a systematic framework for policy-makers to evaluate the impact of trade reforms on women and to identify gender inequalities prior to implementation of trade agreements.

The Chair: Can you wrap it up? We're over the time.

Ms. Ainsley Butler: I definitely can.

The Chair: Thank you.

Ms. Ainsley Butler: OWIT encourages Canada, Mexico, and the United States to affirm their commitment to the advancement of women in trade. This is consistent with NAFTA parties' international agenda and in line with the UN sustainable development goals. This is further in line with the World Trade Organization's next public forum, which will seek to establish consensus on a gendered approach to trade agreements and trade policy.

On behalf of OWIT members, I wish to thank the honourable committee for its efforts to advance international trade opportunities for Canadians. We're grateful to be included in your consultations and hope to see you here again in the future.

Thank you.

The Chair: Thank you. I think we'll be asking you to come here more often with your perspective.

We're moving to a video conference all the way from Edmonton. From the Women's Enterprise Organizations of Canada, we have Marcela Mandeville.

Can you hear us all right?

• (1545)

Ms. Marcela Mandeville (Director, Women's Enterprise Organizations of Canada): Yes, I can. Can you hear me?

The Chair: Yes. Is this your first time before a committee?

Ms. Marcela Mandeville: Yes.

The Chair: Well, welcome. You can go ahead with your submission. We try to keep it under five minutes, but we're not too strict on it.

You have the floor.

Ms. Marcela Mandeville: Thank you very much.

On behalf of the Women's Enterprise Organizations of Canada, I want to extend our extreme appreciation for being included in your meeting today.

I'm also the CEO of Alberta Women Entrepreneurs. We are part of the Women's Enterprise Initiative, WEI, in western Canada, which is funded by Western Economic Diversification.

To talk a bit about the Women's Enterprise Organizations of Canada and to give you a context for our perspective in relation to international trade, WEOC, as we call it, is an organization that is formed nationally of members who work directly with women entrepreneurs. We are an organization to support other organizations in their efforts to help women entrepreneurs in Canada build the capacity and the access to the resources they need.

As many of us know, and as studies have shown, to this date, women-led ventures are still an underutilized resource. As the representative from OWIT mentioned so nicely, we are seeing that there is still considerable opportunity to engage women entrepreneurs, in particular in international trade, as a component to being successful business owners in Canada.

In relation to trade, we know that our entrepreneurs seek international opportunities in many cases but find that there are some barriers to becoming successful in international markets. One of the things we've observed in our 20-plus years of working with women entrepreneurs is that there are some systemic issues as well as some internal issues that are faced by women entrepreneurs in relation to their pursuit of international trade opportunities.

There are key areas that experts have looked at.

The first is the lack of resources and the lack of access to networks. By “resources”, quite often we mean capital. It's access to money that they need, whether it's private equity or debt financing or other forms of capital, to get them to grow and expand, in particular into international markets.

The second is access to decision-makers in those networks. Not only is there often an issue within our own provinces in getting to decision-makers to actually make sales and generate revenue, going into international markets creates an added layer of complexity. We know that there are some great resources available through the government, and we do encourage our entrepreneurs to access them, but there is still an ambiguity in awareness of those opportunities and how to best maximize them.

The third piece is the actual direct connection into those markets. We've been doing a lot of work on that in the western provinces in particular through a project on expanding international trade in western Canadian women-owned businesses. We want to look at how we can expand the opportunities for women to access new markets, to make the right connections and alliances, and, at the same time, to look at a holistic approach to get them the resources they need.

We've been working through this project with our women entrepreneurs to provide them with resources towards financing, equity capital, and leadership capacity, as well as direct connections through trade missions into markets. What we have seen since January 2015 is that our 138 firms in western Canada that have participated have generated over \$70 million in leads. That's tremendous.

Has it translated directly into contracts? Not quite, which demonstrates that there is still a gap that needs to be filled in providing access to those contract opportunities and winning those contracts for women entrepreneurs. I'm speaking only from the western Canadian experience, but when looking at the studies, I believe that this translates to women entrepreneurs across the country.

In essence, we are definitely trying to increase participation rates in international trade. We see that there is an appetite when there is an understanding of the opportunities.

We know that trade agreements such as NAFTA, as well as bilateral trade agreements, provide more awareness of the doors that can be opened for Canadian-owned businesses, in particular for women-owned businesses, if there is a gender lens and gender focus on portions of those agreements—for example, with supplier diversity. How can we take the best practices of countries such as the U.S., for example, in their efforts in supplier diversity and look at how that could be complementarily used in Canada as well as Mexico?

•(1550)

There are organizations working in supplier diversity right now to encourage minority suppliers and business owners to access those contract opportunities. Through agreements like NAFTA, we can strengthen the position of our small and medium-sized enterprises to get access to those contracts.

On behalf of the Women's Enterprise Organizations of Canada, thank you so much for offering us the opportunity to share our perspective and join in the conversation. We hope to be part of this in the future.

Thank you.

The Chair: Thank you very much to all the witnesses for coming forward.

Now we're going to have some dialogue with the MPs. Each MP gets five minutes. We're going to start with the Conservatives.

Mr. Allison, you have the floor.

Mr. Dean Allison (Niagara West, CPC): Thank you, Mr. Chair.

To our witnesses, thanks to all of you for being here today.

My questions are for Spirits Canada. You've talked about how you're happy with where you see the NAFTA negotiations going at this point. Why don't we talk a bit more about the supply chain? You guys represent organizations like Forty Creek in my riding, which recently sold to Campari in order to compete on a more global level and access other markets.

I would like to get your thoughts on what attracts investment to Canada. You guys said that you compete with the best in the world on that. In the last budget, there was an excise tax that was going to be raised and would continue to be raised in perpetuity. Talk to us about how you guys compete with supply chains and with people across the border and around the world.

I'm assuming that most of your guys are also competing—because there are some multinational corporations—for investment dollars. Talk about what you guys do and what's important in order to attract those dollars here to Canada versus to other plants around the world.

Mr. Jan Westcott: First of all, beverage alcohol, no matter whether it's beer, wine, or spirits, is a global industry. Canada is part of that global industry and has a proud history of being one of the dominant manufacturers and suppliers and developers. As Canada is celebrating its 150th anniversary this year, Wiser's Canadian whisky is celebrating its 160th anniversary of continuous sale and production. Canadian Club celebrates its 160th next year. We've been here a long time and doing lots of things, but it's a global business.

We're very fortunate in Canada that we have a product that is unique to Canada. We're also very fortunate that our product has seen tremendous success. That's Canadian whisky. We have been the beneficiaries of some circumstances south of the border in the United States—the Civil War being one, as well as prohibition to a certain extent—that have opened doors for us to introduce our products to Americans. Americans have appreciated that. For almost 100 years, we were the largest-selling whisky, bar none, in the United States. In fact, in Texas today, more Texans drink Canadian whisky than any other whisky.

Can we make it? Absolutely. Have we been able to sell it? You bet. The question is, how do we do that?

It's a global business. The same guys who own the best whisky in the world, according to Jim Murray at the *Whisky Bible*, Crown Royal Northern Harvest Rye, also own Johnny Walker Black, Bulleit Bourbon, and Bushmills Irish Whiskey. As they're sitting at their global capex table deciding where investment should go from their company, with a fiduciary responsibility to make sure every dollar that gets invested is going to get the best return, Canada doesn't come out so well on that. That's simply because tax levels in Canada are literally the highest in the world.

What that translates into is much lower gross margins than those of our competitors in the United States, or in the U.K. in particular, and increasingly in Japan and a number of other countries that are coming on as whisky producers. There's no question that those are challenges.

I have been in the spirits business for 16 years—I was in the wine business before and in the beer business prior to that—and I would say that attracting that investment into Canada, into the Canadian business, and into the Canadian whisky category is becoming increasingly challenging. Frankly, some of our presidents talk about going to their global capex meetings, presenting very good cases for investment in the category or in the business here, and not being very successful versus their colleagues in Britain.

As I said, it's a global business. Those challenges are there. The tax measures in the last budget, as we made a point of telling people, are not helpful. At the same time, we're seeing the emergence of many new small distillers in Canada, just as we did in the beer industry and the wine industry.

We happened to be meeting with one of them shortly after the budget came out. That person, who is in Vaughan, makes an award-winning couple of whiskies. It's the Still Waters company. It makes Stalk and Barrel, which has won a number of awards. He basically said that they're small guys and they don't have a lot of economies of scale. That little bit of profit that they had forecast just as they were to go out and start looking for more a more senior level of investment was going to be taken up by the excise increases.

There's no question that there are a lot of challenges. I think I would say two things. We have demonstrated both tremendous confidence and tremendous success in maximizing our ability to deliver products that consumers around the world want, as well as developing supply chains, certainly with Mexico and especially with the United States, that allow us to do that. I made the point earlier that one of the things that NAFTA does for us is that it allows North American businesses—Canadian, American, and Mexican—to compete more effectively with other similar businesses around the world. That's critically important, particularly for a relatively small country like Canada.

● (1555)

The Chair: Thank you, sir.

That wraps up Mr. Allison's time. We're going to move over to the Liberals.

Mr. Fonseca, you have the floor.

Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.): Thank you, Mr. Chair.

I'd like to thank our presenters. Through your deputations, you spoke to really unleashing the potential of a modernized NAFTA. That's what I was hearing. I was hearing it from all three of you as you spoke so eloquently.

Jan, what you brought up is that NAFTA helps us compete with those from outside. How exactly does it allow us to compete?

Mr. Jan Westcott: First of all, Canada has, what, 35 million or 36 million people? I think we enjoy the standard of living we do in Canada because we have been very successful exporters, and I think spirits is a classic case of that. We export 70% of what we make.

In fact, we're really a farm business. We buy grain. We convert it to alcohol. It's a relatively modest commodity, no disrespect to our farm partners. We're actually in business with farmers. We convert it to alcohol, add a huge amount of value by branding, and then we sell it all over the world. I think we've been very successful at that.

That is one of the attributes of this business: extremely high value-add and extremely good use of... Pick one province. We produce in Alberta, Manitoba, Ontario, and Quebec. In every single one of those provinces, all of the grain we use is grown by farmers in those provinces. We're significant grain purchasers but, more importantly, we're significant people in terms of converting the value of that into the maximum possible and, along the way, providing jobs for Canadians.

Mr. Peter Fonseca: Just last week our trade committee was down in Milwaukee, Wisconsin, which is a big beer centre. You've also mentioned that you, the Americans, and your Mexican counterparts are looking for an annex for barriers to trade. Can you explain that? Would it be labelling, etc.? It's a mature agreement. It's been 23 years, so why hasn't this been done up till this point?

Mr. Jan Westcott: I think the world changes. I think it takes time to get to know everybody and to see... Since NAFTA came in, we have penetrated parts of the United States that we hadn't before, and absolutely in Mexico. Our success in Mexico has been unbelievable. We've learned things and we've discovered things. As the opportunities emerge, it shows us what kinds of changes need to be made to make it even more successful and better.

In answer to your question, I would say that it's economy of scale and the ability to recognize things that can be improved, and then to actually get them improved. While some people have been worried about renegotiating NAFTA, we think this is an extremely important exercise to go through. It has been 20 plus years, and there are opportunities.

•(1600)

Mr. Peter Fonseca: My next question is for Alma, Ainsley, and Marcela. You brought up this up in terms of best practices when we look at gender within an agreement. This was brought up around supplier diversity.

Marcela, I think you brought it up. Is that something you would like to see in the chapter if it were brought into NAFTA?

Ms. Marcela Mandeville: I think it's an interesting opportunity. It really depends on the context of how it would be included, but it's to look specifically at minority-owned businesses. That includes women because women win only a very small percentage of contracts—less than 5%. In many cases, it's around 2%. That's extremely low in terms of the actual number of female-owned firms in our country.

If you look at something like a supplier diversity program, you see that it offers the opportunity to look at setting some baseline metrics around purchasing and increasing the transparency of the supply chain. For example, in the U.S., it's based on corporations that want to do business with the federal government; therefore, they need to spend a certain percentage with minority-owned businesses.

It may not need to look exactly the same, but I think we need to look at how we are encouraging the supply chains within our trade across all of these countries to include minority-owned businesses and, specifically, if we're looking at it with a gender lens, women-owned businesses as part of that.

Mr. Peter Fonseca: How do we stack up globally if you look at best practices when it comes to gender, not only through NAFTA, but with NAFTA and other agreements?

Ms. Alma Farias (Representative, Toronto Chapter, Organization of Women in International Trade): I think that one of the key issues on supply diversity is the limited access to working capital for women. All these contracts require large amounts of working capital. Unfortunately, women-owned businesses are limited in terms of these resources, especially in developing countries—and still in Canada.

Just last week, one of our OWIT members attended the WTO public forum in Geneva. The MasterCard representative mentioned that one billion women have no bank account. This gives you an idea of the issue of working capital.

The Chair: Thank you. The time is up. We're going to the NDP now.

Madam Ramsey, you have the floor.

Ms. Tracey Ramsey (Essex, NDP): Thank you so much for your presentations.

Crown Royal is bottled in my riding in Amherstburg, Ontario, and of course Wiser's and Lot 40 are right next door and Hiram Walker is in Windsor. We're certainly watching the geographical indicators around Canadian whisky closely to ensure there's that carve-out.

My questions are going to centre around the other guests here today. I really want to talk about this gender chapter.

I've heard you say that at a bare minimum it needs to be a trilateral committee, much like we saw in Chile, but I really want to talk about

what the best possible scenario could be. There are things to be included, of course, such as pay equity, social supports for women, access to shelters, and domestic violence legislation, because when women entrepreneurs have the choices and the stability in their lives to be able to grow, I think it benefits all women across Canada. I'm hoping that those things are in there, but I want to ask you about access to capital.

You mentioned how limited capital is for women, as is the access to decision-makers. These are the real barriers that exist in our own country as well as when women are trying to trade. Beyond that committee, how can we entrench these into enforceable language in NAFTA? How do you view that?

Ms. Alma Farias: First, we believe that including the gender chapter in the NAFTA is a serious way to address inclusiveness.

We are also realistic. We know that the negotiation of this chapter is going to be challenging with the U.S. and Mexico. We are not expecting a hard commitment. We are expecting, as a very first step of commitment, to get these trilateral committees and implement programs. I think we need to start somewhere.

•(1605)

Ms. Tracey Ramsey: I think we need to go as far as we can possibly go, though. If it's something that we're going to look at and bring into the agreement, we should ask for everything, and then, of course, it will be negotiated.

Can you speak a bit about the gendered barriers that you see in NAFTA? Have you done any analysis in your organizations on those barriers? I hear you about the committee, but my concern regarding the committee is much like what we saw with the committees in the TPP that were being set up, and certainly in the Chilean committee, which is that there won't be any enforceability. There will certainly be women meeting, which is always valuable and comes up with a lot of solutions, but we really want to focus on what exactly we can entrench in there that's enforceable.

What do you think the gendered barriers are in NAFTA specifically? Are there chapters where you see those barriers?

Ms. Alma Farias: I would say that we need to understand first the root problems of this gender inequality. One of the root problems is the salary gap. This is the beginning of the gender disparity.

As we mentioned before, the main obstacle that women business owners face is the limited access to credit. Sometimes there are also difficulties in getting into the business networks, especially in some male-dominated sectors such as mining and manufacturing. In developing countries—and I mention this because we have a NAFTA partner, Mexico, a country that is considered to have an emerging economy—we have to be aware of unpaid housework, which is part of the ecosystem and I think needs to be considered. We are aware that this is a social norm, but if we at least address this barrier, we can help our partners to understand what we want to achieve.

Ms. Tracey Ramsey: Thank you.

Marcela, did you want to jump in on any of that?

Ms. Marcela Mandeville: Yes. Thank you.

I completely agree. In terms of what are some tangible pieces we could put in, definitely in the scope of supplier diversity, is there a way to create some numbers, some baseline metrics, and some goals around how to engage women-owned businesses in supply chains? Is there a way to show that transparency through numbers by looking at the best practices in the three countries and determining what the best baseline number would be, not only bilaterally or amongst all three countries, but even within our own country in terms of how women-owned businesses are part of the supply chain?

I also think the point about access to capital is very interesting. I do think we also require some metrics around access to capital. More than talking about the lack of capital, it's about actually measuring how much capital is getting into the hands of women-owned businesses that are growing and expanding internationally and participating in trade through NAFTA. How are they being capitalized? What are the results of that?

We've seen through our work with a small segment of women entrepreneurs—less than 200—the amazing ability they have to generate business with the right amount of holistic support, which, in our case, includes financing through our organization.

The Chair: Thank you very much.

We're going to move over to the Liberals. I understand they're splitting the time. Mr. Dhaliwal, you're starting. Go ahead.

Mr. Sukh Dhaliwal (Surrey—Newton, Lib.): Thank you, Mr. Chair, and thank you to the presenters.

My question is for Mr. Westcott. For Spirits Canada, to date what progress has been made in reference to the regulatory issues when it comes to labelling requirements, particularly for the export of Canadian spirits?

Mr. Jan Westcott: I'm going to ask my colleague to touch on that a bit.

Mr. C.J. Helie (Executive Vice-President, Spirits Canada): We have no real market access problems exporting into either the U.S. or Mexico. What we are looking for, really, is to take some costs out of the business by having greater regulatory harmonization.

Our model has two things. One is the TPP annex, where a lot of work was done to simplify differences in regulatory approaches. Second, on the wine side, the new World Wine Trade Group made a

lot of progress on labelling harmonization across those countries, so we saw that as an opportunity to do something similar for spirits.

• (1610)

Mr. Sukh Dhaliwal: What other nations should we focus on with free trade when it comes to spirits and wines?

Mr. C.J. Helie: We're strong supporters of the Korea and Colombia agreements, as well as the agreements with Europe, CETA. Those are great export opportunities for us. Looking forward, we just put in a letter of strong support for TPP-11. In fact, TPP without the U.S. has maybe even more upside than with the U.S., because of the negotiating dynamics.

Mr. Sukh Dhaliwal: Karen.

Ms. Karen Ludwig (New Brunswick Southwest, Lib.): Thank you for your presentations.

My questions are around gender analysis and the gender lens. Looking at NAFTA, for example, as it currently stands, if we're looking to modernize it, what are the differences and the opportunities in having a specific chapter on gender or having every chapter written through a gender lens?

That's for Ms. Farias or Ms. Butler.

Ms. Ainsley Butler: I think the model from the Canada-Chile agreement of having the gender chapter is one that can be followed and built upon. In particular, we mentioned having access to data that allows us to understand truly the contribution of women to trade. I think having provisions like that in a separate chapter would go a long way in making it possible to eventually streamline throughout trade agreements.

If we are talking about having even the most minimum considerations implemented into the agreement—although we would definitely support mainstreaming and consider that highly ambitious—we think that probably the chapter approach would be the most realistic at the moment.

Ms. Karen Ludwig: Okay. Now we're looking big, so we could look much more broadly and at the possibility of potentially looking at it through a gender lens. If we look at our 2017 budget, we can see that the outcomes of that have been very significant, because it wasn't just one specific chapter within the budget itself. The budget was looking at each detail in terms of a gender lens.

I want to raise this point. Jennifer Reynolds, from Women in Capital Markets, in Toronto, presented before the status of women committee. She mentioned a number of the same concerns that you have mentioned in your presentation: the just-in-time supports, the need for mentorships, the issue regarding financing financial literacy, and basic elements such as affordable housing and child care.

In terms of getting access to capital, would it be fair to say that one of your recommendations might be to recommend to the Government of Canada that we have specific capital set aside for women who want to get more deeply involved in entrepreneurship and also in international trade?

Ms. Ainsley Butler: Yes, absolutely. Any programs or activities that promote women participating in trade and facilitating that trade through access to finance in a public or private program are things that OWIT would definitely support.

When we mention the concept of gender analysis, it's really also taking inspiration from the budget. I think it's an important step forward. I didn't want to understate the importance of making that analysis.

Ms. Karen Ludwig: Thank you.

Mr. Westcott mentioned micro-businesses. So often, women are involved with micro-businesses that are so small that there's a lack of networking. When they are so small and selective, how do we do a better job of connecting women and making them more aware of the available resources and the opportunities in trade?

The Chair: It will have to be a quick answer.

Ms. Ainsley Butler: Well, I think that there are a number of organizations that offer a lot of services to women, and reaching out to those women is really important. For example, the women we meet at our OWIT events are often very shy to come to us and tell us what they're doing.

If everyone has the common message to encourage women to access programs, to see what's out there, to not be shy to come to networking events, to volunteer, and to offer their time and their expertise, it doesn't really matter if it's a micro-business or a large business. That experience is highly valuable.

•(1615)

The Chair: The time is up.

Marcela, I think you wanted to have a quick comment, but I have a question for you in regard to what Ms. Butler said.

We have a development group, the Export Development Corporation. Would you suggest they should be reaching beyond, getting into the communities, and finding women who have products that have potential for export and mentoring and helping them? Is that what you're saying? Are you saying to reach in there and find out, because they might be a little timid about jumping into that trade? Is that where your sense is?

Ms. Marcela Mandeville: Yes, absolutely. We see that all the time, that connecting with organizations like Export Development Corporation as well as BDC. We have very strong relationships with other service providers. When we have our micro-businesses, for example, a big job that we have is to connect them to the community. We create those introductions. We create those pathways for them to be able to explore what would work best for them.

That's a big value that our organizations work to achieve with the entrepreneurs. It's extremely important that they connect to each other and to those resources that are available through the government and other service providers, as well as connecting to

mentors and sponsors who are going to get them the connections they need.

The Chair: Thanks very much.

That wraps up our time in this segment. Your recommendations are going to be in our report and we will be putting them forward to the government. Hopefully, we can get a little more traction on that.

We're going to suspend for a minute because we have some other witnesses ready for the next panel.

Again, thank you, witnesses. You'll see our report coming out for the end of the year.

•(1615)

(Pause)

•(1620)

The Chair: Welcome, witnesses, to our international trade committee. As you know, we are doing a study on future trade between Canada, the United States, and Mexico. We've been speaking with the stakeholders, both with Canadians and of course with our counterparts in the other countries. We've travelled quite extensively to the United States already. We tried to get to Mexico, but we had problems with the earthquake.

That said, we have three groups. We have Mr. Van Harten, who is appearing as an individual, and we also have Oxfam and the United Parcel Service of America.

We would appreciate it if you could keep your comments to under five minutes so that we can have a good dialogue with the MPs.

Without further ado, Mr. Van Harten, we'll start with you, if you're good to go.

Dr. Gus Van Harten (Professor of Law, Osgoode Hall Law School, York University, As an Individual): That would be fine.

I'm a law professor at Osgoode Hall Law School. For about 15 years in my research, I've specialized on international investment law and investor-state dispute settlement, or ISDS. I'll limit my comments to the investment chapter of NAFTA, chapter 11, and will quickly note that international adjudication of disputes that involve foreign investment should, in my view, meet four criteria.

First, it should be balanced, in the sense that foreign investors should have rights and protections, but also responsibilities that are enforceable in the same way.

Secondly, it should be independent, in the nature of other judicial processes at the international domestic level.

Thirdly, it should be fair, in that all parties with an interest in the resolution of the dispute should have an opportunity to have standing in the proceeding, to the extent of their interest.

Fourthly, it should be respectful of domestic institutions, especially domestic courts, in the same manner as other international courts and tribunals.

I emphasize these four criteria because the conventional design of ISDS, including in chapter 11 of NAFTA, does not meet these four criteria. I think that is relevant to the mandate of this committee, in the sense that you should consider, when Canada engages in the renegotiation of NAFTA, that one of the benefits of a termination of NAFTA is that we would get rid of this flawed mechanism of international adjudication. Alternatively, we might have an opportunity to replace it with something better in the context of renegotiation.

I'm not offering a comment on the pros and cons of termination versus renegotiation as a whole; obviously, we don't have a lot of public information to work with on that. I think we should keep in mind that the removal of chapter 11, and especially the ISDS mechanism, would be something of a silver lining in the negative overall outcome of termination of NAFTA, and that it's preferable to call the U.S. administration's bluff on termination if the alternative for Canada is an unduly concessionary deal, because there are some benefits to NAFTA termination.

I'll end my comments right there and summarize: balance, fairness, independence, and respect for domestic institutions should be the defining criteria for evaluating ISDS or any alternative.

Thank you.

• (1625)

The Chair: Thank you, sir.

We're going to Oxfam Canada, with Julie Delahanty and Francesca Rhodes.

Folks, you have the floor for five minutes. Go ahead.

Ms. Julie Delahanty (Executive Director, Oxfam Canada): Thank you very much for inviting Oxfam to present to the committee today.

Oxfam works in 90 countries around the world to support long-term development and to provide life-saving humanitarian assistance, but we're also an advocacy and campaign organization committed to addressing root causes of poverty and inequality. We put women's rights and gender equality at the centre of everything we do, both here at home in our work and in our work in some of the poorest countries on the planet.

The government has taken a very bold step in adopting the feminist international assistance policy. To be consistent, the government also needs to review its trade and diplomatic policies to ensure strong coherence and a true feminist foreign policy. The renegotiation of NAFTA is an opportunity for Canada to support the inclusion of gender equality in the trade agreement so that women and men benefit equally from its provisions.

Women form the majority of the world's poor, and trade is widely recognized as a key tool for poverty reduction, but women workers, producers, and consumers have unique characteristics and face particular constraints. If we want to maximize the gains from trade for women, and also the contribution that women make to a country's economic and trade outcomes, then trade rules, trade agreements, and trade support programs must take into account the sectors where women work, the types of businesses they operate, the goods and

services they produce and consume, and the trade and other barriers they face.

The underlying theme of our intervention today is that there needs to be a strong gender analysis in order to ensure that negotiators are able to get the best trade deal. Evidence gathered through a sound gender and poverty analysis, including through the collection of sex-disaggregated data, would improve the knowledge, analysis, and choices of the negotiators, policy advisers, and partners with respect to the impacts and benefits of NAFTA on gender equality. Building on this broad recommendation around gender analysis, we have a couple of specific recommendations, as follows.

First, the proposed gender chapter should be strengthened to maximize its impact. We strongly support the inclusion of a stand-alone gender chapter as a concrete symbol of the importance of gender equality in the NAFTA negotiation and as recognition of the gendered impact of trade.

The gender chapter found in the Canada-Chile Free Trade Agreement has been highlighted as the model for a similar chapter in the NAFTA agreement. That chapter is a useful entry point and has some great ideas, including support for initiatives such as building women's networks, improving labour standards, supporting the specific needs of women to help them take advantage of the trade agreement, and so on, but the agreement is weak, in that it lacks specificity of what it will achieve and lacks accountability due to the fact that it is completely voluntary.

To strengthen the chapter, it could profit from more concrete requirements and commitments that a NAFTA committee would have to report on. At a minimum, it should require a poverty and social impact analysis or a gender trade impact analysis to be carried out. The analysis would explore the possible gendered impacts and outcomes of the agreement, including looking at gendered value chains analysis. This analysis could lead to a better understanding of where the needs are and could target some of the suggestions made throughout the side agreement. The analysis would be very useful, too, in seeing if things are improving and who is winning and losing as a result of the trade deal. The committee could also ensure that there is adequate monitoring of the commitments.

Second, gender equality objectives should be addressed throughout the agreement, and negotiators need to look at both gender and economic inequality together. Again, as highlighted, the negotiators need to have adequate sex-disaggregated data and a strong gender analysis to understand the gender impacts and benefits of the various elements of the agreement.

While a key issue, it is important that the focus not be solely on issues related to women entrepreneurs and business owners. The labour chapter, for example, is important to review from a gender perspective, given that the vast majority of women work and women are concentrated in the lowest-paid roles with the least job security. In Mexico, for example, women make up the majority of workers in the maquilas. As a result, Mexican women have seen new job opportunities created since the introduction of NAFTA, but under exploitative conditions and with well-documented labour rights abuses occurring in that sector. The current labour provisions in NAFTA have failed women and should be strengthened in ways that would support greater real gains for women in the economy.

Finally, civil society needs more information about the negotiations in order to be able to analyze and contribute to debates and recommendations for the agreement. In particular, to ensure that gender equality is a strong component of the agreement, organizations that have expertise in gender and trade policy-making and negotiations should be included. Women's rights organizations and labour movements that represent women workers should be supported, including through funding, to be able to engage and to continue to analyze the impact on NAFTA.

• (1630)

Lastly, it would be useful to look at specific trade institutions within each country that could be strengthened from a gender perspective to support ongoing monitoring and improvement.

Thank you.

The Chair: Thank you.

We're going to our last presenter, who is from UPS America.

It's good to see you again, Ms. Lusi. You have the floor.

Ms. Aylin Lusi (Vice-President, Public Affairs, UPS Canada, United Parcel Service of America Inc.): Thank you, Mr. Chair.

Good afternoon, members of the committee. Thank you very much for the opportunity to speak before you here today.

My name is Aylin Lusi, and I am the vice-president of public affairs for UPS Canada.

UPS is a global transportation and logistics company. We are also the world's largest customs brokerage service provider. We have a 110-year history of moving and delivering goods, and we have operated here in Canada for over 42 years. We very proudly employ 12,000 people across the country, and we move approximately 3% of global GDP each and every day.

As an organization, our ambition is to bring Canadian goods and services to global markets, and to bring international goods and services to Canadian citizens.

We see the ongoing NAFTA renegotiation process as an opportunity. It's an opportunity to further improve the flow of goods throughout the North American market. Today I would like to outline three recommendations that we believe will help to create efficiencies in the movement of goods between NAFTA partners: the improvement of customs processes, the alignment of border security processes, and continued investment in infrastructure at NAFTA borders.

I'll begin with Customs. While customs processes might not always attract the most attention in discussions on international trade, we are very firm believers that efficient customs are really the cornerstone of successful North American trade, particularly in an age with complex composite supply chains and, of course, the ever-increasing volume of cross-border e-commerce.

The WTO's trade facilitation agreement provides us with what we would consider to be a ready-made blueprint for improving the efficiency and transparency of customs regulations. We believe that this agreement could serve as a good foundation for NAFTA renegotiations.

More specifically, we would encourage the modernization of NAFTA certificates to allow those who are trading goods under NAFTA to use multi-year electronic certificates, as opposed to the current annual hard-copy format.

A second opportunity can be found in customs powers of attorney. We believe that electronic signatures, as opposed to the current wet-ink ones, could be permitted in order to clear goods through North American customs.

A third opportunity can be found in the single window initiatives of Canada, the U.S., and Mexico. These three distinct programs seek to achieve the same outcome of trade facilitation. UPS believes that NAFTA partners now have an opportunity to renew working together to align their respective single window initiatives, so that companies wishing to import from and into any NAFTA country are able to deal with more similar systems. Forums such as the Canada-United States Regulatory Cooperation Council might provide a helpful environment for this alignment.

Since Canada and the U.S. share the largest international border in the world, secure and safe trade will be a significant component of any discussion regarding NAFTA modernization. The three NAFTA countries' trusted trader programs all require companies to invest in their internal security and data-reporting compliance in exchange for expedited treatment at the border. We would encourage NAFTA partners to recognize one another's trusted trader programs, and move towards what we would call an "inspected once, cleared twice" model, where a shipment is examined by the entry country and is accepted as cleared by its NAFTA neighbour.

Finally, we believe that Canada and its North American partners must invest in world-class trade infrastructure in order to remain competitive. Upgrading infrastructure at points of entry and exit is vital to improving the cost and the time efficiency of cross-border trade. In addition, the removal of procedural barriers for certified carriers to use the existing free and secure trade program or express lanes at borders could help improve the flow of goods to market.

In order to ensure that these border processes have the desired effect of making North American trade more competitive, we would encourage a “one parcel, one policy” approach, meaning that the same parcel should be subject to the same customs duty and tax collection policies, regardless of the carrier of that parcel.

●(1635)

In conclusion, Mr. Chair, UPS shares the Government of Canada's commitment to help Canadian businesses realize their innovation, growth, and prosperity goals. We believe that the introduction of measures to facilitate cross-border trade will help to propel Canadian exports and enhance the capacity of NAFTA as a platform for growth. This will support a competitiveness strategy and, most importantly, it will support Canadian businesses, their employees, and their customers across the country.

Thank you very much.

The Chair: Thank you.

I thank the witnesses for being timely. That gives us more time for dialogue with the MPs. We should get a full round in here. We're going to start with the Conservatives for five minutes.

Mr. Dreeshen, you have the floor.

Mr. Earl Dreeshen (Red Deer—Mountain View, CPC): Thank you very much, Mr. Chair, and thanks to all of the presenters.

I'd like to talk first to you, Mr. Van Harten. You went through some of the concerns and issues with regard to chapter 11. You indicated that something balanced, independent, fair, and respectful of domestic institutions is what you'd like to see.

Theoretically, that is, I suppose, what the initial decision had been. It seems as though you're saying that it hasn't hit the mark. I'm just wondering, if it's not a case of being able to just get rid of it, are there some adjustments that you could speak to on the four criteria you've presented?

Dr. Gus Van Harten: Thank you very much for the question.

“Independent” and “fair” are fairly straightforward, but it should be a judicial process instead of a private arbitration process. It doesn't have to be called a court, but it has to be designed in a way that you have the conventional safeguards of judicial independence, including a roster system in which the members are appointed by the states parties to the treaty. The roster members would not be allowed to have conflicting roles on the side as counsel in these cases, for example. There would be an objective way of assigning cases to the roster members. That would make it independent—even if you didn't call it a court—in a judicial sense.

With regard to fairness, there should be an opportunity for other parties who have an interest in the dispute. It might be a provincial government or a municipality whose decision is being challenged. It might be an individual whose reputation is being impugned in the proceeding. In any fair adjudicative process, they should have a right of standing in the process. That's another pretty straightforward fix, if you design it in a way that's judicially fair.

As for being respectful of domestic institutions, the main point there is that there should be, in NAFTA chapter 11, a duty to exhaust local or domestic remedies when they are reasonably available. That

is the rule elsewhere in international law. It's very odd that foreign investors are allowed to skip domestic courts entirely without having to provide any evidence that there's anything wrong with the country's court system. That's the primary way, I think, to ensure that conventional way of respecting domestic institutions. It's to require foreign investors to use a country's domestic courts first unless they can show that there's some deep flaw in the courts that should allow them to skip them.

For balance, I would admit that this may be the most challenging to implement, but in principle it's just the conservative point that if foreign investors need a special system to protect them because of some failing of domestic institutions in a country, then there should be a way to hold foreign investors to basic responsibilities within the same process. You shouldn't have really powerful rights in international law without some responsibilities that are enforceable in the same process.

Implementing that can take different forms. It could be something such as a preliminary step of having enhanced requirements for information sharing, where the home government of the foreign investor is obliged to share information about that investor in the home country. For example, if there's a prosecution for some kind of regulatory offence and there's an interest in accessing bank accounts of a foreign subsidiary and that kind of thing, building that into the system would help to make it balanced in the allocation of rights and responsibilities.

Those are some thoughts. I thank you again for the question.

●(1640)

Mr. Earl Dreeshen: Thank you.

The Chair: You have half a minute if you have a quick question.

Mr. Earl Dreeshen: Ms. Lusi, I would like to talk to you a bit. You spoke about investment in trade infrastructure, but I think one of the major concerns we're hearing about right now, of course, is in terms of the disruptive technologies that are taking place and how you keep up with things for which there don't seem to be any borders.

Your business, of course, will no doubt be grappling with those types of issues. I wonder if you could talk about how you see that in the future, and about what flexibility any NAFTA agreement would need to have.

The Chair: It will have to be a short answer, please.

Ms. Aylin Lusi: Thank you for the question.

In the context of international trade agreements, what we look at is how specific trade agreements can bring us one step closer to a truly seamless border experience. That is the experience that we as a company aim to deliver to our customers, but obviously as a broker and an operator that's something that we would also like to see in the day-to-day realities of our own operations.

Taken in the context specifically of trade agreements, we look at how we can work together with national or local customs authorities and representatives in ensuring that there are efficient customs resources at borders, ensuring that technology is up to date, and ensuring that changes to technology occur in collaboration with those who are going to use those systems and programs. That's very specifically in the context of trade.

On disrupters more generally, it's certainly something that as an industry we look at. As a company, we use a lot of technology. We deploy our own proprietary technology to help us move goods more quickly within our own networks as well, but that's perhaps less connected specifically to international trade.

The Chair: Thank you.

We'll have to go to the Liberals.

Mr. Peterson, you have the floor.

Mr. Kyle Peterson (Newmarket—Aurora, Lib.): Thank you, Mr. Chair.

Thank you, everyone, for being with us this afternoon. I have questions for all three of you, so I'm going to try to be quick with my questioning.

Ms. Delahanty, I appreciated your presentation. You mentioned something about the data, and obviously all these analyses, which I think many of us agree need to be done, rely on the data. Can you talk to me about the reliability of that data, where it comes from, and the sources and the validity of it? Can you tell me as well if that's even a problem that needs to be addressed?

Ms. Julie Delahanty: Sure. You're not going to ask all your questions to me...?

Mr. Kyle Peterson: No, I have a different one for each person.

Ms. Julie Delahanty: Francesca can jump in, but the problem I see is that when it comes to the negotiations we're all shooting in the dark, because most of that data doesn't exist and hasn't been collected. We have no idea, really, of what are the impacts of some of the negotiations that are going on and what we know already. I can give a lot of examples.

I've worked more on developing country agreements, so I have a better sense of that. For example, in a country like Namibia, where you have changes in trade agreements around chicken and suddenly chickens are flowing into a country, the cost of those chickens drops dramatically. By happenstance, it was women who were raising chickens. It completely undermines their market.

Without knowing those details of what's happening with different segments of the value chain, it's very difficult to move forward. As the previous speaker mentioned, UNCTAD has a number of tools that they use: the gender impact analysis and the poverty and social indicators assessment. There are different tools that can be used and that use a variety of methodologies, some of which are subjective and some more substantively qualitative. A lot of it just doesn't exist yet, and that's what we're asking for: that more of it exist.

Francesca, do you want to comment?

Ms. Francesca Rhodes (Women's Rights Policy and Advocacy Specialist, Oxfam Canada): Yes, I think there have been a few

studies of the gendered impacts of NAFTA, but in very specific sectors—for example, in the maquila industries in Mexico or what happened to women farmers in Mexico. What we're asking for is an overall analysis that would bring the impacts together from across the three countries and also look at the predicted impacts over time as to what we're negotiating now.

● (1645)

Mr. Kyle Peterson: Thank you for that.

Ms. Lusi, welcome. I know that you're relatively new to your role, so I hope you're enjoying it so far. We're happy to have you appear before the committee.

You mentioned infrastructure, obviously, as one of the three priorities that UPS has. Most people think of infrastructure as bridges, highways, and airports when it comes to trade. I think I know what your answer is going to be, but could you expand on the way we can streamline the electronic component of infrastructure between countries and between trading partners. I know that's something you would advocate for at UPS.

Ms. Aylin Lusi: Thank you for the question. I absolutely agree that physical infrastructure is certainly key and we wouldn't want to overlook that. It's something that UPS certainly pays very close attention to in the context of international trade.

On the perhaps somewhat less tangible side of infrastructure, one thing we're looking at in the context of NAFTA and particularly the movement of goods from Canada to the U.S., is enabling dedicated fast lanes to operate a little more efficiently. At present, there are restrictions on who is able to use those fast lanes and what kind of mix of load you can have in your truck as it crosses that border in order to benefit from the fast lane. We'd like to see some of those rules changed to enable a broader range of those who are transporting goods to use those dedicated fast lanes to move across borders.

Mr. Kyle Peterson: Thank you for that.

Professor Van Harten, it's always good to see you in front of the committee as well. We share a keen interest in ISDS, so it won't surprise you that I have a couple of questions for you. I have time for probably just one of them.

You talked about chapter 11 in NAFTA, which I think is relatively flawed in the overall scheme of things. When we look at the new and improved CETA, we can even see that the CETA ISDS provision has been improved since the first draft of CETA was signed. Do you see CETA as capturing your criteria of being balanced, independent, fair, and respectful of domestic institutions? Is it leaning towards where you want it to be? Or is it completely off base?

The Chair: It has to be some quick.

Dr. Gus Van Harten: I'll be really quick. In CETA, the investment court system, or ICS, took significant steps to improve the lack of independence, but it didn't deal with the other three.

Mr. Kyle Peterson: Thank you.

I think I'm right on time, Mr. Chair.

The Chair: You're exactly on time, Mr. Peterson. I'm impressed.

You have 10 seconds left. Do you want to give it to the NDP?

Mr. Kyle Peterson: No, I'm fine.

Voices: Oh, oh!

Mr. Kyle Peterson: That's good, everybody.

The Chair: We're going to move to the NDP now.

Ms. Ramsey, you have the floor.

Ms. Tracey Ramsey: I'll expand on Kyle's question.

This is NAFTA being presented today with UPS at the table. UPS brought a chapter 11 case against Canada and Canada Post. I think it's interesting that you're both here today.

My question will go back to you, Professor Van Harten. Could you finish your thoughts on how you think there really weren't significant changes or enough changes—and the NDP agrees—in ICS, that system in CETA, to change the end result, which is corporations suing our government? I'll let you expand on that.

Dr. Gus Van Harten: On the independence point, there are a couple of gaps in the ICS. First, the members of the roster that was established still have a financial interest in the frequency of claims by foreign investors, so their remuneration is significantly dependent on one side bringing claims, which is not healthy for perceptions of independence in the process.

Second, they're not prohibited from working on the side as ISDS arbitrators under other treaties that allow for ISDS, some of which allow for entirely confidential ISDS proceedings. This means that even a disputing party before the ICS process has no way to reliably verify whether the roster member assigned to that party's case is working on the side or has worked on the side in a basically non-public arbitration process and has been paid lucratively in that context by an interested party. That's something that is easy to fix in the list of prohibited side activities, but for whatever reason was not in the CETA.

On fairness, there was a proposal in the original ICS proposal that the European Commission released in the context of the TTIP negotiations. About four months before the revised CETA text was made public, there was an article 23 that would have given a limited right of standing to third parties with an interest in the proceedings. That article, for reasons I'm not aware of, was removed from the CETA. From my point of view, someone, somewhere, consciously decided to keep ISDS unfair in its ICS iteration. That's a very precise failure of the ICS on the fairness point.

On domestic institutions and the duty to exhaust local remedies, CETA just doesn't incorporate that duty. It's a bit of a longer discussion as to why. It's the same thing with balance—

• (1650)

Ms. Tracey Ramsey: Perhaps you could send us a brief—as I know you often do—with some of those details. That would be fantastic. I do want to get in a question for Ms. Delahanty from Oxfam.

You were speaking with my colleague about the types of gendered assessments that could be applied. Are you aware of any of those being completed or of the government looking to complete some of those to craft the NAFTA chapter?

Ms. Francesca Rhodes: No, not the moment. We're not aware that there are any plans for those to be carried out. I know that they would carry out the usual gender-based analysis, but we think the assessment could probably go a lot further and look at a lot more detail.

Julie mentioned that UNCTAD, the United Nations centre for trade and development, has developed a tool box on gender and trade. It can be used to assess trade agreements before they're agreed to. It was recently applied to an EU agreement with east Africa on the gendered impact would be so that one could design what specific interventions should be designed around it.

Ms. Tracey Ramsey: I think you make the point quite clearly that it shouldn't just be the gendered analysis, but that there should be a human rights lens applied to all trade going forward. It is positive that we see one group's issues being addressed, but it certainly should be broader. I wonder if there are any particular chapters in NAFTA in which you think that gender analysis should be a priority.

Ms. Francesca Rhodes: Certainly, the labour chapter is really important, since women's economic inequality is so prevalent throughout the world of work, and also because there's an opportunity with the labour chapter to have some language on gender that would be included in the binding part of the labour chapter. The opportunity would be to really expand and to dig down into what those types of revisions would look like if they had a gender lens applied to them. We could really use that labour chapter to have some specific language on pay equity, on equal pay for equal value, around parental leave, and on the provision of child care, for example.

There's also often language in labour chapters that refers to the ILO convention, which refers to the prevention of injury and illness at work. That could have a particular gendered lens when thinking about gender-based harassment at work, which women experience. Yes, particularly in the labour chapter, ensuring that there's strong gendered language in the binding part of the labour chapter would really strengthen the approach.

The Chair: Thank you. That wraps up your time.

We're going to the Liberals now. I understand that there's going to be a splitting of time.

Madam Lapointe, you have the floor first. Go ahead.

[Translation]

Ms. Linda Lapointe (Rivière-des-Mille-Îles, Lib.): Thank you very much, Mr. Chair.

Good afternoon.

We have been talking for a while about our different labour standards and about the renegotiation of NAFTA. Would the free trade agreement between Chile and Canada be a good starting point to renegotiate NAFTA?

[English]

Ms. Julie Delahanty: It's a good place to start, but it doesn't go far enough. I think that's the issue. There are some really good ideas in it, and some good initiatives, but it's totally voluntary.

I think in terms of making sure that some of the.... There's a provision for a committee. We need to make sure that committee has real things that they have to do and have to report back on. They would have to ensure that a gender analysis is done at the beginning of the agreement. They would have to ensure that it's reviewed. They would have to ensure that there's some kind of monitoring of it.

These are really baby steps when it comes to integrating gender equality, but given where we're at generally with international trade, the amount that we talk about in even having a gendered approach is still very.... It shouldn't be early. I've been working on this since the nineties, but we still have a long way to go.

I think it's just those things, like trying to make that chapter have more strength, and, as Francesca said, trying to integrate gender into some of the other chapters and into the other issues, and to make sure that in things like the labour chapter we have some binding provisions.

•(1655)

[Translation]

Ms. Linda Lapointe: You said earlier that there is a big salary gap between men and women in the three countries concerned. You referred to the methodology used to arrive at figures.

If we take NAFTA and the agreement between Chile and Canada as starting points, what improvements would you like to see?

[English]

Ms. Julie Delahanty: Maybe Francesca can answer on whether there actually is pay equity in the labour chapter.

Ms. Francesca Rhodes: In the Chile labour chapter?

Ms. Julie Delahanty: Yes.

Ms. Francesca Rhodes: I don't know if it's in the Chile labour chapter, but for NAFTA, we would propose to have the pay equity measures included in the labour chapter. You could use the national data from all three countries. You would have to choose which country—

[Translation]

Ms. Linda Lapointe: Are the various methodologies used in the United States, Mexico and Canada comparable? We could—

Ms. Julie Delahanty: Yes.

Ms. Linda Lapointe: Thank you.

I am going to give the rest of my time to Mr. Fonseca.

[English]

The Chair: You have two and a half minutes left, so go ahead.

Mr. Peter Fonseca: Thank you, Madam Lapointe.

Chair, I'm actually going to try to blend a question between three of our presenters: Ms. Delahanty, Ms. Rhodes, and Ms. Lusi.

We were in the U.S. just last week. We were at the Johnson Controls company. They make 75% of the world's batteries. For the most part, those batteries are recycled. My question to them was around whether they lobbied for the environment chapter, because that environment chapter is good for their business. They're able to get more recycled batteries and to bring in better best practices. They hadn't.

My question is for Ms. Lusi, and it will be around this gender chapter.

Also, for Oxfam, are you trying to get the private sector to help in terms of your lobby effort?

I would think that, for UPS, the more customers you have, the more business you do it's all good. Would UPS lobby for bringing forward a gender chapter, for strengthening a gender chapter, or for bringing in those best practices? Is that something you bring to the table, Ms. Lusi?

Ms. Aylin Lusi: Thank you for the question. On the gender chapter and bringing greater opportunities to female business owners, I would say that's certainly something that UPS wholeheartedly supports.

I personally am an active member of the OWIT group, which you met earlier this afternoon. Really, educating and broadening the horizons of female business owners is something that is very close to our hearts within UPS. We're active on that here in Canada, but also in the United States and Mexico, and globally as well.

My answer is yes. We do engage through various fora. OWIT is one of them, but we also engage through other groups within the small business community as well, where we engage with female business owners specifically. That is our area of expertise.

Mr. Peter Fonseca: That's fantastic to hear. I know that Oxfam is in 90 countries, and I'm sure UPS is in many more than that.

Ms. Aylin Lusi: It's 220.

Mr. Peter Fonseca: As you say, you're in 220, and I'm trying to get this in. Our last presenters talked about their best practices. What country is doing it best? Also, where do we go? Are we pioneering here with what we're doing? Or do we go somewhere in terms of finding these best practices? Where would we go?

Ms. Julie Delahanty: To answer that last question, too, I think, in terms of asking whether Oxfam is putting pressure on companies, I would say that we are working a lot with women's rights organizations and private sector women-owned business at fora such as the W7 or the W20, or even the WTO, so there is some pressure, but there are a lot of women-owned business that are very interested in the gender chapter, for obvious reasons.

The second part of your question was...? I've forgotten.

Ms. Francesca Rhodes: It was about best practices.

Mr. Peter Fonseca: Yes. I've heard that Sweden may have some of the best practices.

Ms. Julie Delahanty: Probably.

Voices: Oh, oh!

Ms. Julie Delahanty: Do you have an answer, Francesca?

Ms. Francesca Rhodes: I think some of the approaches that Canada is proposing are quite new. Chile, obviously, is the country that originally proposed the use of the gender chapter, and I note that they're leading on a lot of this work as well at the moment. Sweden also has in its feminist foreign policy a whole section on trade and on supporting women to benefit from trade as well, but they obviously operate through the European Union, so it's slightly different in terms of what they can do on their own.

Ms. Julie Delahanty: Can I add that Canada has always been a leader in the area of gender and trade? We took a bit of a break for some time, but we have done a considerable amount of work on that issue and I think it's worth reviving some of that. There was a drop in some of the activities, but there was a lot of work done in the early 2000s that hasn't changed. Nothing has really changed much.

• (1700)

The Chair: Thanks very much. That wraps up our round with this group of witnesses. We've had very good dialogue, questions, and presentations. Again, thank you. If you're looking for more input into our study, we would appreciate it. Keep an eye out for our study at the end of the year.

That wraps up this panel. We're doing really well, MPs. We have our next group of witnesses on deck, so we're going to break for only a minute and get right back at it.

• (1700)

_____ (Pause) _____

• (1700)

The Chair: Okay. It looks like all the MPs are back in their seats and we have our new witnesses here.

Before I go ahead, we have some numbers here that I would like to circulate, but I need a bit of a... They didn't have a chance to translate this, but if there are no objections... We can translate them, because they're really good numbers, but if there are no objections, we'll circulate them.

We welcome our guests. I don't think our panellists are new to our international trade committee. As they know, we've done the European agreement, and we've done a lot of work on the TPP. Now we're right up to our eyeballs in... We don't call it NAFTA. We call it "future trade between Canada, the United States, and Mexico".

We're dealing with a lot of stakeholders. Also, our committee already did some extensive travel in the United States. We've done three major trips to the United States. We were hoping to go to Mexico last week, but our friends down in Mexico had a terrible earthquake, so we're going to link up with them later.

Without further ado, we have two gentlemen here with us today who are definitely not new to the trade file. From the Government of Quebec, we have Mr. Raymond Bachand, and from Lavery, De Billy, we have Pierre Marc Johnson, senior counsel.

Maybe we can hear from the Government of Quebec first.

[Translation]

Mr. Raymond Bachand (Chief Negotiator for NAFTA for the Government of Quebec and Strategic Advisor for Norton Rose Fulbright): Good afternoon.

I would like to specify that I am no longer with the Government of Quebec. I was Minister of Industry and Minister of Finance for Quebec for eight years. I work in the same building as before, but in a legal firm, at Norton Rose Fulbright, where I am a strategic advisor. I am the chief Quebec negotiator for NAFTA. So it is true that in this case, I represent the Government of Quebec.

I believe I have five minutes to speak to you very briefly about five points in NAFTA that are related to Quebec's objectives.

The table is in English and I am the one who prepared it.

• (1705)

[English]

It's U.S. numbers using U.S. dollars, and the source is the USTR.

[Translation]

The American administration is obsessed with trade deficits. This table shows that we have exchanges that total \$600 billion overall with the United States. The United States has a surplus in services and a deficit where goods are concerned. However, if we remove energy, and the Secretary of Commerce Wilbur Ross says that energy

[English]

is a "blameless deficit",

[Translation]

and so the United States have a surplus. They also have a slight surplus in agriculture, although it could be said that agricultural trade is balanced.

In parallel with the \$600 billion in American trade, there are \$622 billion in investment stocks, that is to say \$353 billion in American investments in Canada and \$269 billion of Canadian investments in the United States.

So those are two very integrated economies. Currently, this is under attack. The first objective is, as they say in Washington,

[English]

“do no harm”.

[Translation]

Can we continue in this manner? To give you a better perspective, I should mention that Asian competition did not exist in its current form 25 years ago, but today it is very strong. Protectionism is not the way to fight Asian competition; it must be fought through an even greater integration of the Canadian and American economies, and strengthening value chains, because then they will be more productive. If our economies are more productive, they will be more competitive, and that will be a win-win situation for both parties.

As for our main offensive interests—because we must also have offensive interests—first there is access to public procurement, if we want to strengthen our economies. Certain big American public business opportunities are currently closed to Canadian businesses. I am thinking of everything that is included in the Buy American provisions, which are being added to. That should be one of our first important objectives, as Quebecers and Canadians.

And then, there is the temporary admission of tradesmen and professionals. All of our enterprises—I have done a lot of consultation in Quebec and in Canada, but also in the United States—want to increase the flexibility of this temporary admission. We have to avoid the word “immigration”.

[English]

Immigration is a four-letter word.

[Translation]

It is not immigration currently in the United States, but trade. When you sell equipment or computer services worth \$100 million, technicians and professionals need to follow, to do the work involved.

Then I would talk about obstacles at the borders. For instance, there is a dual agricultural inspection, and also a dual biotechnology inspection by the FDA for pharmaceutical products. Could we not simplify our lives and have a single inspection, and recognize the inspection carried out by the other government? There is also regulatory co-operation and certification. Why do we need two certifications? Mr. Johnson might speak about what he managed to accomplish with Europe. Human beings are the same in Canada and the United States. We are not talking about dogs, cats or elephants. We are all human beings, and the standards in Canada and the United States are very high. These elements would make our enterprises more effective and productive, and strengthen our economies.

From the defensive point of view—and the watchword is “do no harm”—I would point to four things, but there are others. First, there is the protection of supply management, which is fundamental.

There is chapter 19 of NAFTA, but I will save that for the end.

There is also the cultural exception, that is to say Quebec and Canada's capacity to adopt their cultural policies and to have it declared that this does not violate trade agreements. That is fundamental in today's world.

The *de minimis* rule is a major one. Perhaps one of your witnesses spoke about that. It is connected to the \$20 amount, that is to say the maximum value for which one may import goods electronically without having to pay duty or tax. We also have to make a distinction here between tariffs and sales tax. Europe has established two levels, a very high one for tariffs and a very low one for sales tax. The latter applies at a very low level.

For retail businesses in Canada, it's a matter of having fair rules of the game. In fact, when a client purchases a product from a Canadian electronics retailer, he pays 15% sales tax in Quebec. However, if he ordered merchandise of equal value, let's say \$500, from an American electronics business, he would not have to pay that tax.

This makes me think of the former tax on manufactured goods. It was a bit crazy, because we taxed the products of Canadian manufacturers whereas imported products were not taxed. That tax was replaced by the GST.

I will conclude by speaking about chapter 19 of NAFTA, regarding the arbitration mechanism. In my opinion, Quebec's economy is under attack today. We have a vast free trade market. We have a zero tariff with NAFTA, a quota for textiles and a quota for supply management, but the softwood lumber sector has very high countervailing duties, of course. The C Series is the aircraft industry flagship, and represents tens of thousands of jobs. There is also supercalendered paper. There is an investigation about newsprint. There is also an investigation on steel and aluminum. Of course, we naive Canadians believe that the aluminum industry is secure and that we will be exempted. However, there is an inquiry into aluminum, and we don't know the results of that yet. If we add the softwood lumber file, that of the C Series, that of supercalendered paper, newsprint, steel, aluminum and there are more, it is like an open bar. Moreover, the American Commerce Department finds in favour of foreign businesses once every 10 years.

[English]

This is a hostile environment right now.

[Translation]

We have to change this because Canadians, Quebecers and Americans are proponents of free trade.

● (1710)

[English]

The Chair: Thank you, sir.

We are going to move on to Mr. Johnson.

Mr. Johnson, you have quite the resumé here. Not only are you a former premier, but you have worked on softwood lumber, on CETA, and on climate change for the United Nations. You are also involved with helping us on the NAFTA file.

Welcome, sir. We are looking forward to your presentation.

Mr. Pierre Marc Johnson (Senior Counsel, Lavery, de Billy, As an Individual): Thank you, Mr. Chairman.

I'll do my three and a half or five minutes in French, and I will, of course, gladly answer questions either in French or in English.

[Translation]

I have little to add to what Mr. Bachand just said. I think he gave a good overview of our relationship with the United States and Mexico, and especially with the United States. He explained our defensive and offensive interests very well. I find it difficult to add anything because he provided a complete overview, in my opinion.

I can however talk to the current dynamic, that is to say about the different nature of negotiations between Canada and Europe, and the renegotiation of NAFTA. I would also like to speak about the provincial participation in that process.

Here is how the negotiations with Europe are very different.

Firstly, when we began to negotiate with Europe eight years ago, there was no agreement, whereas right now we are negotiating with the United States and Mexico on the basis of an almost 25-year-old agreement. The reality is not the same. So long as we have not renewed NAFTA, or so long as it is not repudiated by one of its parties, daily business goes on. It does not mean that some retailers are not anxious, given what they hear, or read on Twitter or elsewhere.

Secondly, in the case of the agreement with Europe, there was absolute determination on the part of both parties to come to an agreement. Both Canada and Europe wanted an agreement, even if things were complex, as shown by the 500 pages of text and the 1,000 pages of exceptions. This was not simple, and that is why the process went on for a certain length of time. On the European side there was a will and a determination to conclude an agreement with Canadians so as to further transatlantic trade. That is not the case with NAFTA.

NAFTA is being reopened in the context of the extremely negative political discourse of the new occupant of the White House regarding that agreement, which he described as the worst possible agreement imaginable.

Despite that, the appointment of Mr. Ross, who is very knowledgeable about U.S. trade policy, as the senior supervisor, and that of Mr. Lighthizer, a well-known, experienced lawyer and trade specialist, could indicate that we will be back in the land of reason.

I want to insist on the fact that any free trade agreement is based on reason, rationality, an understanding of macroeconomics and trade, as well as on a desire for reciprocal enrichment through trade.

How do we get there? There are two relatively easy ways, first through a better understanding of our respective economic systems, since they are slightly different; secondly, we need to agree that we will encourage greater free circulation of goods, persons and capital, with a few exceptions; thirdly, we commit to being disciplined, that is to say to changing the laws, administrative procedures and regulations to facilitate that free circulation of goods, persons and capital. After that, we negotiate the 1,000 pages of exceptions, and that keeps the lawyers busy.

With—

• (1715)

[English]

The Chair: Are you almost wrapping up? I know you're on a roll, but your time is almost up.

Mr. Pierre Marc Johnson: Okay. I'll answer questions about provincial participation in both, and maybe in other arenas whenever I get a question on it.

Thank you.

The Chair: That's a good segue.

We'll go right to the Conservatives for five minutes.

Mr. Carrie, you have the floor.

Mr. Colin Carrie (Oshawa, CPC): Thank you very much, Mr. Chair.

Thank you for your presentation. I'm going to ask a question on the chart you provided, Mr. Bachand.

We had the U.S. Chamber of Commerce here. Their representative made a comment and questioned whether a trade surplus or deficit is really the bar by which to judge a good or a bad deal. You mentioned the rhetoric out of the White House. What do you think of that comment?

Mr. Raymond Bachand: It's certainly a good question. Economists can argue about that. It's one of the bars, but it's not the only bar. If that's your only bar, you're really short-sighted in a sense, because the economic flows... For example, trade surpluses and deficits are one thing, but there's \$600 billion in investments. If it's your company in Canada, or your Canadian company in the U.S., where do the profits flow? Where does the interest flow? Because with strength, with natural resources or brain resources, you can build things. That's how you build wealth, basically, not only by looking at the numbers.

The numbers can fluctuate. That's why for energy it's a good thing to take it out, in a sense, because the price and the numbers have fluctuated quite a bit. You have to look at it, but sometimes in a country... Secretary Ross said that for energy. He said that "we are not self-sufficient in energy".

[Translation]

Those are words I keep in memory carefully.

• (1720)

[English]

He said it's normal that they import energy from their Canadian friends, so they shouldn't count that. That's a "blameless deficit". The President didn't take it up in a tweet.

Voices: Oh, oh!

Mr. Colin Carrie: That's good.

Ms. Tracey Ramsey: So far.

Mr. Colin Carrie: Maybe I'll ask you a question, too, Mr. Bachand. You brought up the C Series. I can understand the frustration Premier Couillard has regarding the issue, considering Boeing is an incredibly subsidized company as well, but with these types of disagreements there's a concern about the rhetoric in one part of the country versus the other. I know that in Manitoba, for example, Boeing has I think 1,400 jobs, so when we have politicians say that not a bolt from Boeing should enter Canada when we're in the middle of these negotiations, do you think the rhetoric is helpful on this side of the border as well? What is your feeling in that regard?

Mr. Raymond Bachand: I have two comments. I wouldn't compare the heavily subsidized—by some \$20 billion—Boeing and how it built its strength through military contracts and then transfer that to anything else in the world.... I would contest that Bombardier was subsidized. I don't think that an equity investment in the C Series is a subsidy. It's a billion-dollar.... The Government of Quebec specifically, with lawyers, said, "We're not going to subsidize that and that's why we're going to equity." They were criticized for doing that by people, but it was an investment at risk and with outside analysis of the worth of that.

The drama, if we can call it that, with the commerce department is that it doesn't take into account basically that.... This is not a neutral court. The commerce department is basically the lobbyist for American business. They make decisions which are, from our point of view, sometimes wrong. I was minister during the first softwood lumber trade dispute—we appointed Pierre Marc at that point as our chief negotiator—and we won in chapter 19. For most of the decisions by Commerce, we win at the end of the day.

This one is by Boeing, and we'll see what the courts will say eventually. They have no planes. The client, Delta, says, "Hey, Boeing is complaining about something it didn't make an offer on, because it has no plane to offer."

I'm proud of our Prime Minister and the way he reacted in saying that enough is enough, and if we're going to be bullied, we're going to stand up, and we're not going to take it. Our kids shouldn't take it in schoolyards, and we shouldn't take it in trade either.

Mr. Colin Carrie: Mr. Johnson, you mentioned the subnational issues. I believe it was the Canadian Federation of Independent Business that said subnational issues have a negative impact on certain small and medium-sized businesses that trade with the United States and Mexico. Do you think the Government of Quebec would support expanding the Canada-United States Regulatory Cooperation Council to include and incorporate subnational governments?

The Chair: Excuse me. I'm sorry, Mr. Johnson.

I have to remind my colleagues here that you cannot ask a question when you're at the end of your five minutes. It doesn't work.

Voices: Oh, oh!

Mr. Colin Carrie: He was going to—

The Chair: Maybe there's another chance that Mr. Johnson can get in there, but we have to go to Madam Lapointe.

Madam Lapointe, you have the floor.

[*Translation*]

Ms. Linda Lapointe: Thank you, Mr. Chair.

I thank the witnesses for being here today.

It's been a long time since I've asked you any questions, Mr. Bachand. Thank you for being here today.

At the National Assembly, I was my party's spokesperson with regard to Minister Bachand's files.

As the provinces are consulted, I would like to know what Quebec thinks needs to be improved or taken into consideration in NAFTA.

Mr. Raymond Bachand: Earlier I spoke about our provincial objectives, but since we are not at the negotiating tables, I cannot imagine a more important topic of co-operation than this between the Government of Canada, the provinces, and the experienced negotiators. Mr. Johnson can draw a comparison with what was done in Europe. The strategy is established by the players, together. There are 28 tables and each day five to eight of them sit. Every evening after these rounds of negotiation, each negotiator who sat at the table comes to meet with us to tell us what happened at the table on that day, and convey to us what the Mexicans and Americans said, as well as the texts that were exchanged.

These people exchange information with their provincial colleagues. For my part, this is done with Mr. Verheul. We also have access to Ms. Freeland's cabinet and to that of the Prime Minister. It is rather—

Ms. Linda Lapointe: It's very constructive?

Mr. Raymond Bachand: Indeed I would say that that is all the more important in such negotiations. Of course the Americans may be frustrated. In certain cases, they can try to find divisions among the provinces. For the moment, however, nothing is filtering out regarding the positions of the provinces and the Government of Canada.

● (1725)

Ms. Linda Lapointe: You spoke earlier about the retail trade. E-trade, however, did not exist when the agreement was signed 23 years ago. You mentioned that. Furthermore, 23 years ago the Asian market as a whole was not what it has become today.

In light of the situation, what would you like to see included in the next agreement so that our enterprises, and everything that is connected to them commercially, are really well represented, and benefit from advantages just like the Americans?

Mr. Raymond Bachand: You are correct to say that electronic trade did not exist 23 years ago. The iPhone was created 10 years ago.

I once was Minister of Finance and I am now president of the Institut du Québec, which has just produced a report on e-trade. I think that for Quebec and all of the country, standardizing the rules of the game is what is important.

Competition is a very good thing, on condition that everyone is on a level playing field. That means that the Department of Finance of Quebec, of Ontario and of Canada are going to have to reverse the burden. Retailers and suppliers are going to have to collect the sales tax when a transaction is done through e-trade. This has to be transparent, and everyone has to be on an equal footing; that is fundamental. It requires reforms, but they are being done in Europe, Australia, Norway and elsewhere. It is doable.

In this way, we can create many more openings for e-trade. In the meantime, I think we have to be somewhat more protectionist, because things are totally unfair for our retailers. We are talking about tens of thousands of jobs that are going to change in any case because of what is happening with e-trade. If e-trade is done within Canada and everyone pays the sales tax, there is no problem. However, if someone from the outside does not pay the sales tax, it becomes a serious problem.

Ms. Linda Lapointe: Thank you.

Earlier you spoke about the cultural exemption. When we went to Washington last spring, an American government representative told us that he didn't want to hear about this exemption. When I heard that I almost fell off my chair.

How can we ensure that the cultural exemption will be preserved?

Mr. Raymond Bachand: In my opinion, there are some controversial topics that we have to put in the centre of the table. Chapter 19 of NAFTA is one, and the cultural exception is another.

I was in the company of Mr. Brian Mulroney last week, as our offices are in the same hall in the legal firm I work for. We were able to discuss this. You will remember that at the time, under President Reagan, the cultural exemption issue was settled in the first week, and that of NAFTA's chapter 19 on the last evening. The cultural exemption in fact goes back to that period.

Mr. Lighthizer testified before the American Congress on July 17. He published a report of about 40 pages in which he lists all of the positions 30 days before the beginning of the negotiations. It is in fact interesting to see that the word "culture" is not mentioned anywhere in that report. It is not a priority for the American administration.

That being said, I am certain that at one point or another, the United States is going to ask for the abolition of the cultural exemption. If not next week in Washington, it will be in November. Canada has to refuse. That is just as important for English Canada as for French Canada.

Everyone has to be on an equal footing, but we have to allow the government to occasionally subsidize or help cultural productions and our cultural industries. That is something that is now recognized by UNESCO. The cultural exemption issue is fundamental. We simply have to oppose its abolition.

Ms. Linda Lapointe: Perfect.

I'm done.

Thank you very much.

[English]

The Chair: Thank you.

Before I go to the NDP, I have a quick question. Last week, you couldn't get a hotel room in this town because all the negotiations were in Ottawa—

Mr. Raymond Bachand: The prices were up.

The Chair: I saw that.

We also had as witnesses the U.S. Chamber of Commerce. They had about 50 major corporations here with them. I think you alluded to how involved they are, these corporations. Do we do it differently? When we go to the United States, do a lot of our corporations go with us? Or is there a total difference between the way we do it and the way they do it?

Mr. Raymond Bachand: That's a good question. No, I think it's going both ways. The Governments of Canada, Quebec, Ontario, Alberta, and Saskatchewan have all been going to the States.

Our corporations also have been doing it. The U.S. Chamber of Commerce is their big ally. At the end of the day, it's Americans who are convincing Americans that this is good for them. For our corporations have this \$270-billion investment, the U.S. is a huge supplier. Nine million Americans work today because there's NAFTA and they sell to Canada. There's one problem: they don't know it.

• (1730)

The Chair: That's right.

Mr. Raymond Bachand: We have to go *sur le terrain* in the United States. In each little locality where we as Canadians have a business, we have to make sure, maybe through social media, that the workers in that business understand the relationship. The truck that leaves is Federal Express or it's Bachand Delivery. You don't know if it's going to Canada. If you know it's going to Canada, and you know you have 20 jobs or 50 jobs, and you do it locally, in bottom-up politics with the mayor and someone from the governor's office, it's going to trickle up.

The Chair: Mr. Bachand, that's what our committee did last week. We went into the Midwest. We went right in where the conflict is.

We're going to move to the NDP.

Go ahead, Madam Ramsey. You have five minutes.

Ms. Tracey Ramsey: Thank you so much. I also share my colleague's concern about the cultural exemption. I think it's incredibly important for the entire country. I know that she came up out of her chair around that issue. I also know that other members of the committee, when we were in Washington meeting with congressional members, came up a little out of their chairs when we started to talk about supply management.

In Washington, we heard about how Canada has a poor quality of milk and how Canada has unfair trading practices. Collectively, though, we've done a good job of challenging that. I wonder if you could tell us whether you're confident that the negotiating team will be able to protect our supply-managed system.

Mr. Raymond Bachand: The short answer is yes. I'm out of politics today, but you aren't. I think the lesson from Maxime Bernier is that if you don't support supply management, your seat is at risk, whatever party you're from, and there are provincial elections in Ontario and Quebec this year and in Canada next year.

Over and above that, fundamentally, I don't want the milk supply for my children to be dependent on another country, be it the United States, but certainly not Asia, and then you have a bacteria problem. Second, we have a large country that is territorially very widely dispersed. Farms are the basis of the rural economy, and if we lose these farms, we're going to be in for huge economic and social problems. The BCG has done a very good report on what could happen to the competitiveness of our economy. This is not like giving some cheese to the Europeans.

The U.S. plants are 50 kilometres or 300 kilometres away. One plant for yogourt or something in New Jersey could probably supply the whole of northeastern Canada, and vice versa if you go to the west.

Ms. Tracey Ramsey: They farm quite differently.

Mr. Raymond Bachand: This is major.

Ms. Tracey Ramsey: I come from a rural riding that has dairy farms. I'm in southwestern Ontario but I'm also on the border, so I understand the health impact and the differences between the milk. Being able to have fresh, quality dairy is really important to us.

I want to ask you about procurement, because of course there are Buy American provisions, and "Hire American" goes along with that. In the context of the changes to NAFTA, I'm wondering what policy areas you're looking at provincially and territorially. What do you expect will be discussed or is being discussed at that subnational level?

Mr. Raymond Bachand: I won't answer on what's being discussed, but what I expect.... You know, with Europe, the provinces opened up on subnational procurement, including on Hydro-Québec, a sacred cow for Quebec. The quid pro quo, though, was access to a market of 500 million people. That's a market that's as important dollar-wise as the United States. In the TPP we opened up, but we have access to countries to which we never had access, such as Japan and other countries.

NAFTA exists. It's existed for 25 years. Our position at this point in time is, yes, theoretically we could open it up at the table under one condition: *la reciprocité*. It has to be mutual. If we're going to open up market access for subnational governments, for provincial governments in Canada, are they going to open up Buy American provisions and are they going to open it up for the States for procurement? If the answer is no, we shouldn't open it up. If the answer is yes, we should consider it.

• (1735)

Ms. Tracey Ramsey: I wonder if you can crack open a little further into that provincial and territorial issue outside of the

procurement, because there are other subnational issues as well. There are concerns about our health care system and about a lot of the things we deliver publicly. In terms of the Quebec perspective, you're a model to the country, I think, on a lot of publicly delivered services, so I wonder if it's a concern to you that the Americans will be seeking access to those services in being able to deliver them privately.

Mr. Raymond Bachand: Maybe I'm naive—Pierre Marc has much more experience than I do in trade issues—but I think health and education are not on the table, and they never have been. For Canadians—and in other countries also—these basic services to citizens are important. Maybe they'll ask me, because they're going to ask for things which are going to be very offensive in the next few weeks. They've done so in Ottawa, but the rest will be in Washington, and then let's hope that it's a little friendlier.... On that, though, it is something that is totally unacceptable to Canadians of whatever political party.

The Chair: Thank you, sir. That's good dialogue.

We'll move on to you, Ms. Ludwig. I'm just suggesting that maybe you can give Mr. Johnson some of your time.

Go ahead.

Ms. Karen Ludwig: I have a question about the integrated supply chain. Both of you have mentioned or discussed that previous witnesses consistently talked about how integrated our supply chain is in North America, but we also hear rhetoric about the disastrous deal that NAFTA has been on job losses. How do we measure the impact of NAFTA on the changes to employment and in manufacturing when there have been so many global changes and other trade agreements signed over the last 23 years? How can we possibly ever pull it out and say that this is a direct result of NAFTA?

Mr. Raymond Bachand: That's a good question. I don't have the numbers with me today. If you look at the growth of the Canadian-Mexican-American economy and the millions of jobs created over that period of time, and especially in the first years when Asia was not as competitive, there are huge numbers. Yes, manufacturing is suffering. It's suffering worldwide. It's suffering because of the recession. It's suffering because of robotization and mechanization and all that's happening that reduces jobs.

In NAFTA, and also in Mexico.... I remember when I was the CEO of the Solidarity Fund. The Bombardier aerospace plant was creating jobs in Mexico. The union leader said to me, "You know, Mr. Bachand, I'm not happy about it, but it has to happen." In our value chain, if we don't have our low-cost components, our final product is going to be too expensive and we're not going to sell it. Then we are going to lose more jobs. The rules of origin are a delicate balance. Industry by industry, the answer is different, but I think the integration in Mexico has helped us to be more competitive globally. If we have a stronger labour chapter with them....

Ms. Karen Ludwig: Thank you.

Mr. Johnson.

Mr. Pierre Marc Johnson: On the same issue, I agree with what Raymond said. It's common sense. Either you believe in trade or you don't. From some of the rhetoric I've been hearing from Washington in the past few months, it seems people ignore that trade has value.

It's interesting to see that a populist movement, which was what the last election in the U.S. was about, gives us a presidency in the United States where the discourse is pretty similar to what I've heard from the remaining Marxists in Europe: people who don't believe in trade, people who think trade is bad—for different reasons, I guess, but with the same display of not being interested in details or facts.

Ms. Karen Ludwig: Thank you for that. Certainly, when we listen to witnesses, we hear so much about the injection of technology and how that in effect has had a tremendous impact on manufacturing. Also, there may have been job losses in some areas, but as you've mentioned, Mr. Bachand, so many job gains in other areas.

Mr. Johnson, you've been involved with so many trade negotiations in the past. In past trade agreements, have the provinces been involved to the extent that they are now in the current NAFTA negotiations?

• (1740)

Mr. Pierre Marc Johnson: They were more involved in CETA than they are in NAFTA, and much more involved in CETA than in the TPP. The degree of involvement in the case of CETA came from the fact that the Europeans wanted the provinces to be there. Why? Because they knew that, constitutionally, the governments of the provinces wouldn't open up on *les marchés publics*.

Mr. Raymond Bachand: That's public procurement.

Mr. Pierre Marc Johnson: On public procurements, I'm sorry. Why? Because the federal government does not have the capacity to impose that on the provinces, which is why the Europeans wanted us at the table. We were there, but also on issues related to education, health, access to the possibility of being present in the services sectors in these areas, where we explained why not.

In the case of NAFTA, my understanding is that the U.S. doesn't want the states in the U.S. to be present, so normally they shouldn't bother us with public procurements of the provinces, unless they

give a commitment that the states in the U.S. will act with reciprocity.

In the case of TPP, it's something else. If we're talking about TPP-1, there was the presence of the provinces that were briefed. In the case of TPP-2, for me it's much more unclear as to how much the provinces can be briefed on what's happening in that unusual round, because of the decision of the United States to tear up the TPP.

On the rest, I think the presence of the provinces is a constructive element in any trade negotiation. Why? Because they can furnish both to the Canadian team, and sometimes to the other team, if the federal government judges it's worthwhile having these types of meetings, informally usually.... It's worthwhile so that people understand exactly what we're talking about on both sides and can commit in the same direction. That hasn't happened in TPP-2, but it is happening in a way in NAFTA, inasmuch as the quality of the briefing and the quality of the team at the federal level is absolutely exceptional.

I dare say I never thought I would see that today, but I think the Canadian team is better prepared than the U.S. team, with much less resources. In that sense, it's a good thing the provinces are there at every meeting amongst the Canadian delegation. Why? Because they can have an input on strategy. I saw it in CETA, not only on defending their turf, their constitutional attributions, or their interests in things that are a federal jurisdiction such as agricultural tariffs, but also in terms of strategy around the Canadian table. I think it has been used largely by Steve Verheul.

Mr. Raymond Bachand: If I may take 10 seconds, in the other offensive chapters on Canadian values—like environment and labour—labour is 90% led by the provinces in Canada. The federal jurisdiction on labour is very small, so you need the provinces to put these Canadian values chapters in.

The Chair: Thank you.

If I may just add to that, with the provinces, another very good thing for us in having them there is they have a very good relationship with the governors. Sometimes they fill that void.

Mr. Raymond Bachand: Yes.

The Chair: We noticed when we were on the west coast that the states and provinces almost have different north-south blocks happening. They do a good job for us keeping in touch with the governors. It bodes well for us.

That wraps up the panel. We've had great dialogue and we were on time this afternoon.

I thank the witnesses. You always come whenever we're talking about any trade negotiations, and it's good to see you.

I thank the MPs for being on time and having good questions and dialogue.

That ends the session this afternoon. The meeting is adjourned.

Published under the authority of the Speaker of
the House of Commons

SPEAKER'S PERMISSION

The proceedings of the House of Commons and its Committees are hereby made available to provide greater public access. The parliamentary privilege of the House of Commons to control the publication and broadcast of the proceedings of the House of Commons and its Committees is nonetheless reserved. All copyrights therein are also reserved.

Reproduction of the proceedings of the House of Commons and its Committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the *Copyright Act*. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a Committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the *Copyright Act*.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its Committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

Also available on the House of Commons website at the following address: <http://www.ourcommons.ca>

Publié en conformité de l'autorité
du Président de la Chambre des communes

PERMISSION DU PRÉSIDENT

Les délibérations de la Chambre des communes et de ses comités sont mises à la disposition du public pour mieux le renseigner. La Chambre conserve néanmoins son privilège parlementaire de contrôler la publication et la diffusion des délibérations et elle possède tous les droits d'auteur sur celles-ci.

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la *Loi sur le droit d'auteur*. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la *Loi sur le droit d'auteur*.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

Aussi disponible sur le site Web de la Chambre des communes à l'adresse suivante : <http://www.noscommunes.ca>