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Chair

Mr. Kevin Sorenson

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• (1535)

[English]

The Chair (Mr. Kevin Sorenson (Crowfoot, CPC)): I call the meeting to order.

This is meeting number 4 of the Standing Committee on Foreign Affairs and International Development, pursuant to Standing Orders 110 and 111, the order in council appointment of the Honourable Michael Wilson to the position of Ambassador of Canada to the United States of America, referred to the committee on Wednesday, April 26, 2006.

We have the pleasure to have as a witness this afternoon the Honourable Michael Wilson, Ambassador to the United States, as well as Mr. Peter McGovern, acting assistant deputy minister, North America, Department of Foreign Affairs.

First of all, welcome, Mr. Ambassador. We recognize you have held high-level federal government positions in the past. Your record of public service to Canada bodes well for the position you are now agreeing to fill, and your experience with past American governments' administration also prepares you to pursue positive relations with the United States on our country's behalf.

We're very happy to have you here this afternoon and very pleased that with very short notice you were willing to come to this committee.

I understand that, as is common, you have an opening statement. Welcome. The floor is yours.

Hon. Michael Wilson (Ambassador of Canada to the United States of America, Department of Foreign Affairs): Thank you very much, Mr. Chairman and committee members.

It's a great pleasure for me to be back here. I've spent a little bit of time in this room in the past. It's familiar and it's nice to be back.

I do have a statement, just to have some perspective on some of the things we see in Washington.

Since my arrival in Washington, I've been continually surprised by the breadth and depth of the Canada-U.S. relationship. It's a relationship that transcends politics and affects the vast majority of Canadian citizens, regardless of how close they live to the border. I'd like to provide you with just a few thoughts on where this relationship is and where I think it's going.

I recently visited NORAD in Colorado Springs, which is timely, since we just brought the new NORAD agreement into force, with a new commitment to surveillance of the maritime approaches to

North America. I was very impressed with our Canadian Forces personnel at NORAD and with the level of cooperation with their U.S. counterparts.

[Translation]

NORAD has a long record of success. However, the new strategic situation created by asymmetrical, unconventional warfare has imposed complex new realities on the defence of North America. Both Canada Command and US Northern Command were created to focus better on these problems and to deal more effectively with natural disasters. I was pleased to learn that already a healthy culture of cooperation is growing between the new commands and with NORAD.

[English]

There should be no doubt that security remains paramount in U.S. minds, whether it's concerns with Iraq, Iran, homeland security, or the threat of terrorism. A critical part of that preoccupation is border security. We have seen recently how President Bush has taken measures to reinforce the U.S.-Mexico border by employing the National Guard in a support function. While the Canadian border was not addressed by the President on Monday evening, we are not complacent in terms of our need to define a vision for the border that both protects Canada and Canadians and is sensitive to U.S. interests.

Since September 11, the border has the nexus of our national security and our economic prosperity. We have accomplished a lot by respecting the vision of a border open to trade and travel but closed to terrorists and criminals. That's what Smart Borders has been about. While there is no gap between Canada and the United States on the importance of security of our continent, it is a message we must constantly make in Washington. Canadians and Americans alike wish to have safeguards and policies that protect their countries from the scourge of terrorist activities. New investments in defence, border security, and intelligence will strengthen Canadian capabilities and make that commitment clear.

Notwithstanding the government's commitments, there are still myths about Canada being soft on terrorism, myths that we in Washington are vigilant in debunking. In that context I shall be addressing the House of Representatives Committee on International Relations Subcommittee on the Western Hemisphere on May 25.

On the subject of border security, I know there is great interest here about the western hemisphere travel initiative. I can assure you that it's also a matter of political urgency. Minister Day and Secretary Chertoff have made it a joint priority. As I have stated before, I am concerned that if not implemented properly, the WHTI could inadvertently drive a wedge between our societies by inhibiting the people-to-people ties that have enriched communities on both sides of the border and by causing damage to our economies at the same time.

We're working hard with the U.S. to arrive at a solution. We have stressed to the U.S. administration that the law provides them with the flexibility to implement WHTI in a staged approach. While we're committed to working together to improve the security of our documents and to develop the proper infrastructure and technology at the border, we're being cautioned by those who use and rely on that border that the task cannot be completed by January 1, 2008, the implementation date for the land border.

Canadians know that the U.S. is our largest trading partner. The FTA and then NAFTA have tripled this bilateral trade. Both within NAFTA and under the year-old security and prosperity partnership, the SPP, Canada, the U.S., and Mexico are working to continue maximizing these gains. Though there will continue to be occasional disputes, there are also very significant opportunities, such as improving regulatory cooperation, that can reduce costs, making our companies more competitive.

Two key elements to North American security, prosperity, and quality of life are energy and the environment. Canadians benefit from a single integrated energy market. We are the largest foreign supplier of each of electricity, uranium, natural gas, and oil to the United States. We are a secure source. Many Canadians also rely on American energy at different times of the year. It's clearly a mutually beneficial relationship, and a growing one.

We also share a continental environment that is in need of creative, collaborative solutions. On issues from climate change to air quality to our shared waters, we need to work together with the U.S. to address our environmental challenges. There are enormous possibilities ahead for research and development, enabling us to develop technologies that result in cleaner air and reduced emissions.

Looking outside North America for a moment, I am impressed by how much our relationship with the U.S. is defined by our shared aspirations and shared experience. We, in Canada, bring real assets to the table—our own traditions of democracy and federalism and good governance, as well as our unique perspective on global challenges and our network of relations with countries around the world.

• (1540)

Key areas where Canada can advance its own interests while cooperating with the United States include hemispheric issues and countering the proliferation of weapons of mass destruction, as well as UN reform and our committed multilateral involvement. Our role in Afghanistan is highly appreciated and valued in both the administration and in Congress, and on issues such as Darfur we have many of the same interests and preoccupations.

In taking on these challenges as a prosperous democracy, we step up to share the burden of building stability and strengthening international peace and security. The Prime Minister's meeting at Cancun with President Bush showed what can be accomplished in a spirit of constructive give and take. The deal we struck with the U.S. on softwood lumber is a good example of what we can produce when we roll up our sleeves and address our differences head-on.

Looking ahead, we need to ensure that we're proactive in addressing the bilateral challenges we face. We should not sit back and await developments south of the border. We must define our interests and a vision for our bilateral relationship that advances them, respects our important critical friendship with the United States, and secures and promotes our shared continental priorities.

Thank you very much, Mr. Chairman.

• (1545)

The Chair: Thank you, Mr. Ambassador.

As you know, most members of Parliament certainly wait for the statement from the new ambassador, but they also very much look forward to questioning the ambassador. So we will begin with a five-minute round, beginning with the official opposition.

Mr. Patry.

[*Translation*]

Mr. Bernard Patry (Pierrefonds—Dollard, Lib.): Thank you very much, Mr. Chairman.

Mr. Ambassador, first and foremost, I want to congratulate you on your appointment. As members who are now the official opposition, we are very happy with it, and we are going to offer you our full cooperation.

[*English*]

Mr. Ambassador, my first question is this.

Several years ago, our committee did a major report on strengthening Canada-U.S. relations and the North American partnerships. In that context, we all recognize how important it is to be as effective as possible in making Canada's case in Washington. That job becomes even more important when Canada's own national interests differ from those of the U.S. or when we have honest differences of view with the Americans.

Based on your background and experience, could you elaborate on the approach you will be taking to advance Canada's position in such circumstances.

Hon. Michael Wilson: Mr. Patry, the relationship and the activities we are dealing with in the United States cover a huge range of activities, far more than one person can become involved in. So I'm answering this in terms of my personal activities.

My objective has been to try to identify some of the key priority areas in the first couple of months—my two-month anniversary was last Saturday—one of them being the softwood lumber file. I spent quite a bit of time on that. As I noted in my prepared remarks, the western hemisphere travel initiative is another.

It's important, I think, for the ambassador to identify these priority areas while at the same time looking at some of the broad issues that affect a range of issues. I've touched on the border in a number of issues discussed earlier.

The border is going to be with us for the duration, but it also creates some challenges, some opportunities, and I think it's very important that we review the border in a broader context. We are now in the process of trying to put a face, a vision—whatever you wish to call it—on what this border means to us. Obviously, in the last five years the border has changed significantly, and with that change we have to change how we deal with it.

Security is very important and will continue to be a driving issue, looking at it from both sides of the border. The fact that we have such a huge amount of border activity on the trade and commerce side—\$1.6 billion a day—means it's important that this border stay open and that we facilitate the trade activities that are such an important part of our economy.

Mr. Bernard Patry: Thank you, Mr. Wilson.

Regarding the borders, you mentioned that the passport issue could be elaborated on in a few years, instead of going into effect right away. It would happen *par étape*, step by step, in a certain sense. I would like you to elaborate a little on this.

Also, concerning the border, I'm a little bit worried about what's happening in Missouri and Minnesota about the Devils Lake outlet. Canada made known its opposition to the Great Lakes Commission about the passage of the Dakota Water Resources Act in the northwest arena, and also its concerns about the water supply. We don't want the inland sea in Manitoba to get polluted or to be flooded by water coming from the United States.

Do you have any opinion concerning these two issues, please?

• (1550)

Hon. Michael Wilson: I commented earlier that the WHTI has been identified as a priority. It's an urgent priority because of the timeline of January 1, 2008, that we're facing for the land crossing.

There is a process that is under way. When Minister Day and Secretary Chertoff met three or four weeks ago, they established a working group whereby they will be monitoring and assessing the progress of the United States in achieving the requirements of that legislation. That will give us insight into the type of technology and the type of reader capabilities, the infrastructure requirements, for border crossings that will allow fast movement where it's appropriate but also have the capability to look at vehicles that will be moving more slowly because they don't have the easy-to-read documentation. These are all very important things.

In addition to that, you have the point of sale, the ability of people to buy the new documentation, whatever the requirements of that may be, all available in as easy a way as possible, and hopefully, at a reasonably low price. We'll be watching that very closely and governing ourselves accordingly if it appears that we're not going to be able to meet those deadlines.

I think you're very familiar with the issue of Devils Lake. There was an agreement last August—I think it was August 5—that provided for certain responsibilities to be met. That agreement is still

in effect, and I think it's important that we, as the Canadian embassy, work closely and have dialogue with the U.S. administration, with the governor, with the officials in the state of North Dakota, as well as with the premier and others in Manitoba. So far, that work seems to be proceeding well. There is still further testing to be done. We'll want to watch closely the results of that testing, and again, we'll be able to govern ourselves accordingly as we get that information.

The Chair: Thank you, Mr. Patry.

Madame Bourgeois, welcome.

You have five minutes.

[*Translation*]

Ms. Diane Bourgeois (Terrebonne—Blainville, BQ): Thank you.

Good afternoon, Mr. Wilson. It is an honour for me to question you today. Unless I am mistaken, it was you, as Minister of Industry, Science and Technology and Minister for International Trade, who negotiated the first free trade agreement between the United States and Canada, an agreement which subsequently became NAFTA. So you are a major architect of the free trade agreement.

Can you explain your recommendation to Prime Minister Harper for a bilateral Canada-US agreement to resolve the softwood lumber issue, when you were yourself behind setting up the free trade agreement?

[*English*]

Hon. Michael Wilson: Madame Bourgeois, one of the things I've learned in my time in trade negotiations is that no negotiation is perfect. There are trade negotiations where you don't achieve all that you feel you should or could achieve, but that's, as I say, the nature of a trade negotiation.

We believe that this negotiation will provide stability for seven years, possibly for as many as nine years. This is very important for our lumber sector because of the importance of having stability for a period of time and also of having stability at a time when they have been relieved of the burden of paying the taxes, the duties, that have been levied by the United States. That, again, is an important part of the agreement.

The members of that industry will get money back. Will they get as much money as we would like to get back for them? No, but it's still significant, over 80%. We added something that is a new element in the thinking of both the United States' government and the United States' industry. There is a tendency to ignore the fact that third-country imports were, six or seven years ago, less than 1%. They're now, in the last couple of years, in and around 5%—one year it's over, one year it's under 5%. We put in a provision that when third-party exporters to the United States are basically the cause of some trade problems or price problems, we don't get blamed for it. We've allowed for a reduction in the amount of tax in those instances.

So there are a number of good things to balance some of the things that maybe we would have preferred not to have in the agreement, but overall, I think it's a good balance. Overall, I think the industry is well served. When you look at the broad picture of the agreement, I think it's a good agreement, and it's on that basis that I recommend it to the Prime Minister.

• (1555)

[Translation]

Ms. Diane Bourgeois: I will continue my line of questioning on the issue of softwood lumber, Mr. Wilson.

Under the terms of the softwood lumber agreement, will the interest reimbursed to corporations be based on the \$4 billion amount to be returned to them, or on the \$5 billion levied? Bear in mind that Canadian mills and Canadian softwood producers paid out \$5 billion, and they won their case before the CIT.

So as you can see, in light of that, even if you are telling me that the worst agreement is always better than the best trial, the fact remains that this agreement, in monetary terms, is hurting our softwood lumber producers.

[English]

Hon. Michael Wilson: I don't disagree with you—if I understood you correctly—that an agreement, albeit imperfect, is better than no agreement at all. I think we've seen how this particular agreement, what we call Lumber 4, has gone on for four or five years now. It has been costly to the industry, and there was an expectation that with the continuing litigation and the appeals to decisions and so on, it could have gone on for at least another year, possibly a couple of years. So we felt that it was important, both the United States and Canada, to deal with this. We had support from a large part of the industry in proceeding with negotiations.

I think when you look at what the position of the industry would have been if this had continued for another couple of years, taking advantage of an opportunity to get this behind us at this point in time is why many people in the industry were supportive. Just as an illustration of that, I was advised that there were 35 companies in attendance at a meeting in the province of Quebec that considered the agreement we had reached, and all but three of them were supportive. So I think against that backdrop it's a pretty good vote of confidence.

• (1600)

The Chair: Thank you, Madame Bourgeois.

Mr. Masse, you have five minutes.

Mr. Brian Masse (Windsor West, NDP): Thank you, Mr. Chair, and thank you, Mr. Ambassador, for appearing here today in front of the committee.

My interest to start with is to get a clarification, because there have been some different comments about the western hemisphere travel initiative. The Prime Minister in Cancun originally said we had to get used to it. Following that, the Minister of Public Safety mentioned that perhaps birth certificates and drivers' licences would be accepted.

What is our official position right now? Are we objecting to it? Are we asking for a delay?

I noticed in your remarks, sir, that you're concerned that "if not implemented properly...". Is that the acceptance, that this initiative is acceptable to the Canadian government?

I come from Windsor West, where we have 42% of the daily trade between our two countries along two kilometres, and it has a very profound impact.

Hon. Michael Wilson: Mr. Masse, I understand the significance this initiative would have for your riding. That's why we've established this as a very clear priority. It's a priority established by the Prime Minister, but also in the discussions between Minister Day and Secretary Chertoff.

We have not had specific statements from the U.S. administration as to how they would implement and what documentation would be specifically required. In discussions in dialogue with people in the administration, things such as birth certificates, passports, and drivers' licences have all been considered. If you recall the legislation, it provides for a combination. So it could be one or a combination of those, or it could be a new document altogether.

We've been advised that there could be an announcement toward the end of this month on some of those questions. We're still in early days on this; we don't know that for sure.

Our objective here is to work closely with the administration so that we understand how their thought processes are working and what their decision-making is and can get a better understanding of the timelines. Then, once we make an assessment of that, we can decide what the specific position is.

But it is U.S. legislation, and I think you can understand that if the U.S. came up here and said they wanted us to change our legislation, we wouldn't take that too kindly. So we have to be sensitive to that.

Mr. Brian Masse: I guess so. But at the same time, we would want dialogue from our most important partner. I don't think it's an unreasonable expectation to have the Canadian government lay our set of expectations on the United States with the implementation of this measure. I think it's a fair thing to do, given that most of our economy is intertwined quite significantly and has considerable impact on that front.

Why can't we, at this point in time, outline a series of expectations, if they are going to make implementation, or ask for a delay of it until they actually ameliorate those concerns? There are several studies out on the Canadian side about the impact, and it has significant impact on the U.S. side too. We have a lot of friends over there on this file, as I'm sure you're quite aware, who have made several repeated suggestions about how to deal with this mess.

Why can't the government take a position of expectations about the amelioration we should have with regard to implementation? If it doesn't, we've set no bar. And that's my concern, that we've set no bar about this initiative; hence, there are even no funds allocated to dealing with the infrastructure necessary, with a deadline looming.

Hon. Michael Wilson: You started your statement saying you wished there was a dialogue. I made it very clear that there is a dialogue. We are party to a working group with the Department of Homeland Security, which is responsible for this, so we have an ongoing dialogue with the administration on it in those meetings and in the meeting between Secretary Chertoff and Minister Day.

We made some very specific points about concerns we had and asked a number of questions related to their plans on achieving the implementation. They have been very clear to us—not only that department, but other departments. They say, “We will meet the deadline that has been mandated by Congress”, and we say, “These are things we think you should be taking into account as you move forward to that deadline.” And that, I should say to you, is an active dialogue.

• (1605)

The Chair: Thank you, Mr. Masse.

Mr. Van Loan is next.

Mr. Peter Van Loan (York—Simcoe, CPC): Thank you very much, Mr. Chair.

One of the things Canadians are particularly fortunate to have in you, Ambassador, is a tremendous amount of experience. I think it's an exceptional kind of experience that's quite rare.

You were there at the creation of the free trade agreement; you were there at the creation of NAFTA, in a more direct way; and you were of course there at the restructuring of Canada's tax system to make us competitive, particularly in our relations with the United States.

At the time the opposition vigorously opposed all those changes with visions of disaster. When they became the government, nothing changed, but they, of course, said it would result in disaster; in the wake of that we saw tremendous economic growth, particularly in the manufacturing sector, from which all Canadians benefited.

Now we have the same kind of situation with the softwood lumber deal. You rolled in and very quickly helped contribute to what had been an intractable solution that was costing the country jobs and billions of dollars. We have a new deal, and again we have the same critics.

Based on your experience, with the benefit of hindsight and having been there at the table all those times, could you comment on whether you think those criticisms today are valid?

Hon. Michael Wilson: Mr. Van Loan, first of all, thank you for your kind and very objective comments.

I have watched this softwood file for nearly 25 years. The first issue with softwood lumber was I think in 1982, and as I indicated earlier, we're now hopefully concluding Lumber 4. What we don't want to have is Lumber 5; we're trying to set in train here the opportunities to achieve that objective.

One of the concerns we did have and do have, because we still have to conclude this agreement with the legal documentation, is if we didn't get a negotiated settlement here, there was a very real risk that once the litigation process had completed its course, we could well have been into Lumber 5. That is the last thing this industry needs.

What it needs is an environment in which it can move ahead knowing what some of the parameters are, and some of the parameters set out in the agreement are very clear. At this point in time there would be no border measures—in other words, no

limitations on exports, no tax measures. They come if the price goes lower.

So there is opportunity now for the industry to go ahead in a positive way and develop the markets in a normal fashion.

When we completed the agreement, we said our job was to negotiate the best possible settlement that we could. Then it was over to the provinces and to the industry to tell us they liked it or didn't like it.

I said in an earlier response that some of the things in this agreement aren't perfect, but in a negotiation they're never perfect. What I think is clear is that the more objective observations of people who weren't directly involved in the negotiation, but who are impacted by the result, are that by and large it's not a bad deal. It's not perfect, but it's not a bad deal, and they can accept this.

The Chair: Mr. Van Loan, you have a minute and a half.

Mr. Peter Van Loan: All right. Then I will move very quickly to the western hemisphere travel initiative.

When that was taking place a couple of years ago, I know your predecessor's predecessor was doing his valiant best to represent Canada's interests, but it became quite apparent to me, after a lot of discussion, that doors weren't really open in Washington, and the lawmakers, when they were processing this, weren't getting any representations—certainly on the political side—from Canada, from the government. In fact, there were suggestions that maybe the opposition should step in, and, what's more, that the lawmakers were really making the decisions without a sensitivity to the potential economic impact on the relations between the two countries—on tourism, on convention business, and on the rest.

Now that we're faced with the law's coming into place and we're doing our best to effect its implementation, is it your sense that Canada's interests and some of those economic concerns are now a little bit higher on the radar screen, or do we face the same kinds of problems we had a couple of years ago when the law was making its way through Congress?

• (1610)

Hon. Michael Wilson: You're absolutely right, the timeframe is closing in on us. We have a little over a year and a half. So as I said in my answer to Mr. Masse, we're watching that timeframe very, very closely.

I'm not in a position to judge what the access was, what the dialogue was, with the previous administration, but what I will say is this was discussed by the President and the Prime Minister, and they immediately agreed this was an important issue. Within a very short period of time, Minister Day and Secretary Chertoff met and set in place a framework at that meeting whereby we could have that ongoing dialogue.

Without that dialogue and without the information that comes out of that dialogue, it's very hard to make specific recommendations or requests. But if we can see where the decision-making is going, then we're in a far better position to influence the decision-making process and draw conclusions as to whether or not we're going to be able to see that timeframe met. So you're absolutely right, it is an important initiative that we have to be right on top of. If we had had that close dialogue and the access and the awareness—I'd say this in terms of both the softwood lumber deal as well as the WHTI—and understanding and support and commitment on the part of the two leaders to deal with these issues, it would have been quite a different situation.

The Chair: Thank you, Mr. Ambassador and Mr. Van Loan.

Going into the second round, Mr. Martin, five minutes, please.

Hon. Keith Martin (Esquimalt—Juan de Fuca, Lib.): Thank you very much, Mr. Sorenson.

Ambassador Wilson, thank you for being here, as well as you, Mr. McGovern, and congratulations on your recent appointment.

I have three questions. In my province of British Columbia we've seen a sharp decline in tourism over the last few months. Some believe it is due to the WHTI. Have you proposed to the U.S. government that the WHTI deadline be moved out to five years, which would give us all an opportunity, as you've heard around this table, both in our country and in the U.S., to address this issue in a more substantive manner?

My second question deals with the softwood lumber deal, and perhaps you could tell us if this deal affects in any way future negotiations and future problems with the dispute resolution mechanism under NAFTA—in other words, the future interactions between our country and the U.S. under the dispute resolution mechanism of NAFTA. Does this particular resolution affect our ability to work in that dispute resolution mechanism? Is it weakened in any way?

My last question concerns the recent chapter 7 resolution at the United Nations Security Council on Darfur. I was just wondering if the United States has said they're going to commit any troops to this particular chapter 7 mission and whether or not they have asked Canada to make any substantive contribution to that mission.

Thank you.

The Chair: Thank you, Mr. Martin.

Mr. Ambassador.

Hon. Michael Wilson: On the WHTI, we have discussed the possibility of a delay, as I indicated when I answered previous questions, but until we get the specific information on the status of the technology, the infrastructure, the distribution of these documents, it is more difficult to be precise and ask (a) should there be a delay, and (b) how long should that delay be?

We felt the best thing we could do is engage in a working group, as I described in previous responses. I should say to you that we used the example of a convention being deferred or being moved to another city in the United States, away from British Columbia, as an example of what was happening, why time was of the essence for us to get the answers to allow us to make the proper judgments, because

there's a time delay or an advance notice that you need for convention planning. That made an impact. I can tell you directly it made an impact on our counterparts across the table.

On softwood lumber, your question was, does this affect the use of dispute settlement mechanisms under NAFTA?

• (1615)

Hon. Keith Martin: Does it affect the veracity of future—

Hon. Michael Wilson: The answer is no. The dispute settlement mechanisms in NAFTA will continue operating as they have. Both countries will still be able to call upon those mechanisms, as you've seen quite recently in the way the corn dispute was resolved.

On chapter 7, with Darfur, there has been dialogue at the United Nations with a number of countries on who would be able to commit forces, who is in a position to commit support personnel who would be able to advise on technology, communications, training of soldiers, and the logistics requirements. There has been active discussion on those aspects of it.

On the specific commitment of military personnel in the form of combatants, peacekeepers, that may have been discussed. I'm not familiar with that, since my responsibilities don't extend to the United Nations. I do know there have been discussions on those earlier matters that I just referred to.

The Chair: Thank you very much, Mr. Martin and Mr. Wilson.

Mr. Obhrai is next for five minutes, please.

Mr. Deepak Obhrai (Calgary East, CPC): I have one question for the ambassador, and then I will give it over to my colleague, Peter, for the second question.

Ambassador, once more, congratulations on your appointment. Your appointment was well received in Canada, considering your background.

I have just one question. The issue of passport control has become quite an important one for Canadians, specifically when a family of four has to have passports to go across...it costs quite a lot of money, and all these things. In the last couple of days we have seen a lot of governors of bordering U.S. states joining in the voice to ease the flow of travel, and against the passport issue, I would think—with our own premiers as well.

I wonder how much influence the governors in the border states have with the White House to really make a change and address this issue. What is your opinion on that one?

Hon. Michael Wilson: Thank you very much, Mr. Obhrai.

You're quite right that we have a number of allies in the governors or members of Congress from those border states. That also stretches down into the southern states, because people in those states see a lot of Canadians going through in the winter months. So we do have supporters. We have like-minded people and we talk to them a lot. We work with them in trying to get a better understanding of the issues to which we should be responding.

Your specific question was on whether the governors have influence. Yes, they do. You bet they do. They are the leading legislators in their states. We shouldn't lose sight of the fact that in the past 25 or 30 years, every President but one has been from the governor's office. So governors talk to each other and are very sensitive to points of view that are being expressed.

Do we work with the governors and have we been in touch with them? Yes, particularly through our consulates across the country, we spend a lot of time with them. I'm going to be meeting with a number of the governors on May 31 in Gimli, Manitoba. It's an annual get-together between governors and premiers, and I've been invited to attend. I'm sure that WHTI will be an active topic of discussion there.

• (1620)

The Chair: Thank you, Mr. Wilson.

Mr. Goldring, you have two minutes.

Mr. Peter Goldring (Edmonton East, CPC): Thank you, Mr. Ambassador.

Perhaps you could advise us, as a bit of an update, on the BSE and the cattle border closing that we experienced for a number of years. Is the border fully open yet? We basically had one cow that was sick and the border was closed for several years. Many people wondered why.

Has there been any intervention work done to have a quick-react team, so if this scenario should happen again there will be more direct action and the situation can be remedied an awful lot quicker than the two or three years it took?

Hon. Michael Wilson: I attended a meeting where Minister Strahl and Secretary Johanns, the Secretary of Agriculture in the United States, met, and one of the key points they discussed was BSE. A very interesting point that they both stressed in the course of that discussion was the importance of science in the decision-making on both sides of the border.

The secretary was quite complimentary about the speed with which Canadian authorities identified a problem and were able to isolate the nature of the problem using scientific methods, and he made the point that this sort of response allows us to keep open the borders as effectively as we can.

I think you're aware that there is a distinction between cattle under 30 months and cattle over 30 months. That has not been resolved—cattle over 30 months—and that trade is not taking place at this point. But we're hopeful that it will change shortly.

The Chair: Thank you, Mr. Ambassador.

Madame Bourgeois, cinq minutes.

[*Translation*]

Ms. Diane Bourgeois: Mr. Ambassador, I am going back to the issue of softwood lumber.

Earlier, you replied that the industry wanted to see a settlement with the United States. I simply want to point out, first of all, that our corporations agreed, because they were at the end of their ropes, and because many of our sawmills had been sold. People thought that it was time for something to be done.

You are, nonetheless, the father of this agreement. You were there when it was negotiated. In the dispute on softwood lumber, Canada has always won. Decisions have all been in Canada's favour.

Why did we accept a cut-rate agreement when we were right? Does that mean that the dispute settlement mechanism does not work and will never work with the United States? That is my first question.

Secondly, the very day the agreement in principle on softwood lumber was reached, the Americans filed an extraordinary challenge under NAFTA, with the hope that NAFTA would not be able to provide a definitive ruling that our forestry system does not constitute a subsidy. But Washington, which is afraid that this body will not provide its ruling before the conclusion of the agreement, decided not to appoint a judge, which has had the effect of delaying the setting up of the tribunal. We understand their logic, but we have now learned that Canada decided not to appoint a judge either. I want to know why.

I will conclude by repeating the question that I asked you earlier. Under the terms of the softwood lumber agreement, will the interest reimbursed to the corporations be based on the \$4 billion amount to be returned to them, or on the \$5 billion that the corporations paid?

Those are my three questions. Thank you.

• (1625)

[*English*]

Hon. Michael Wilson: There are three questions, Madame Bourgeois. Let me respond to each.

I think I've responded, actually, to the first one: will the dispute settlement mechanism work in future? There's no reason why it can't; however, I have to say to you, to be quite direct, that it has been a frustration for Canada and for the Canadian lumber industry that the United States has not responded positively to decisions that were being taken. They had their reasons and explained their reasons. We disagreed with those reasons, and the fact that there was that disagreement about the nature of some of those decisions has led to the protracted nature of this particular dispute.

It's for that reason that we felt, and many in the industry and in the governments felt, we should go the negotiation route. Admittedly, we would have preferred to have the results we thought could and should have come with the other route, but that's in a sense the world we live in with the softwood lumber business.

On the extraordinary challenge, the U.S. had to apply for an extraordinary challenge by April 27 if they were going to maintain their legal options. We indicated to them that we had obligations too; that Canada had made commitments through the government to the industry that if there were not to be a satisfactory resolution on this, then we would have to provide some support in one form or another to the industry. We said we have to keep our options open on that.

In effect, we have both kept our options open on further steps we might take, which in both cases will expire at the time this agreement comes into effect, hopefully in the next couple of months.

On the third, the interest will be added to the pot. The Americans will receive a billion dollars of that amount, and the balance will go to Canadian producers. Depending on how long it takes to get this whole thing resolved and the moneys repaid, those deposits will continue to earn interest.

The Chair: Thank you, Mr. Wilson.

Mr. Allison, you have five minutes, please.

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

I want to add my congratulations, Mr. Wilson, on your appointment. I think Canada is in great shape, and I certainly look forward to what you will do and what you've already done in the short period of time you've been there.

If you could help us with the frame of reference around the softwood lumber, the question I have is this. If we didn't solve this problem today—we have \$5 billion that the U.S. has been sitting on—what potentially could the downside be to letting this drag out through litigation over a couple of more years?

I realize maybe we're taking less than we would probably like to take at this point in time. What we don't always consider is that if this dragged on for a couple of more years—not to mention the uncertainty, not to mention the fact that jobs could be lost.... My question is, what kinds of dollars would we be looking at potentially, in your opinion, as we move forward, if this were to be constantly tied up in litigation and tariffs, etc.?

• (1630)

Hon. Michael Wilson: I can't put a number on it, Mr. Allison. I don't have it at the top of my head.

Also, we don't know how long this could have gone on for. The legal advisers were telling us that with various forms of appeal, it could have taken another year or two. And because there's a strong difference of opinion on the part of the two industries, there could have been a launching of what we call Lumber 5. Who knows how long that would have gone on for?

So we felt—and many people in and around the industry and the provinces felt—that it was really important to get this behind us. On a number of occasions, Minister Emerson said the way to proceed became clearer and clearer, and negotiation was the way to resolve this. The important considerations were to get a seven- to nine-year period of stability ahead of us, during which the rules of the game are known, and some new provisions—and I've described these, so I won't repeat myself.

Some people have asked the question, was all the litigation for nought? Again, I draw your attention to Minister Emerson's comments that the litigation provided us with the leverage to move ahead in the negotiation in a way that allowed us to get a settlement that was reasonably satisfactory to Canadian producers. So I think the decisions are pretty clear as to why the uncertainty was significant, and the cost could have been fairly large.

Mr. Dean Allison: Thank you.

As a follow-up, Mr. Van Loan talked about the WHTI, and I guess we automatically make some assumptions because it's been

mentioned that a passport would be required. There are other options the U.S. administration is presently looking at that we've brought to their attention. Is that correct? Are they looking at other avenues, such as photo ID?

I realize that they've got a NEXUS program in place. So if I'm correct in what I've heard, we'll be looking at multiple approaches to getting across the border, such as fast-tracking certain individuals who've got a card and have used it for trade or other means. But there's also the possibility of trying to reduce some of the requirements. I realize the U.S. government is going to have to make that decision, but does that seem to be where we're going?

Hon. Michael Wilson: It's very clear that—don't hold me to the time here—shortly after the legislation was passed, the United States realized that the option of requiring everybody to have a passport was not practical. It doesn't lend itself to fast-reader technologies, with which you can put a card in front of a reader and swipe it, or whatever the technology would be.

It was more practical to have a new type of document. As I said earlier, it could have been a birth certificate, a driver's licence, or other forms of documentation that people readily have. Right now, it seems that people are looking at a new type of card, although there is still discussion in the United States about having an upgraded licence. That requires time because the states would have to produce the licence. It would have to have more capabilities than current licences, and it would have to be consistent across the country. So there are complications, but some people see it as the best way to go.

These are the options being reviewed, and hopefully we'll have a decision from Homeland Security and the State Department as to what the preferred option is. Then we can take it from there. As the legislation provides, it may well be a combination. So we still have some work to do, and they have some more work to do, before we see the conclusion.

• (1635)

The Chair: Thank you, Mr. Ambassador.

I should mention that in the orders of the day you were scheduled for one hour. I just want to check. Can we extend that a little bit and get a few more questions in? You seem to be handling them quite well, and the questions are coming....

Hon. Michael Wilson: If I miss my plane tonight, you're in trouble.

The Chair: We wouldn't want that to happen, but we would find a way to get you back home, I'm sure.

Mr. Julian, five minutes, please.

Mr. Peter Julian (Burnaby—New Westminster, NDP): Thank you very much, Mr. Ambassador, for staying for a few minutes longer. I appreciate that.

I'd like to come back to the issue of dispute settlement that a number of my colleagues have raised as well, because, if I recall, back in 1992 you were one of the champions of the issue of having a binding dispute settlement mechanism. I can quote from the Commons debates, but some of the comments you made in 1992 were that the maintenance of binding dispute settlement is absolutely critical to North American free trade negotiation and that the binding dispute settlement mechanism is a centrepiece in Canada's approach on the free trade agreement with the United States.

You did mention earlier that you don't think the dispute settlement is affected, though I don't believe any serious observer actually agrees with you on that. In fact, what has come out consistently is that dispute settlement is effectively dead. We have a mechanism—chapter 19—that could have been invoked by the Liberals back in August as non-respect for NAFTA's binding dispute settlement mechanism. I'm wondering, once you assumed your position, whether or not you advised the government that they should be invoking chapter 19, that in fact using the dispute settlement mechanism, which was open and available to us, those rights, was an option. Did you advise them of that?

Hon. Michael Wilson: The dispute settlement mechanism has been used. I said earlier that I'm disappointed as to how this has proceeded as it relates to lumber. There are differences and different interpretations between the United States and Canada on this. I'm not sure whether this is the place to go into the technicalities of that, but there were differences of opinion. They felt they were dealing with it in an appropriate way and we felt we were dealing with it in an appropriate way as a country.

Having said that, the fact that there have been difficulties as it relates to this industry doesn't toss out the whole chapter 19. As I indicated in an earlier response, we've just seen it working quite effectively as it relates to corn. I think it's important that both countries try to maintain the integrity of this dispute settlement system and maintain it as an effective tool in dealing with disputes.

Mr. Peter Julian: I'm speaking specifically to non-compliance. In the question of corn, we don't have the systematic non-compliance, which is what we've seen with the United States, continuous appeals on softwood lumber, even though we win. Under chapter 19 provisions we would have had, as I know you're aware, 180 days to invoke non-compliance. That is specifically my question. Was that ever an option? The Liberals certainly did not use the chapter 19 provisions. Was that ever discussed? Was that ever communicated to you, or did you ever communicate to Ottawa that it was an option that should be considered?

Hon. Michael Wilson: The decision was taken earlier on in the mandate of this government that a negotiation was the appropriate way of proceeding to try to get this behind us once and for all and in as permanent a way as possible. Based on that, we proceeded with the negotiations in the direction that we have spent a lot of time discussing today.

• (1640)

Mr. Peter Julian: By not using it—

Hon. Michael Wilson: Let me just make one other comment.

The dispute settlement mechanism, with the exception of this particular industry, has worked reasonably effectively for quite a

period of time. So let's not throw out the whole system just because we've had some differences of opinion in one particular industry.

Mr. Peter Julian: It's the binding nature.

The Chair: Mr. Julian, you have about 20 seconds, and that's for an answer as well.

Mr. Peter Julian: The binding dispute settlement mechanism is dead. What replaces it, as far as the softwood lumber draft goes, is something that is completely toothless.

I gather from what you're saying, the instructions to you were that it was negotiation at all cost.

Hon. Michael Wilson: I think you're trying to put words in my mouth.

The point I'm making is that the dispute settlement mechanism has worked. I forget your words precisely, but it is not without good use, and it has been put to good use in a number of ways over the course of the past 15 years. There's no reason why that can't continue.

The Chair: Mr. Van Loan.

Mr. Peter Van Loan: Thank you very much, Mr. Chair.

I'm going to ask you a kind of future-looking question. In managing any good relationship, whether it's a marriage relationship, a relationship between friends or between working colleagues, one of the things that helps make it work well is to identify problems before they become too big and to try to resolve them early on.

I think on that emerging problem with the western hemisphere travel initiative, Canada was asleep at the switch and it was allowed to become a bigger problem that we now have to wrestle with. The same is the case, I think, with softwood lumber; it festered because it wasn't dealt with early.

Looking down the road, are there issues you see that perhaps we in Parliament, you as ambassador, and others should be putting some attention to right now before they have the opportunity to become major irritants or problems between the countries, that if a little effort and dialogue and relationship building happens now, we can avoid problems in the future?

Hon. Michael Wilson: In my opening remarks I said we had to anticipate and try to get more ahead of the wave than maybe we have in the past. That requires a lot of dialogue so you can see the development of issues on the horizon. Sometimes it's not possible to do that. Sometimes things just come out of the blue and it's not possible to anticipate them.

I did make reference to the importance of the border. I think it's important for us to try to stand back and get a broader perspective of the border and how the border relates to the range of trade issues, the range of environmental issues, and the range of security issues. That will help us, I think, in a number of ways, in seeing problems developing as we're reviewing things against that broader perspective.

The Chair: Thank you, Mr. Van Loan.

Mr. Martin.

Hon. Keith Martin: Thank you.

I'll make this a short question.

The Chair: Make it very quickly then, Mr. Martin.

We're on our third round, so we'll just close off after Mr. Martin.

Hon. Keith Martin: Ambassador Wilson, one of the biggest concerns I think all of us here have is the current account deficit and deficit spending in the U.S. It's going to put our economy into grave risk if this continues. Can you just tell us to what extent you've brought this issue up with the U.S. administration?

Hon. Michael Wilson: If you have been noticing what Minister Flaherty and Governor Dodge have been doing, they have been raising the question of the role of the International Monetary Fund in the context of the global imbalances and what can be done to achieve a more effective response to them.

You mentioned the U.S. deficits. Well, there are other country surpluses that match those U.S. deficits, so it's not only one country that should change its policies. Both sides of the problem have to deal with the problem in a way that results in a smooth transition into a more stable situation, rather than a disruptive transition.

One of the things Mr. Dodge has been encouraging is for the International Monetary Fund to have a much stronger role in surveillance. At the spring meetings of the fund two or three weeks ago they agreed to do this. I think one of the real champions for bringing that about was Governor Dodge, but he's been strongly supported by Minister Flaherty as well.

Another element of that is going to be giving the strong emerging economies a greater role in the fund by increasing their quotas and, through that, increasing their voting strength and their influence around the table.

I think the initiative of those two elements is very well understood by the Americans. The Secretary of the Treasury is very much aware of the initiatives taken in that regard and we'll continue to press that in the United States. I know this will be done more broadly than only in the United States. It can't only be focused on one country, as I said in my opening comments in response to the question.

• (1645)

The Chair: Thank you, Mr. Ambassador.

You spoke in your statement about our relationship with the United States quite extensively, as well as in the questions and answers. You talked about the United States as being our number one trading partner—\$1.6 billion or \$1.8 billion a day. They are our closest neighbour, our closest ally.

Certainly, we wish you all the best in your position there. We wish you all the best in helping to rebuild the relationship.

I come from a rural constituency, and I know you did answer the question about BSE, but in the rebuilding of this relationship, do you hear of issues that are contentious between us and the United States? I know in the beef industry, for example, we talk about BSE and how frustrating it is for Canadian producers. I know the Americans have a couple of little issues that are not little to them, bluetongue and anaplasmosis, being two of them. Are these issues brought to you in your capacity as our ambassador, looking for movement?

You've heard a lot of issues that frustrate Canadians. Can you tell us a little about how you deal with the frustrations the Americans may have?

Hon. Michael Wilson: The Americans aren't bashful, so if they have an issue, they're going to bring it to us, and we will try to work things out the same way as they try to work things out when we have issues to bring to them. Sometimes we have some very real constraints in dealing with issues and sometimes they have some very real constraints. Those can be political, they may be financial, economic, or very much policy-oriented issues.

What I'd say to you is that there are far more opportunities where we can do things productively by working together. We can do things they can't do. In some cases, they can do things that we can't do. But if we have that broad positive relationship on a range of issues where we are partners, when they come to us or we come to them with specific complaints, irritants—however you want to describe it—that need action, then the backdrop, the environment for trying to get a positive resolution, certainly is far better. That's really what we're trying to achieve.

We have far more in common with them than we have things that divide us. Those are the areas where we can have some good results, as I've indicated in my opening remarks, in other parts of the world where we're both moving in the same direction with some of the same goals in mind.

• (1650)

The Chair: Thank you very much, Mr. Ambassador. We looked forward to your appearance today and you certainly didn't disappoint us.

We will suspend for two minutes, and we will come back to deal with some committee business.

Good luck in catching your plane.

• (1650)

(Pause)

• (1655)

The Chair: We resume our meeting of the Standing Committee on Foreign Affairs and International Trade.

We have one piece of committee business that we want to deal with. We have a motion.

First of all, Mr. Casey is unable to be here for medical reasons. I think I've spoken to most, and there's a consensus that we can go ahead with this motion.

Mr. Patry.

Mr. Bernard Patry: I just want to say, Mr. Chair, that we passed this motion in the last Parliament. I think it was report number 6 or 7. It was also adopted in the House of Commons. As far as that is concerned, I'd be very pleased to sponsor it, because we sponsored it before. On behalf of Mr. Casey, I would like to sponsor it.

Thank you.

The Chair: Just one moment.

Mr. Allison, did you want to speak to the motion? I think you were prepared to sponsor the motion on behalf of Mr. Casey. Is that correct?

Mr. Dean Allison: Yes, and thank you, Mr. Chair.

Just to that point, in terms of the motion, over the last three years the Canadian Parliament has passed this motion. I think in terms of disease around the world, a disease doesn't respect any borders at all. Taiwan certainly is strategically placed in the Pacific and has over 10 million travellers each year, including 150,000 visitors to Canada. So keeping some of these things in mind, it would be beneficial for Taiwan to be able to participate in WHO.

With that in mind, the motion we have before us, that the committee support the bid for Taiwan to have observer status at the World Health Organization, is something we should consider.

The Chair: Mr. Julian.

Mr. Peter Julian: On behalf of the New Democratic Party, I'm pleased to second the motion.

The Chair: Thank you, Mr. Julian. As I understand it, we don't need a seconder, but we do have co-sponsors. So Mr. Allison and Mr. Patry will co-sponsor that motion, if that's all right.

Were you going to speak?

Madame Bourgeois.

[*Translation*]

Ms. Diane Bourgeois: I simply wanted to say that this is a motion that everyone would like to support because it is extremely important for Taiwan, and because it is necessary.

[*English*]

The Chair: Thank you, Madam Bourgeois.

We'll call the question to the motion.

(Motion agreed to [See *Minutes of Proceedings*])

The Chair: I'm pleased to report that it's unanimous.

Thank you again.

If there is no further business, we'll adjourn.

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