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Chair

Mr. Dean Allison

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• (1105)

[English]

The Chair (Mr. Dean Allison (Niagara West—Glanbrook, CPC)): Pursuant to Standing Order 108(2), our study is called “Towards the Next North American Leaders’ Summit”. We will get started.

I want to thank all of our witnesses for taking time out of their busy schedules to be here today. I’m going to introduce the witnesses and then we’ll start with our opening testimony.

We have His Excellency Francisco Suarez Davila, ambassador of the United Mexican States to Canada. Welcome, sir. We’re glad to have you here, Ambassador.

We have Mr. Miller, Canadian Council of Chief Executives. He looks after policy, innovation, and competitiveness. Welcome Eric. We’re glad to have you here and to see you again.

We have John Dillon, who is the vice president, policy and corporate counsel, also with the Canadian Council of Chief Executives. Welcome to you, Mr. Dillon.

We have Mr. David Jacobson, who is the vice-chairman for BMO Financial Group. It is great to have you here today, sir.

Joining us from Washington, as an individual, is Laura Dawson, who is director of the Canada Institute at the Wilson Center. Ms. Dawson, it’s great to see you here again as well.

Ambassador, I believe you’re going to be here for only an hour. We’re going to do the testimony for everybody—each person has seven minutes—and then we’ll go back and forth. As you need to slip out, you—

H.E. Francisco Suarez Davila (Ambassador of the United Mexican States to Canada, Embassy of the United Mexican States): I will stay.

The Chair: Perfect, that’s great.

Why don’t we just go in the order that I introduced everybody.

Ambassador, we’ll start with your opening comments for seven minutes. We’ll move through the group. Then, as I said, we’ll go back and forth with members over the next couple of hours for questions and answers.

Ambassador, I turn the floor over to you.

Mr. Francisco Suarez Davila: Thank you, Mr. Chairman.

It is really a privilege to participate in these hearings organized by the foreign affairs committee on the possible issues faced by the next North American leaders’ summit. Events and ideas have certainly shifted since I last had the pleasure to be in Parliament, in the Senate last year, but I think the changes have been mostly for the good.

Although of course we face old and new challenges, some of which can be solved in the short term, others will require a long-term agenda. I think three in particular are good news. Canada and Mexico, acting together, are making progress to reverse the U.S. protectionist measures on COOL. That’s really good news. We’re working together with Canada on the TPP negotiations. There has also been significant progress made on the very difficult issue of ISIS.

I will attempt to highlight 10 very quick points, the main topics that I believe are essential for the North American agenda.

First, obviously, is energy cooperation. I think that’s the real and the most important driver for trilateral cooperation. Of course, there are new factors, one of which is the falling price of oil. In the short term, that has reduced the appetite for investment, particularly in deepwater drilling and shale-oil fracking. But Mexico’s energy performance is in the process of full implementation. It will require some adjustments in that the investment will take place not in deepwater or shale gas but in the easier areas.

The three energy ministers met for the first time in Washington at the end of last year to put in place, for the first time, a working agenda. An important part is a shared medium-term energy outlook on the potential. Mexico sees energy as a driver to push forward the industrialization process. Particularly, we see that cheap gas will give the area a vast competitive edge in manufacturing, in automobiles, and in aerospace. This has triggered lots of investment.

Last week there was a second ministerial meeting of the three energy ministers working together on climate change, clean energy technologies, energy efficiency, and carbon capture. Electricity generation is often forgotten. One speaks about oil, in the case of Mexico, but electricity generation and converting from fuel oil to gas will require significant investment in the order of \$90 billion. Another area in which we're working closely with Canada is on best regulatory practices in shale gas and avoiding water pollution and waste. Here we are working very closely with the energy regulator in Alberta.

Large investments are already taking place in oil and gas pipelines within our country and linking them to the borders. Mexico will be building a total of 10,000 kilometres' worth of pipelines with about \$20 billion in investment. Canadian companies like TransCanada and ATCO are already working on something like 2,000 kilometres of pipelines, which is the size of Keystone. That's already in place.

The area of trade negotiations is a very significant area. I mentioned that we're working together to reverse the U.S. measures on COOL, but we're also working very closely with Canada to advance on TPP negotiations. Although we have cautious optimism on the part of Mexico, we think we could be able to conclude an agreement by the end of the year. We view TPP as an area to expand trade with Asia, as you do, but also as the easiest way to update and upgrade NAFTA to make it a second-generation, state-of-the-art treaty.

We have two main concerns, I think, that are probably the main obstacles. If there is no fast-track authority by the U.S. Congress, then this won't move forward. The second concern is that the U.S. Congress does not overburden the negotiations with issues that of course are important in their own right but are related to the domestic agenda and have nothing to do with trade. Take religious liberty and whether we agree with religious liberty. That has nothing to do with trade, and it will create a cost on other countries—not for us, obviously.

Intellectual protectionism is creeping. We obviously believe in intellectual property, but intellectual property protected for a century is perhaps a bit excessive. This might affect areas like pharmaceuticals, which need a more limited period of protection. We have, of course, the usual suspects in such products as dairy and apparel, but as I mentioned, we are confident that we can come to an agreement by the end of the year.

Border competition I won't mention. I think stupendous work has been done by my colleagues at the Canadian Council of Chief Executives. I think there we were working a bit at cross purposes.

•(1110)

There are two border commissions. One is a border commission and one is a regulatory commission. One is between the U.S. and Canada, and the other one is between the U.S. and Mexico. To some extent some of the border issues are specific, but some were common. I think now we're working to have some amount of convergence.

In terms of infrastructure investment, the three countries lack infrastructure investment along our borders, and within our borders.

We have a vast program totalling \$600 billion. There again we will be working on roads, railroads, and ports. There is a large megaproject for Mexico City with a fantastic Norman Foster design. Canadian companies like Bombardier are active in these fields.

There's a great deal of Mexican interest in working on the logistic corridors. A clear logistic corridor is one that goes from Winnipeg right down the centre of the United States and into Mexico, and there's interest in investing in CentrePort in Winnipeg. As I think some of the other speakers have said, I think NADB is North American in name only. It's an institution that can really work to invest for the three countries in the infrastructure and in environment.

In terms of innovation and education, I think it's essential to invest in those. Education links are substantially lacking despite the great progress that has been made in trade and investment. The three countries are now working on relevant programs that are specifically to increase the number of scholarships and to increase the number of agreements between universities and businesses to promote joint products for investment and technology. We will be working with Canada and with Canada's international education division on the science and technology agreement between Canada and Mexico.

People mobility is a more ample concept and less politically sensitive one than is labour mobility. We're very pleased with the recent decision by the Canadian government, as the letter from the Prime Minister to our President says, to eliminate visa requirements for a very large number of Mexicans. As you know, this means requirements for visas will be reduced or they will be replaced with the new trend, which is an electronic travel authority. We very much welcome this. There are some outstanding issues. Perhaps I can comment on those later. We already have a political decision by the three leaders to have a North American trusted traveller program linking NEXUS, Global Entry, and SENTRI.

The Mexico-Canada seasonal agriculture workers program has been a success for 40 years. We have been working particularly with some of the western provinces that have severe shortages of semi-skilled workers, and we would hope some progress will be made so that eventually agreements would be made to facilitate the movement of semi-skilled workers for which there is need in the western provinces.

We are convinced that we cannot make progress if diplomacy does not extend to governors and premiers. Fortunately, for the first time, in Colorado in November, there will be a meeting of the governors and premiers of the three countries, which will be great in preparing for the summit. I think we have to work in cooperation towards our continent, and I think there Mexico and Canada should work to collaborate with Cuba in its transition process, and we have to work with Central America and Haiti. Otherwise I think we will have problems requiring a wide vision.

I want to emphasize that our starting point, our best economic platform, is North America itself. Trade within North America is more than \$1 trillion, more than trade with TPP countries which, excluding US and Canada obviously, is \$800 million.

Trade with Europe is less than trade within North America. Our key priority is to make our region more dynamic and competitive. The North American countries are obviously among the largest and most dynamic countries in the world. In 2013 Mexico was the eighth-largest economy. I think we can no longer see it as a question of trade. It is a matter of value chains, and there the intraregional trade is very important.

I would point out that there's a basic trend emerging in which Mexico in some quarters is not seen as a complement but rather as a competitor, particularly in the automobile sector. I think we have to work there on a good narrative to convince people that it's not labour costs. It's overall productivity and a host of other factors, but the North American automobile and aerospace industries are integrated. A car produced in Mexico has Canadian and U.S. parts.

• (1115)

I will make a number of last remarks, a conclusion.

After two full winters as Mexico's ambassador to Canada, I want to conclude on a positive, personal note with optimism, obviously encouraged by the summer weather and having survived two particularly hard winters. After that, it's nothing: I can be positive; I can be optimistic.

On the future of North American corporations, I have discussed all of this during this period with bilateral skeptics who return to the past, with trilateral enthusiasts who look to the future, with those who measure results by the half-full glass, and with others by a half-empty one.

Twenty years of NAFTA, in my view, yielded huge results, but that grand old lady has aged and has become wrinkled. I feel now that over the past two years we are in the spirit of a revival. People like former Secretary George Shultz have spoken of it, in recent fora, as a North American economic powerhouse. This is compared with secular stagnation in Europe and Japan and with emerging countries, which are losing momentum.

I think we have new drivers of growth. It's energy. It's trade negotiations. It's infrastructure investment. Mexico is becoming a new growth driver, approaching growth rates of 4% to 5%, and there is a manufacturing revival in the region, new ideas and new studies. In my view, the relationship between Canada, Mexico, and the United States has now increased and covers a wide spectrum of topics, with increasing depth, with an increasing number of actors from the business community, thinkers, provincial and city

governments, fora, institutional mechanisms like the Canada-Mexico Partnership. There are new flights coming every day and large investments both ways. Now Bimbo is investing in Canada. I think it almost doesn't matter if top governments are involved in electoral matters. We're getting to know each other better. There are of course obstacles and issues, but we are advancing at different speeds according to the issues. It's nothing dramatic, but I think there's an inner momentum and steady progress.

I will conclude by particularly congratulating your committee because you're acting with great vision and a great sense of timeliness in getting together these ideas well ahead of the summit. I really congratulate you because I think it's really far-sighted.

Thank you very much for inviting me.

The Chair: Thank you very much, Ambassador.

Now we're going to hear from the Canadian Council of Chief Executives. We'll start with Mr. Miller, who, as I mentioned before, is the vice-president of policy, innovation, and competitiveness.

We'll turn it over to both of you.

Mr. Eric Miller (Vice-President, Policy, Innovation and Competitiveness, Canadian Council of Chief Executives): Thank you, Mr. Chairman.

Thank you, members of the committee, for the invitation and for shining a light on this important topic.

[*Translation*]

The Canadian Council of Chief Executives is an organization composed of the CEOs of Canada's leading enterprises that are responsible for the vast majority of Canada's exports, investment, and research and development.

[*English*]

Member companies of the Canadian Council of Chief Executives collectively administer \$6 trillion in assets and have annual revenues in excess of \$800 billion across every economic sector of the Canadian economy.

It has been more than two decades since Canada, the U.S., and Mexico removed most of the formal barriers between our economies through the North American Free Trade Agreement, yet the intervening years have seen relatively few refinements to our cross-border frameworks. Because economic competitiveness requires ongoing effort, not just one-off actions, however bold, our commercial arrangements must evolve as well.

With the forthcoming North American leaders' summit in mind, the council decided to set forth our ideas for how we can concretely make improvements to the continent's competitiveness. The result was this paper, which some of you may have seen, "Made in North America", which sets forth 44 concrete recommendations on how to make our continent more competitive. The document reflects consultations we had in Ottawa, as well as in Washington and Mexico City.

Our recommendations were guided and are guided by today's realities that no country in North America has the fiscal space for significant new appropriations, nor are we in the business these days of creating many new institutions. We've identified actions that are achievable within our means, and we found there's much that we can do.

In the years since NAFTA, Canada has oscillated between supporting deeper trilateral engagement with the U.S. and Mexico and supporting deeper bilateral engagement with the United States. We see this as a false choice. A better approach would be to apply the principle of subsidiarity. We will pursue cross-border policies at the level at which it makes sense, whether trilateral, bilateral, or regional among states and provinces. Pragmatism and viability should be at the core of our future North American competitiveness agenda.

As the Canadian government prepares to host the North American leaders' summit later this year, what should specifically be on their agenda? A core area for improvement is to bring the border into the digital age. Enhanced data sharing can be the foundation for a new partnership between the public and private sector. If done properly, it can drive both improved border security and supply chain efficiency.

Many companies believe that supply chain visualization technologies, which allow them to comprehensively monitor their production networks, and the application of big data analytics to predict behaviour therein is the wave of the future. Yet if you look at how we do things today, companies are presently making statutory declarations about the origins of the goods they are importing and their compliance with regulations and whatnot, based on information that they did not create or verify. Why? Because 20 years ago, when the rules were put in place, we did not have the technology to accurately track a manufacturing input three or four stages back in China, or wherever it was being produced, so what we did was encourage companies to effectively police their supply chains by threatening to severely fine them if the information on the declaration wasn't correct, even if that incorrect information was clearly unintentional. In 2015 we now have the technology to remotely monitor and predict what's going on in our supply chains. The challenge is that this is expensive.

In order to get to this grand new bargain between the public and private sector, what should we do? The federal government should begin a series of cross-sector pilots with companies willing to visualize their supply chains and share their data and analysis. Companies that participate would receive an exemption from penalties, except, of course, in the cases of fraud or malfeasance, and perhaps an exemption from certain tariffs or fees. In other words, you would go to your board and show an investment case for why this is being done. After testing, the lessons learned would be integrated into a program for all companies within Canada, and then,

of course, we would seek to work with our partners in the United States and Mexico to extend this across North America.

● (1120)

By applying these types of rules, the private sector would learn much more about what is happening in their individual supply chains and where to derive efficiency gains. For its part, the government would get access to vast new quantities of structured data that would deliver insights about goods entering, leaving, or transiting Canada. In short, this deeper public private partnership would deliver enhanced trade facilitation and smarter security.

Technology can also deliver benefits on the traveller side. We all know NEXUS is an excellent program. We see this as an excellent platform on which to build enhanced benefits. It presently tells the government who is crossing the border but not why.

One of the most difficult issues in border policy pertains to business travellers and when someone arrives at the border they are asked that all terrifying question, "Are you working?" One of the consequences of the closure of the Citizenship and Immigration offices in the U.S. is that increasingly business travellers and others who need their cases for entry adjudicated simply go to the border, and this has led to a good amount of randomization in terms of treatment.

The U.S. Department of Homeland Security is calling for the development of a program known as the trusted employer program. Canada can do the same. How we think this should work is to pick up on the same vision of using technology to drive efficiency. We take the NEXUS platform and we build trip-specific information on top of this. You could get your general counsel to put in, "I'm going to cross at this time and here's the legal justification for what I'm doing".

What we learned from cargo shipments is that providing information in advance leads to more efficient crossings. We need to do this with frequent travellers as well.

The report, of course, lays out a series of other things that I'm happy to get in to in the Q and A. We talk about remaking the workflow processes at the border to drive efficiency gains, using public-private partnerships to drive significant improvements in border infrastructure, working with the auto industry to significantly reduce the paperwork burden facing North American-built automobiles, picking a couple of successful areas in Canada-U.S. regulatory cooperation and experimenting with trilateralizing them with Mexico, and making the rules of origin among the Canada, U.S., and Mexico free trade agreements with Europe talk to each other.

I would conclude this way though. North America has the potential to be the most dynamic and prosperous region of the world economy for many years to come. From energy to innovation to good governance, we have all the right elements to succeed. All we are lacking is the will. To lead in the 21st century we must be smarter not only in our policy design but in the application of our corresponding regulations, procedures, and technological systems. Let us commit now to fully seizing this opportunity.

• (1125)

The Chair: Thank you very much.

Mr. Dillon.

[*Translation*]

Mr. John R. Dillon (Vice-President, Policy and Corporate Counsel, Canadian Council of Chief Executives): Thank you, Mr. Chair.

I would like to present a few ideas about energy and the environment.

[*English*]

We start from the premise that North America is blessed with a tremendously diverse array of energy assets. In addition to the traditional fossil fuels, we are seeing growth in a wide variety of renewables—some of the best hydro assets anywhere, as well as uranium, biofuels, wind, solar, tidal, and geothermal. These represent an important source of economic development for our region but also highly skilled and well-paying jobs, not to mention the opportunity to develop leading-edge technology and expertise that can be exported around the world.

Our three countries already are highly integrated when it comes to energy, with pipelines that deliver oil and gas as well as transmission lines that can bring cleaner forms of electricity across borders. But there is more we can do to promote continental energy security and ensure our citizens enjoy reliable and affordable energy that makes their lives better.

I will highlight just a few of the points in our paper.

Fundamentally, we should be thinking about how to turn our diverse energy assets into a competitive advantage for our firms, not just those that produce the energy but those that rely on energy as a key input.

It starts with a regular report, as Ambassador Suarez has referenced, on North America's energy outlook, identifying our collective energy strengths and potential weaknesses and the most promising areas for trilateral cooperation. Much of the energy

infrastructure that I referred to is aging, and in other cases, it does not connect promising, new energy opportunities to processing facilities or to important and growing markets. We were pleased to see that at their most recent meeting the three energy ministers again emphasized the importance of modern, resilient infrastructure.

An additional focus needs to be on key energy technologies. Our energy ministers for the three countries have recognized this and are looking to strengthen trilateral cooperation on electricity grids, carbon capture and storage, electric vehicles, biofuels, and best practices in the development of unconventional oil and gas. We need a consistent approach to climate change and greenhouse gas regulation. Some of that is already happening through aligning standards on such things as the energy efficiency of vehicles and appliances.

Given the close integration of our three economies, it makes sense to have a consistent approach to progressively lowering the environmental impact of the energy we produce and consume. We can do that in part through taking a consistent approach to pricing carbon. Overall, we need smart policy that keeps our firms profitable and able to invest in lower carbon energy technologies while avoiding potential competitive barriers.

The Canadian energy industry is already adopting a voluntary set of standards on hydraulic fracturing, covering such things as disclosure of chemicals in fracking fluid and standards for wellbore construction. We have suggested an industry-led North American standard on fracking that would demonstrate that it can both be done responsibly and potentially lead to technologies that can be exported. As Ambassador Suarez has referenced, certainly there are tremendous opportunities to use this technology in shale fields in Mexico.

There is an opportunity for energy regulators in the three countries to work more closely together. Here I would note the MOU that was signed last year between the government of Mexico and the Alberta Energy Regulator, as Mexico seeks to build a world-class regulatory regime for its growing energy sector.

Lastly, the three countries can cooperate on skills certification and an overall human resource strategy for the energy industry to ensure we have the people and capacity to realize our energy opportunity. This model could also be replicated with respect to continental skills accreditation in other sectors and occupations.

Thank you. I look forward to your questions.

•(1130)

The Chair: Thank you very much, Mr. Dillon.

Mr. Jacobson, I didn't really introduce you properly before. I think everyone knows who you are, but you certainly bring a unique experience being a corporate lawyer in Chicago, working in the White House, and, of course, being our U.S. ambassador from 2009 to 2013 here in Canada. You certainly provide a unique experience.

We're looking forward to hearing what your testimony is going to be.

Welcome. I turn the floor over to you.

Mr. David Jacobson (Vice Chairman, BMO Financial Group): Thank you very much, Mr. Chairman, and members of the committee.

It is an honour to be back here in Ottawa to have an opportunity to talk to you about this important topic, and quite frankly, most of all to be back to see so many friends around the room.

As you say, I have been fortunate to have had the opportunity to address the relationship among the three North American countries from a number of perspectives. I was the ambassador here for four great years of my life. I have attended the North American leaders' summits. I am now the vice-chairman of BMO, the Bank of Montreal, with operations that span the border in a very significant way.

One of the things I should make clear from the outset is that it would be pretentious of me to try to tell Canadians how to negotiate with my country. All I can do is pass along my own perspective, based on my experience in areas where I believe all three of our countries should focus in order to enhance the well-being and prosperity of our people, which I know is a goal we all share.

To that end, I want to focus on five issues. First, while we have done a good job—not a perfect job but a good job—of reducing tariff barriers to trade between our two countries, we have to do a better job, indeed probably a much better job, of reducing some of the non-tariff trade barriers that still exist. We've taken some significant strides over the last few years, particularly with the beyond the border initiative between the United States and Canada, but it is not time to declare victory and rest on our laurels.

The best way to reduce delays and confusion at the border—and I think all of us on the panel so far are in violent agreement on this one—is to enhance the sharing of information before people and goods get to the border. First, this facilitates the swift movement of pre-cleared goods and people. As well, the time that border guards don't have to spend checking honest, good, law-abiding people and safe goods is time they can spend looking for bad guys and dangerous products.

In my mind, the best example—and again, this was alluded to earlier—is the NEXUS program. It has now taken the next step, in which both American and Canadian citizens who are members of NEXUS can participate in the pre-check program, so that when we go through airport screening we don't have to take off our shoes, and we don't have to take liquids out of our bags every time we want to get on a plane. That is real progress.

I will tell you a true story.

Recently I was going through one of the pre-check lines and the woman in front of me said to the CBSA guard, "You know, this is the best program in the history of government." I think I may have to agree with her on that one, so I want to congratulate all of you.

The second set of non-tariff trade barriers are the regulatory differences between our two countries. The same applies with respect to Mexico. It's not just the differences, but differences that really don't make a whole lot of sense, the so-called tyranny of small differences.

When I was in Canada I talked all the time about Cheerios. I see Laura Dawson, the next speaker, smiling. I think she was the one who put this together with me. Because I am pathetic, I eat the same thing for breakfast every single morning. I eat Cheerios. When I'm in the United States I eat the Cheerios that are fortified in accordance with the requirements of the United States government, and when I'm in Canada I eat Cheerios that are fortified in accordance with a different recipe, as required by the Canadian government. I'm here, Mr. Chairman, to assure every member of this committee that I feel neither healthier nor cheerier in one country or another.

I remember the first time I talked about this, some guy in the back of the room raised his hand and said, "Well, which one should we adopt?" and I said, "It doesn't matter to me and it doesn't matter to you. Just make them the same." There are so many of these small differences that really don't enhance our health and safety in any measurable way. They're just different. Seat belts are different between our two countries. Deodorant is different between our two countries. All that these differences do is make products more expensive, reduce consumer choice, and lower product quality, and there is no commensurate public benefit.

•(1135)

The third area that I think we need to focus on in order to enhance the economic well-being of our citizens is continued work on regional trade agreements. Again, I think all of us on this panel are in agreement that NAFTA has been beneficial to Canada, it has been beneficial to Mexico, and it has been beneficial to the United States. But NAFTA was the original trade agreement, trade agreement 1.0. I think Ambassador Davila referred to TPP as trade agreement 2.0. I would probably call it trade agreement 4.0. We've learned a lot as we've gone on over the last few years, 20 years, and it is going to fix and address some of the deficiencies of NAFTA. It is going to expand the benefits of free trade to a number of our Pacific partners.

At the same time, Canada and the United States need to continue to work on trade agreements with the European Union. I think as a strategic matter, once the three NAFTA countries have trade agreements with the Pacific countries and have trade agreements with the European Union, it puts us, these North American countries, in an extremely strong position as the bridge between the other two great trading blocks in the world. This has the potential to create millions of jobs in your country and in mine.

The fourth thing that I think we have to think about is doing a better job of including Mexico in trilateral initiatives. This is particularly true, and the ambassador referred to this, in the areas of energy and in regulatory cooperation, where I think we can make a lot of progress.

Finally, we have to encourage regional cooperation between our countries. Again, as I travelled around Canada, I would constantly hear about the relationships north-south, indeed sometimes at the expense of the east-west relationships in Canada. The Pacific northwest economic region, PNWER, has for a long time worked to coordinate the efforts of the western provinces and the western states of the United States. The Atlantic premiers and the New England governors have long worked together to expand the economic benefits in their regions.

Just this past April I had the opportunity to participate in the Great Lakes Economic Forum that was held in my hometown of Chicago by the Council of the Great Lakes Region. That's a region that had \$5.8 trillion of economic activity last year. It accounted for 30% of the combined U.S. and Canadian GDP and 31% of our jobs. If just that region, the centre of the two countries, was itself a country, it would rank as the third-largest economy in the world, ahead of Japan, ahead of Germany, France, Brazil, and the U.K.

The provincial and state leaders know and understand the importance of this. They are trying to continue the momentum of this regional cooperation. One of the things that I would encourage all of you to do is to work with them to facilitate that. In two weeks, I'm going to join the Great Lakes and St. Lawrence governors and premiers in Quebec City. In the coming months, representatives from these regions are going to travel all around the world and they're going to sell the merits of trade, not just in their province, not just in their state, but in these economically strong regions, which I think benefits all of us.

Mr. Chairman, Canada, the United States, and Mexico have a full plate of issues to work on to enhance the well-being of our citizens. I again congratulate you for your work in this area and I look forward to your questions.

Thank you very much.

The Chair: Thank you very much, Mr. Jacobson.

Now we'll turn to Ms. Dawson. She left us here in Ottawa to go down to Washington.

We're going to welcome you, Ms. Dawson, and we're glad to have you back.

Ms. Laura Dawson (Director, Canada Institute, Woodrow Wilson Centre, As an Individual): Thank you very much, Mr. Chairman and members of the committee. I'm delighted to be there. I would always rather be there in person, but it's great to be remotely visiting with you from Washington.

One of the benefits of being a later speaker in this process is that I've been able to look at the testimony of some of the preceding speakers. I'll just tell you that I agree with all of them. You've heard from Colin Robertson, Scotty Greenwood, and the CEO council. They've given you great lists, action plans, and strategies for what we need to be doing in this North American partnership.

You have Ambassador Suarez, who in my opinion is Mexico's best export to Canada, and you have Ambassador David Jacobson, who is not only a great bilateral and trilateral analyst and thinker, but also the best boss I ever had. He was such a great boss that I couldn't go to work for anybody else, so I had to go and start my own company. For five years I ran Dawson Strategic in Ottawa, which helped Canadian and American businesses to take advantage of our trade agreements, of our bilateral and trilateral initiatives.

As a consultant on cross-border issues, I can tell you that the relationship works really well. It is important. It is the basis of North American commerce and trade. But there's still a lot of work left to do, and these gaps, these delays are eroding Canadian competitiveness. We're not in a position right now such that we can afford to drag our feet. Competitors from other parts of the globe are frankly eating our lunch. This is not the time for North America to slow down. This is the time for North America to speed up and to engage better.

The non-tariff barriers that Ambassador Jacobson talked about and the gaps that Ambassador Suarez talked about that are keeping us from having fully functional supply chains means that we are letting important opportunities slip through our fingers.

The NAFTA is in the doldrums. I'm not sure I quite agree with Ambassador Suarez's characterization that it's a wrinkled old lady, but it's certainly a senior citizen and it's in need of some rejuvenating treatments. It's more than 20 years old, and it was negotiated at a time before we had the kinds of technology development that are now intrinsic in our economy, in the way we do business. We negotiated the NAFTA before we had third-party logistics and before we had electronic commerce. We hardly even had the Internet in 1994.

This agreement, the NAFTA, governs about 70% of our trade, and we are rapidly becoming a high-tech, knowledge-based, service-based economy, but our trade agreements reflect a time when our economy was based not on microchips but on wood chips.

We definitely need urgent attention to cross-border infrastructure for shipping and energy distribution. You've heard that our regulatory harmonization efforts, while important, are still really a drop in the bucket, very limited compared with what they should be for such integrated economies.

One of the statistics I use in my research, backed up by, I think, the OECD, is that border and regulatory barriers account for about 5% to 10% of the final cost of a product. What that means is not only that we as consumers are paying more for our products, but that our entire productive capacity is at a disadvantage. We are basically giving that advantage away to China and other lower-cost competitors. We don't need to be doing that. We can't afford to do that.

Now, through the Trans-Pacific Partnership we have the opportunity to remedy some of the gaps in the NAFTA, but with 12 parties to the agreement the interests of the three NAFTA parties are going to be diluted. There are going to be many other issues. There are many other issues that are not directly relevant to strengthening and streamlining the North American relationship. Also, in trade negotiations the pace and the content are defined by our slowest and least competitive sectors, not by our strong and emerging sectors.

• (1140)

We have a really hard time negotiating for the strong because we are defending the weak. We need to achieve a balance, but you cannot sacrifice our emerging strengths in the process.

What should we be doing? Last January I wrote a piece in *The Globe and Mail* in which I was highly critical of this government's decision to postpone the North American leaders' summit. I believed then, and I believe now, that it's a very important time for our leaders to be talking to each other, collaborating, etc., so I'm delighted that we're now planning a leaders' summit and that your committee is taking a leading role in ensuring that it's meaningful and substantive.

The other people who have spoken before have given you great lists of things you ought to do, and I think you ought to do all of them. I'm going to give you one principle that I think encompasses the action plans that you've already heard. It's simply this: that we treat the North American relationship with the seriousness it deserves. We need to invest the time and resources commensurate with the fact that the United States and Mexico are Canada's most important economic and political partners. I think we miss that. We are so busy looking at greener pastures elsewhere, or more exotic fields, and we miss the fact that North America is where we need to be investing most of our time and our energy. As Canada, we need to invest in a presence in both of those countries that is sustained and visible.

Canadians often complain that we are taken for granted in the United States, but here in Washington, not just since I've moved here last week, but in my work here in the past five or six years I have been struck by the absence of a Canadian voice in so many important policy issues in which Canada has a stake. I think we assume that we know everything about the United States because we watch U.S. TV and we don't feel that we need to be present. We do not effectively engage U.S. legislators, policy-makers, and thought leaders the way that other U.S. allies do. Even Mexico is more present in Washington than Canada is. Also, our knowledge base here in Canada is weak. I know we think we know a lot about the United States, but as a former university professor at Carleton, my students were woefully lacking in their understanding of how the U.S. legislative and decision-making process worked.

One of the things that strikes me is that in the United States you, as a university student, can go to a Canadian studies program. In Canada, I don't think there are any U.S. studies programs. If there are, I've never seen them. Secondly, I'm a Canadian employed by the U.S. government to lead a think tank on Canada-U.S. issues in Washington. How many think tanks on U.S.-Canada issues are funded by the Canadian government in Ottawa? I don't think there are any. We've become complacent in our efforts to understand and

engage with the United States. They're always there, so why should we invest, why should we work harder?

We are quite effective at the bureaucratic level. Our officials work together very well, agriculture to agriculture, transport to transport. They pick up the phone and they talk to each other and they cooperate on routine day-to-day activities. But when those activities, when those issues rise to the political level and we need clout and they need sustained advocacy, we really don't have that here.

Make no mistake, Ambassador Gary Doer and his team in Washington are excellent. The team that is in Ottawa, the Department of Foreign Affairs, Trade and Development, do a terrific job as well, but there's simply not enough resources dedicated to the importance of this relationship. As we enter the next three years of transition, we need to reposition ourselves, not as the quiet Canadians but as a present and visible and valuable ally. To paraphrase a famous bookstore, "The World Needs More Canada". The United States needs more Canada.

That's why I left a great job in Ottawa to come down here and wave the flag and to raise Canada's presence in a systematic and sustained way.

The principle of treating the relationship seriously also applies to Mexico. It's a relationship that requires time and attention and consistency. I think we expect quid pro quo results and that things will happen quickly with Mexico. They do not.

• (1145)

Our relationship has suffered as a result of the visa implementation issue. Now, with the electronic travel authorization service, we have that opportunity to re-establish our credibility and our presence in Mexico. It's a great signal that we're ready to re-engage in a serious and respectful way.

Mexico is much less a competitor to Canada than it is a production and supply chain ally. If Canadian manufacturing is to thrive in the coming decades it will be because of strong supply chain partnerships in the United States and in Mexico.

If our interests are going to be taken seriously in Mexico City and in Washington, Canadians need to bring their A game to the relationship. Our officials and our businessmen are great, but we need the political leadership. We need you folks down here.

It's well known North America's greatest, most important economic initiatives, the Auto Pact and the Canada-U.S. Free Trade Agreement, came as a result of Canadian ideas and Canadian proposals. We can't wait for the other guys to come to us. We have to be delivering these proposals. We have to be the innovators and the thinkers.

I expect to see every member of your committee here in Washington. I expect to see all of you at my office at the Canada Institute. I'd like you to accept this as my invitation to make the Canada Institute your home in Washington to help you reach out to your congressional and other counterparts here. In two years, I want to come back to this committee, and I want to report to you that our reputation in D.C. has been transformed from the quiet Canadian to the ubiquitous Canadian.

Thank you.

• (1150)

The Chair: Thank you very much, Ms. Dawson.

Now we'll start with our first round for seven minutes.

Mr. Dewar.

Mr. Paul Dewar (Ottawa Centre, NDP): Thank you, Chair.

Thank you to all of our witnesses. I'm going to follow up directly with Ms. Dawson.

I was very taken by your testimony. It's good to see you've made the transition well. I also note our leader had taken advantage of the offer of the institute you work at to deliver a speech there a couple years ago, and I accompanied him. It is really important—I think, the words you speak—on making sure we are more present.

One of the issues I want to bring up is that the government had what was called the Americas strategy when it was elected. There was a review of that strategy—I'm not sure if you read the review—back in 2011 by the government. One of the things it said was that they—and this is the government's own review—were lacking in guiding objectives and some sort of oversight for the Americas strategy within government.

I think most people objectively look at the government's intention as good—the Americas strategy—but it seems to disappear. I think what was cogent for me in the 2011 review by the government of its own strategy was that there wasn't the contemplation within government as to setting out objectives, following up, and having some oversight to it. I'm hearing great ideas from all witnesses—and certainly in the last committee meetings we heard terrific stuff on standards, in particular—and that obviously has to relate to dealing with the regulatory concerns people have. You have to have similar standards.

I'm wondering if you could share with us, Ms. Dawson, if we're going to recast the relationship, or reboot it, however you want to put it. Do we need to have an approach to the Americas, the three countries, that allows for better interdepartmental cooperation and effective oversight? If that's the case—and I'm assuming you would say yes—what's your experience? How would you do that? What advice could you give?

If we're going to set these great objectives, and we make recommendations, we need to have some confidence that they will be implemented well in terms of the function within government. I wonder if you could share with us some ideas around that.

Ms. Laura Dawson: Wow, that's a tall order. Thank you.

I'm going to speak now not from my position as the director of the Canada Institute, but from 15 years as a consultant on trade in the Americas. I've watched the Americas strategy evolve and I've watched the Government of Canada have some successes but also some challenges with it.

I think one of the first problems with anyone who has an Americas strategy is that the Americas is not a monolith. It's not a unity. The Americas consist of a number of diverse economies and countries that need to be addressed as individuals. Our relationship with Honduras is much different from what our relationship with Chile,

Colombia, and Peru should be. Their economies have taken different tracks. They have different leaderships, cultural styles, etc. We need to be prepared to deal with our Latin American partners as individual states. That's the first thing.

Secondly, when I was working as a contractor for the Canadian International Development Agency in Latin America, we were straddling between building stronger economic partnerships and doing technical assistance and development. I think we've struggled to understand whether our role in Latin America is as development partners or trading partners, and how that works together.

Now I think the government's approach to closer integration of trade and development, in my opinion, is a very strong way to go with respect to our relationships in Latin America, but it's a tall order. Remembering back to when we tried to do the Free Trade Area of the Americas, we bit off a lot in that engagement.

I would support sustained engagement in Latin America and investment in diplomatic resources, but let's approach things in an incremental and institutional fashion. We have a very strong Latin American partner sitting right across the room from you. Let's work with Mexico. Let's understand the Latin American trade economy's language and culture better from our beachheads in the region, and then move on from there.

I would love to come back and talk to you about Canada-Latin American relations. It's very important to me, but I'm not sure I can do it justice in just a few minutes.

• (1155)

Mr. Paul Dewar: That's helpful.

I want to turn to our ambassador. By the way, I just have to state for the record that I'm glad the committee is now willing to hear from ambassadors. I know it was an issue a couple of years ago and there were some members of the committee who didn't care to have ambassadors come to committee to inform. It's great to see ambassadors here sharing their experiences, both former and present ambassadors.

Mr. Ambassador, could you map out a bit more the logistic corridor you were speaking of? I'm not sure many people understand that well enough. If you could expand on it, that would be great.

Mr. Francisco Suarez Davila: I share very much Laura's comment. I think it will come to the view that we cannot have a Canada strategy. Obviously, the strategy has to be common to the country but related specifically to the provinces.

I have been completely surprised by visits to the area of Winnipeg and to some extent also Saskatchewan of the great possibilities. In the 1920s Mexico had a consulate in Winnipeg, because it was clear that you could see a straight line going from Winnipeg down the central United States, down to Monterrey, and eventually to Mexico City. That's a very clear corridor.

The best argument was given to me by Pallister Furniture. It was to forget about China. They said, even with the problems they have at the border, that they travel three hours and they have to change trucks at the U.S. border, even with the fact that they have to change Mexican trucks for Canadian trucks, it's 20 hours. If something goes wrong in their furniture plants in Winnipeg, they can do it through their plants in Mexico.

Now, a great new idea, I think—and we're very much interested—is the CentrePort in Winnipeg. Again, it's right along that corridor that you have from Mexico City to Monterrey to Winnipeg. You certainly have increasing interest in trading with agricultural products. From Winnipeg they can go east and west. Of course, that's transport but it's also energy.

The Chair: Thank you very much, Mr. Dewar.

We're going to turn it over to Mr. Trottier for seven minutes.

Mr. Bernard Trottier (Etobicoke—Lakeshore, CPC): Thank you, Mr. Chair.

Thanks again to all our guests for being here today.

I wanted to talk about the Trans-Pacific Partnership, because we all know there have been extensive negotiations there. Also, when you think about how comprehensive this could be and look at other trade arrangements—for example, Canada and Europe, where some trade arrangements have gone beyond where NAFTA is—there are two schools of thought.

One is that NAFTA becomes obsolete and that the TPP would just supersede NAFTA, from a trade standpoint.

Another school of thought, though, is that because you have 12 partners negotiating, it gets very watered down. It's difficult to come to an agreement amongst 12 partners. You just have to witness some of the negotiations in the Doha round at the WTO.

Mr. Jacobson, could you maybe comment on some of your views? Where do you think TPP is going? Also, if it ends up superseding NAFTA, does North America then become less of a trade zone and more of a focus for other things, such as security, academic exchanges, and so on?

Mr. David Jacobson: First of all, the notion that somehow or other NAFTA will become unimportant after TPP is fallacious.

You will have two sets of agreements. One agreement, NAFTA, will deal with a full range of issues among our three countries. You'll have another set of agreements that deal with the relationships that our countries have both among ourselves and with our Pacific partners. There will be things in TPP and a number of us have talked about them. There are issues with respect to labour, environment, and services that just weren't dealt with in NAFTA and they'll be dealt with more effectively in TPP.

First of all, the notion that somehow or other TPP, if and when it's completed, is going to supersede NAFTA and NAFTA will go out of existence and become unimportant is false.

Are we going to have a comprehensive good deal come out of TPP? I haven't been involved in the negotiations in a while and to some significant extent, at least at the moment, that rests in the hands of the United States House of Representatives. Trade promotion

authority has been passed by the Senate and is now in the House of Representatives. I wish I could say otherwise, but at least, given recent history, depending on the United States Congress to act, and act wisely and precipitously, is sometimes misplaced.

I do think and certainly hope that, eventually, they will get it done. It will be a good agreement. It will be a good agreement because it is in the economic best interests of each one of the 12 TPP countries, particularly the three NAFTA countries, and because it has some very important geo-strategic importance in this so-called pivot that we're making toward Asia.

We're going to get it done. I have every reason to believe that it is going to be a good agreement. It won't be perfect; it never is, but it will get done, hopefully, by the end of this year. Once it's done, we'll focus our attention and negotiations with the EU.

As I said earlier, it's going to create a lot of jobs and a lot of economic prosperity in Canada, the United States, and Mexico.

• (1200)

Mr. Bernard Trottier: Maybe Ambassador Suarez could comment. Do the three countries of North America need to get together and present more of a united front going into TPP? Is that something we need to spend more time on in the coming months?

Mr. Francisco Suarez Davila: I think that is in fact what is happening. The degree of relationship that exists between the U.S., Canada, and Mexico is really very great. There might be some issues, but as far as the executives go, the relationship between trade ministers is excellent.

I would agree completely with what Mr. Jacobson said. NAFTA is a base, a platform, and TPP is an ideal opportunity to upgrade it and to bring it to 4.0. As he mentioned, electronic commerce was simply not an issue, pharmaceuticals were not an issue, labour standards, environmental standards, those were not issues. It's the best way to upgrade it and it's the best way to bring it up to date.

We're confident. If it were up to the executives, we would have TPP by the end of the year. We hope that Congress will go along. It will not be perfect, but we don't want one that's too diluted. If it's too diluted, then it's useless. It has to be something that is meaningful, three steps forward. Then we have to work on convergence because there is a problem between our agreements with Europe, the agreements with the east, and our agreements within. There has to be some degree of convergence, particularly in rules of origin, and we can pull that together.

I'm as optimistic as Mr. Jacobson.

Mr. Bernard Trottier: Mr. Miller and Mr. Dillon, I'd like to get some comments on government procurement policies.

I know we like to focus on the irritants. We obviously have a very healthy trade arrangement in North America, but there are government procurement policies and specifically Buy America policies.

What are the things that we as a committee, if we're giving advice to our North American leaders, can focus on realistically in terms of government procurement policies to really improve the lot of all taxpayers in all three of our countries when it comes to being able to buy things on behalf of the government?

Mr. Eric Miller: With respect to Buy America in particular, one of the ideas that has been developed among the foreign affairs negotiators is to essentially get the U.S. to agree to what's called the flow-down provision, because a lot of the Buy America provisions get activated because they're federal provisions that are carried on with the money that flows from Washington to the state. If you can get some agreement to exempt those resources from those particular requirements, the state-level project in Connecticut or Illinois will not have to face the challenges that it currently does from Buy America.

Now that requires being willing to negotiate and trade things off. I certainly know from my friends close to the negotiations that there's been some appetite to discuss perhaps trade-offs on, shall we say, dairy products or other things of that nature. But this is something Canada will have to weigh against the broader trade-offs that will come to the negotiations and decide what they're willing to give up and whatnot.

In terms of Canada directly, we've spent a lot of the last nine months working on what's called the integrity framework, ensuring that the supplier manuals are up to date and consistent with global standards for how we do procurement. It's something that's really important so we get better results domestically and internationally.

• (1205)

Mr. Bernard Trottier: Thank you very much.

The Chair: Thank you very much, Mr. Trottier.

We're going to move over to Mr. Garneau for seven minutes, please.

Mr. Marc Garneau (Westmount—Ville-Marie, Lib.): Thank you all for your testimony. Please don't think me rude. I only have seven minutes so, if I interrupt you, it's because I have many more questions to ask.

I'll start with Ambassador Suarez Davila. You mentioned a letter from the Prime Minister dealing with the subject of visas. I was not personally aware of this. I'm wondering when this letter came and what specifically it said.

Mr. Francisco Suarez Davila: This was raised after the issue—

Mr. Marc Garneau: I'm aware of the background.

Mr. Francisco Suarez Davila: The letter basically said—I almost know it by heart. It was really an opener of the relationship because it basically said that the government had taken the decision, more or less, to eliminate visa requirements for a very large number of Mexican citizens.

In the next paragraph, what does that mean? It is substituting the visa requirements for the new system, which is the eTA. Why is it for a large number of citizens? Basically because this very large number of citizens entails something like 10 million. Nine million Mexicans already have a U.S. visa, and about half a million have a Canadian visa, so that, in the universe, is quite large. This will come into place at the end of March.

As I mentioned, the thing we have to work on is that Mexico at present belongs to the soon-after group. The first group is present visa-free countries, of which there are 50. For us it does present the problem that you first have the 50 visa-free countries, some of which

have very limited relations with Mexico, and Mexico, who is your third-largest trading partner, will be in the next group, called the soon-after group, which is Romania, Bulgaria, Brazil, and Mexico. We don't want to be in the soon-after group because we don't know how soon after it will be.

When the budgetary decision is taken, then we can—

Mr. Marc Garneau: You say this will come into effect next March or the letter came in March?

Mr. Francisco Suarez Davila: No, the letter was sent already.

Mr. Marc Garneau: It was sent in March. Thank you, Ambassador.

Mr. Dillon, you mentioned possibly one of the things that could happen is a North American standard for fracking, which I think is a good idea. It's not only something that doesn't have a standard, but I think there are lots of misconceptions about fracking as well.

Here in Canada, of course, we don't have the same approach in the different provinces. As you know, there are moratoriums in certain provinces. Should we start by coming up with our own standard within Canada before we deal with the United States and Mexico?

Mr. John R. Dillon: Yes. That's in fact what the industry is working on right now, a standard. They have best practices on things like disclosure of what's in the fracking fluids. But yes, it is—

Mr. Marc Garneau: That is under way. Thank you.

Mr. Jacobson, is the United States ever going to go metric?

Voices: Oh, oh!

Mr. David Jacobson: When I was a kid, back during the Lincoln administration, they used to teach us about that and say that we had to learn all those things because any day now it was going to change. Honestly, I do not see it coming any time soon.

Mr. Marc Garneau: You realize that you, Liberia, and Myanmar are the three countries in the world that have not gone metric.

Mr. David Jacobson: It's good to have such good company.

Mr. Marc Garneau: I want to bring up a point. In 2006 I was on a panel of the Government of Ontario. It was on transboundary air pollution, and it was an international panel with Americans and Canadians. It dealt with something that is part of our reality, and that is that the weather patterns do not respect borders.

In this particular case, it was a lot of airborne pollutants carried from the Ohio Valley that made their way up to southern Ontario. I was staggered to realize that there are billions of dollars in impact, not just to things like acid rain but also to the health of people who have breathing difficulties, to agriculture, and others.

To be fair, let's also point out that there are weather patterns that go the other way as well.

Is this something that should be taken up? You've talked about environmental issues, such as common pricing of carbon and things like that. What about the fact that we do export pollutants to each other on occasion?

•(1210)

Mr. John R. Dillon: I'm sure Ambassador Jacobson has a thought on this as well, but as I'm sure you know there is an existing Canada-U.S. Air Quality Agreement that needs to be strengthened and enforced. I don't know the exact status of it, but it is under negotiation.

The air quality is actually improving in southern Ontario. Part of that is due to the fact that there's less coal being burned in U.S. utilities in the Midwest. Part of that is because there's less coal being burned in Ontario, or no coal anymore, and also improvements in vehicle emissions and other sources as well.

But yes, there's more work to be done on that, for sure.

Mr. Marc Garneau: It's something that I was on with the Government of Ontario, but I was not aware of any federal level initiatives, because it's more than only Ontario.

Mr. John R. Dillon: I'm sure the ambassador dealt with this during his time. There is an existing Canada-U.S. agreement.

Mr. David Jacobson: We've chipped away at it one piece at a time. What has tended to happen over the last few years is that on the same day, as a result of a lot of groundwork together, similar regulations with respect to auto fuel efficiency requirements and a variety of other things get announced by Canada and the United States. That is the way it has gone. But I agree with you completely. We breathe the same air, we drink the same water, and none of this respects a line that's drawn on a map. One way or another, we have to figure out how to work together. It's one of those issues that is going to only grow in importance.

Mr. Marc Garneau: Thank you.

Last week we had a witness who—getting back to the TPP—said that it's not a well-kept secret that Mr. Obama or the current administration would like to supplant NAFTA with the TPP. Now, you had a similar question asked and you seemed to view it as two things that will continue to live in parallel. Is that really your feeling?

Mr. David Jacobson: I read that testimony and I'm not quite sure where he divined that information. I've never heard that before.

Mr. Marc Garneau: You've never heard that before. Very good.

Thank you.

The Chair: Thank you, Mr. Garneau.

We'll start our second round, which will be five minutes, with Ms. Brown.

Ms. Lois Brown (Newmarket—Aurora, CPC): Thank you very much, Mr. Chair.

Thanks to all of you for being here.

Ms. Dawson, it's nice to see you again. We talked about having a conversation when you were coming to Mississauga, but unfortunately we're still going to be in Ottawa, so that conversation isn't going to work. It's nice to have you here.

To the chief executive council, when you put your report together, I see you focused a great deal on skills and jobs. All of you have talked about regulatory issues, but in the conversation today we really haven't talked about jobs and how we find credential

comparisons. We have the problem in Canada, for goodness' sake. We have provinces in which everybody has their own designation, and it's constitutional. I'm not sure how we get past that, but right now in Canada we have 447 different organizations that are credential-granting organizations. If you're a teacher in Ontario, you can't move to Manitoba and be a teacher in Manitoba without getting your licence in Manitoba.

First, what commentary do you have on this and how we approach it between the three countries? Are there areas where we could take one or two occupations and start chipping away at those, so that we can start some pan-North American recognition of skills in order to start more labour mobility between our countries?

I don't know who wants to start, but I simply put that out.

•(1215)

Mr. Eric Miller: Yes, we did focus significantly in the paper on jobs and skills, and I note that next week the provincial ministers responsible for the Agreement on Internal Trade are meeting. This is something that should be a very important topic of discussion, because you have the mutual recognition issue in different provinces and then you also have the “scope of practice” issue. We put out a report on this, which says that in Ontario, if you're a massage therapist, you require a licence, and you don't in Alberta.

One thing we've seen in the North American context that has worked, although it's slow, is that the associations have gotten together. The architecture associations in Canada, the U.S., and Mexico worked. It took them seven years, but they ultimately got agreement of mutual recognition about what an architect is and how architects can be certified and can practise in the various countries. It doesn't deal with the admissibility issue, but if a Mexican architect were hired to work on a building in Winnipeg, they would simply have to get entry into Canada to do so, as anyone would when coming to work here. They wouldn't have the question of whether their credentials are recognized.

The only way really to get there is to do this painstaking process of trying to get the credential-granting organizations to talk to each other, to agree on a common nomenclature of what means what in the way those requirements are granted. In the internal trade context, I thought that one thing we could do, for example, might be to pick up on what we've done with tariff negotiations and take the Ellis chart, which lists all of the different credentials, and use it as a basis to say we're going to get to a common framework.

But there are many other things we can do. We talk about, for example, training. It's very hard to get people from companies that produce across North America to one location for training. Each individual has to apply. We've suggested that a company running a training course can say, “Here is the list of the 40 people who are coming to Mississauga to participate in this training course” and that CBSA be required to come back within five days and say yes or no. They may say, “These 38 are fine, but we need to look at these other two”, but at least you can have a batch application and a reasonable expectation about when you're going to receive information back.

What you've seen in many practical cases is that it takes much longer to get the visa to come into Canada to work at doing the training than it does to do the training. That doesn't make any sense, and people aren't out spending money at bars and restaurants and hotels and other facilities in Mississauga, so they tend to go to Las Vegas.

The Chair: We'll have just a quick comment from Ms. Dawson and then from the ambassador. We're almost out of time.

Ms. Dawson.

Ms. Laura Dawson: I'll keep it brief.

Relating to labour mobility and skills, this comment draws upon an initiative that Ambassador Jacobson took a real leadership role on, and that is moving skilled workers from U.S. states who are in demand for occupations in the oil sands. In particular I'm thinking of the welders, electricians, etc.

Some of the lessons learned that we got from that include that it's not just the credentialling authorities who are necessary to make that happen. We also had the participation of the labour unions on both sides of the border, saying, "We get that having an integrated market for this occupation is important." We also had motivated employers and we had motivated regulators, because there was such a labour shortage in Alberta at the time.

So while it's important that we focus on encouraging the credentialling agencies to cooperate, you also need the partnership of provinces, labour unions, employers' and workers' organizations, and colleges as well.

The Chair: Thank you.

Mr. Ambassador.

Mr. Francisco Suarez Davila: Very briefly, something that worked for 40 years, the temporary agricultural workers program, with very specific rules, was an agreement. We had 18,000 people come and go; that's it.

I think what you have to do is pick sectors for which there is a great need, in regions where there's a great need, and to work the compatibilities. Clearly it would be the western provinces. All of them have a serious problem of semi-skilled workers—welders, machinists, electricians. I think the three countries probably could work on that specific sector, probably linked to energy. It would be something very specific and not involve the whole country, but basically the provinces that need it most.

Eventually, for Mexico we'll be needing a lot of Canadian engineers, so it's both ways, but it's sector-specific.

The last comment I have, which is very practical, is to facilitate things for businessmen, so that for businessmen in well-known prestigious companies you facilitate the possibility of having movement of people. For example, I know that the Four Seasons hotel group would like to have Mexicans work at the middle level. They would work in Canada, in the United States, and in Mexico. It makes this very difficult.

There's a need for pilot projects, probably with specific firms that are prestigious, so that you would not have the problem that they would do something illegal.

•(1220)

The Chair: Thank you.

We're going to turn it over to Madame Laverdière now for five minutes, please.

[*Translation*]

Ms. Hélène Laverdière (Laurier—Sainte-Marie, NDP): Thank you very much, Mr. Chair.

I would like to thank all our witnesses for their very interesting presentations this morning.

My first question is for Mr. Jacobson.

Mr. Jacobson, in your opinion as someone who has been an ambassador, what might be done during the next summit to improve cooperation between the three countries to address the threats posed by climate change?

[*English*]

Mr. David Jacobson: As I said earlier, I view this as a personal matter, as one of the most serious issues we face. We have to address it. The longer we wait, the harder it will be to address it. This is also an area where there has to be cooperation because we all live in the same climate. As each of us contributes to the degradation of the climate, the worse off we all are.

I do think it's very important, for example, to find some uniform way of pricing carbon. If one country prices it cheaper than another country, or one country doesn't price it, then over time all of the heavily polluting industries are going to move there. It's the lowest common denominator.

I do think eventually we're going to get there. This is an area where, quite frankly, there is plenty of fault to go around. My country is by no means without fault on this one and neither is Mexico or Canada. I think the sooner we work together the easier it will be. It will not be easy, but the easier it will be to address it.

[*Translation*]

Ms. Hélène Laverdière: Thank you very much. That was very interesting.

Now, I have a bit of a challenge for some of the witnesses.

Ms. Dawson, I was struck by what you said. You basically talked about our lack of resources in Washington to promote Canada's place. I, myself, spent four years in Washington, and I think I have some understanding of the challenges that entails.

Mr. Miller, you spoke about the closure of consulates in the United States, which has affected average citizens, potential immigrants. In my riding, we supported people who had been forgotten by the Canadian consulates in the United States. It took some time before their files were resolved. There really is a challenge regarding the resources that we dedicate to the relationship with the United States.

I would like to ask both of you to dream a little. Strategically speaking, where do you think the most important place is to assign our limited resources? In the consulates, in Washington, elsewhere? I'm asking you to speculate.

[English]

Mr. Eric Miller: I reference the closures of the Citizenship and Immigration facilities in Buffalo and Seattle. Where that has created difficulties that have specifically come to the fore with respect to those who are requiring business visas to come to Canada to invest.

One story I'd recount to you is from a friend of mine who's a lawyer and who represents a Fortune 1000 company. They had a senior executive who was coming to Ontario for what he hoped would be to close the agreement. He went to the border, as he had been doing, and he was detained for 90 minutes and pulled into secondary. After that experience, he said, "I don't want my employees to have to go through this." He took his 375 jobs and established the facility in the United States.

That is something that won't show up in the economic statistics, but making it easier to get people across the border by having advanced information, by using technology, and by having people present on the ground is important.

We learned from cargo space that if you do things away from the border you avoid problems at the border. We've gone backwards on that.

I served representing Industry Canada in Washington for four years. One of the things I know about how the U.S. system works—and Laura is absolutely right on this—is you have to be out there, including in the states and provinces. We do have to make the United States and Mexico among our most important resource allocations for foreign affairs. There is no substitute for seeing a member of Congress in their office and in their district. You see them in Washington and you get 20 minutes. You see them in their district, they invite you to a barbecue and you get an hour and a half.

• (1225)

The Chair: Thank you very much.

We're going to finish off this round with Mr. Hawn.

You have five minutes, please.

Hon. Laurie Hawn (Edmonton Centre, CPC): Thank you, Mr. Chair.

Thank you all for being here.

Ambassador Jacobson, it's great to see you again. I have fond memories of sipping double-doubles in a bunker in Kandahar under rocket attack, and of many miles walked in the Netherlands.

I want to start with you, Ambassador Jacobson. We've talked a lot about trusted travellers, and so on. How far can we go with that, based on a NEXUS platform, or other such thing? The majority of people on both sides of the border are not threats to anything. How far can we go in identifying the people who aren't threats and get them through there lickety-split?

Mr. David Jacobson: Mr. Hawn, let me say that my trip to Afghanistan with you was one of those things I will remember for a long time.

First of all, I think the more people who can be encouraged to participate in trusted traveller programs, the better. We have to make it easier for people to participate.

There have been problems. There aren't enough people to process them. I'm no longer the ambassador, so I can say this. One of the things I always found mystifying was why someone had to be interviewed by both a CBSA and a CBP person. We could probably trust one or the other. A friend of mine in Chicago wanted to participate in the NEXUS program. He was told to go to Toronto on February 18 for his interview. He said that he had no intention of being in Toronto on February 18, so he just never did it. We have to make it easier. If we just do some common-sense things, we can make it easier.

On your question of how far we can go, one of the things I was sometimes asked, and probably a number of you have been asked, was this. You can go to Europe and you can drive from France to Germany—two countries that have a somewhat more difficult historic relationship than ours have—and you don't have to slow down. Why can't we do that?

My answer is that France and Germany have had a partial surrender of their sovereignty. There are common immigration standards. Once you're in one, you're in all. One of the things I haven't heard a whole lot, in Canada or in the United States, is that, somehow or other, one of us wants to cede to the other decisions as to who gets into their country. We can go a lot farther, but I'm not sure we're going to go all the way at any point in the near future.

Hon. Laurie Hawn: Thank you.

Ms. Dawson, you talked about—I think it was when we were talking about NAFTA, and so on—some sectors that may be weaker or stronger, or under some partial threat with the TPP in respect to NAFTA. Can you identify some of the sectors that we should pay attention to, either the weak ones or the strong ones?

Ms. Laura Dawson: Sure.

One of the things we're facing right now is whether or not Canada is going to have to give on its supply-managed sectors in dairy and poultry, and whether or not Canada is willing to give on supply-managed sectors in dairy and poultry.

In my personal opinion, these are policies better suited to the food security needs of wartime than a competitive North American exporting industry, but that is a public policy decision for Canadians to make. If we are spending so much time defending the interests of these sectors, it's very difficult to go to the same negotiating table and say that now we want strong access for Alberta beef, for wheat, for grains, and so on.

Also, the things that Canada does need in terms of stronger access in service industries, in consulting services, engineering services, any place we can put our brains to work and deploy our skills elsewhere in the world, are key growth sectors for Canada. But if we are deploying our negotiating reserves to defend old-school sectors, or stepping out of the TPP entirely, which we may have to do as a result of our defence of supply management, we have no opportunity to promote those high-growth sectors.

Also, I find—again, in my opinion—that our trade policy tends to be Ontario-Quebec centric, and does not pay as much attention to western Canadian—British Columbia, Pacific, Alberta—interests as it could and should.

• (1230)

Hon. Laurie Hawn: Thanks.

Personally, I think that supply management is an anachronism that needs to disappear. That's my opinion.

Mr. Miller or Mr. Dillon, we talk about energy independence for North America. What are the two or three biggest obstacles to that, and how do we attack them?

The Chair: Just very quickly, sir. We're out of time, but go ahead and answer the question.

Mr. John R. Dillon: We don't particularly talk about energy independence because I'm not sure exactly how you would define those words. We have the tremendous opportunity to be more energy self-sufficient in North America. I think two of the biggest obstacles, obviously, are improving the energy infrastructure among our countries, and secondly, getting public support, quite frankly, for the kinds of energy opportunities that we have. I'm not now just talking about pipelines. I'm talking about building up all the renewable energy assets that we have as well. It's getting approval for wind energy projects and for transmission lines that will connect cleaner forms of electricity with the markets for them. Those are a couple of the biggest obstacles.

The Chair: Thank you very much.

We're going to start our third round and we'll start with Mr. Schellenberger. Sir, you have five minutes, please.

Mr. Gary Schellenberger (Perth—Wellington, CPC): Thank you, Chair.

Thank you very much to our witnesses for being here today.

I'd like to maybe put this out to everyone, but Mr. Jacobson, you told me to be easy on you so I'm going to be. But it's something with me, as I come from a very agricultural area—the COOL process. The U.S. always talks about freer trade and seems to put non-tariff blocks into processes. COOL not only hurt a lot of Canadian producers but also it closed a lot of American processing plants that used Canadian beef and Canadian pork.

Four times this has gone to the WTO, and the WTO has ruled in favour of Canada and said that the COOL labelling system is wrong or goes against our treaty. It seems the only thing we can do is to impose tariffs. It's the only way you can come around something like that. We're talking about getting rid of tariffs. Some of these things happen.

I think back to when BSE hit. I was only elected for 10 days when BSE hit, so I've been with it for roughly 12 years. Back then when finally our beef was cleared scientifically as being safe, R-CALF, in the western states, put up a protest and that lasted for anywhere between four or six years, I think, before we got the market open to some cuts of beef.

How do we correct some of these things when they're negotiated and then they're adjudicated and found wrong, but the United States never wants to go back on it?

• (1235)

Mr. David Jacobson: Mr. Schellenberger, I am not going to sit here and defend country of origin labelling.

This is an issue that was caused by some legislation in the United States. The problem was that the administration was not free to ignore the legislation. The law says what the law says, and the President has to enforce the law. The good news is that after the fourth round, the last round, there have been some bills introduced in Congress which—there is some hope—will be considered on an expedited basis to undo some or all of the country of origin labelling problems.

But there are problems that go in both directions. To be frank about this, what both countries have to do—and I think that Mexico has to join in this as well—is to look at these things and decide which of them are there for legitimate health and safety reasons and which of them are there to protect our industries. If it's the former, that's okay; if it's the latter, maybe it's not so okay.

Mr. Gary Schellenberger: How would you envision that Canada, the U.S., and Mexico standardize their customs operations, given existing differences among all three countries? I know it's been talked about—NEXUS and advance.... Is that primarily the best way?

Mr. David Jacobson: I don't think Canada, the United States, and Mexico should standardize their rules of entry, or if they should, it's just happenstance, because we all have a little bit different interests.

What we ought to do, though, is try to ascertain, as we talked about earlier, the many safe, good, honest, hard-working folks who pose no threat to anyone. The less time people at the border and people at the airports have to spend checking my grandmother's shoes, the more time they can spend looking for bad guys. This applies to all three countries. We need to try to isolate as many people as we can in the vast, unwashed middle—right now, we don't know who they are—and put them in the good guy category. The trick is not to put them in the bad guy category unless they're bad.

To me, that's the way we address this problem.

The Chair: Thank you very much.

Ms. Day, you have five minutes, please.

[*Translation*]

Mrs. Anne-Marie Day (Charlesbourg—Haute-Saint-Charles, NDP): Thank you, Mr. Chair.

Good afternoon, ladies and gentlemen. Thank you for being here.

My first question concerns supply. I don't share Mr. Hawn's position. Since he lives out west, he will certainly favour the beef market, but the pork, fish and timber markets, and supply management for poultry, eggs and milk are as important. In eastern Canada, in Prince Edward Island, Nova Scotia, New Brunswick, Quebec and Ontario, there are enormous consequences with potential reductions in supply management.

We need to protect supply management as much as the beef market. It isn't one thing against the other. This is part of what Canada wants to develop to improve its economic situation. We can't go back to being a country that only does mining and exports all our raw products. We want to improve the situation of manufacturers. We also want primary processing to be done in the country. We want to create jobs and opportunities so that our country can develop.

I would like you to come back to supply management. I will have other questions after that.

[*English*]

Ms. Laura Dawson: I think the difference between supply management and the other sectors you mentioned—forestry, fishing, etc.—is that in those other sectors, while they may have certain protections, while they may have certain Canadian programs that support and promote our production in those sectors, with supply management we don't export anything at all. There are no Canadian exports of dairy within the supply management system except what comes out through some very specialized, very narrow programs. If you are a manufacturer of wonderful Canadian cheese, you cannot export that, because that is the quid pro quo. That is the price you pay in order to get that guaranteed price protection: we promise never to export Canadian dairy products. This is why we have companies like Saputo relocating to Australia in order to export to high-demand Asian dairy markets. That's a very distorted system.

As well, there's just no room for new people to enter into the market, because the price of the quota, which has a value, is so high. If my son or daughter wants to become a dairy farmer, forget it. They can't afford the quota. So there are no new entrants into that market, which is a very stiff, restricted, retrogressive position, as far as I'm concerned.

• (1240)

[*Translation*]

Mrs. Anne-Marie Day: My second question has to do with customs operations.

Mr. Miller, I think it was you who mentioned the importance of crossing the border more quickly by being preauthorized. You also talked about the NEXUS program.

Isn't there a danger associated with what we might call the bar code? We can use bar codes on material items such as canned goods, but humans are another thing. We're talking about fingerprints and iris photographs. I agree that we need to provide security, but we also need to respect rights and be able to move more freely. People don't necessarily want to be filed in order to move more freely. Is there not a problem with that?

[*English*]

Mr. Eric Miller: With respect to privacy, it is each individual's choice as to whether or not they want to participate in the NEXUS

program. There is no obligation. Canada is one of the few countries where citizens entering the United States do not have the obligation to provide fingerprints or an iris scan. If you want to participate in the NEXUS program, or in other words, if you want to—

[*Translation*]

Mrs. Anne-Marie Day: I'll stop you there.

When I crossed the border in 2004, some people ahead of me had to have their irises photographed and provide their fingerprints. They were chosen randomly. Since they were just transiting through, they had to do it quickly. There was no general obligation, but there were still actions taken in that sense.

[*English*]

Mr. Eric Miller: Third country nationals who are transiting through Canada into the United States are obliged to do that, but Canadian citizens are not. Partly it's a question of volume.

But with respect to the case of individual freedom, we have a certain trade-off. If you provide information and you make known who you are, you get through the border more quickly. As people, we make decisions all the time. If you have a card at Shoppers Drug Mart, you get discounts on things in exchange for data. You've made that decision. You're not obligated to have one, but you've made that decision.

To me, I think most people who are crossing the border want to get across more quickly, so they will make those trade-offs. It is also important to note, however, that when the beyond the border negotiations took place, there was, included in the core of the agreement, a privacy framework that did involve the Privacy Commissioner. At the time, she looked very closely at this and found that the framework was fine.

The Chair: Thank you very much, Ms. Day. That's all the time we have.

We're going to finish up with Mr. Goldring.

You have five minutes, sir.

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

This is a very interesting discussion. I'd like to pursue the standards aspect of it. Being a manufacturer of electrical systems myself for many years, I know what difficulties arise there. For me to get Underwriters Laboratories approval on some of my equipment costs several thousand dollars, even on the simplest thing, and it could run into the tens of thousands of dollars depending on what equipment it was.

Conversely, in the safety systems area, I could not import United States material that was approved by Underwriters Laboratories Incorporated. It was not permissible to market that ULI-approved material in Canada, even though that was the American standard for fire protection, as well as Factory Mutual's, which was another one.

We have this myriad of different standards and approvals. In keeping with what Ms. Dawson mentioned earlier, I have a question. I would think that it would be an easier component or function to do within NAFTA, at least, for the three countries to come together on some kind of commonality on some of these approval bases. But is that a function of NAFTA? If so, has anything ever specifically been worked towards that?

Who would like to give that one a try?

• (1245)

The Chair: Ms. Dawson.

Ms. Laura Dawson: The challenges you mention are significant, and they cost importers and exporters a lot of money. Once someone has control of a regulatory function—“we own this and you own that”—they’re very reluctant to give it up. Regulators are also charged with defending the safety of their domestic consumers, not promoting international trade. It’s tough to unmake that.

The NAFTA does contain a number of “best efforts” provisions to encourage harmonization of standards and working groups on technical barriers, but what the NAFTA lacked was high-level political attention to actually rooting out some of these barriers. The regulatory cooperation council, the RCC initiative that was launched in 2011, has been much more effective in getting regulators and businesses at the table, with a mandate to make things happen.

I was speaking to a woman who is involved in both the RCC and in the NAFTA with her particular product. She says that she’s had much better results through the RCC because of that political attention, and she only wishes that we could have the same process with Mexico on a trilateral level, because the NAFTA process never worked out as intended.

We need that intention and that political leadership trilateralized, I think, to work better.

Mr. Peter Goldring: I’ll just use as an example here a battery item. I’m looking at the approvals on the reverse of it, and it’s only for use in the United States and Canada. If I was in Mexico and I was a supplier of parts to the government or whoever for procurement

and I had a competitor using this, I would use that as a way of protecting my market and making it known to have that disallowed so I would only have provision of material that had Mexican approval on it. Ambassador, is this a problem in Mexico? It certainly is here. I see protectionism in this.

Mr. Francisco Suarez Davila: One of my surprises in coming to Canada was—which was not the case 20 years ago—it turns out that Canada was probably the most active free trader of the three countries. Many of the issues.... I didn’t know what supply management was. What is this? We don’t have that in Mexico.

I would comment this: NAFTA is alive and kicking. It allows a great deal of procedures and breathing space to improve within NAFTA itself. There are many things that are permissive in nature and you would not have to touch the treaty to make them work. What I would say is that NAFTA is there. It allows for a lot of breathing space to change things within NAFTA.

Now what we’re doing, TPP will be on top of NAFTA, not a substitute for NAFTA. It will improve things that NAFTA could not do because 20 years ago they weren’t there. But within NAFTA you have lots of breathing space. Government procurement in 1994, we had 1,200 public sector companies. Now we probably have something like 50. Government procurement is not a problem in Mexico nor is supply management. We have lots of paperwork problems, lots of administrative problems that we have to work on, but that’s not NAFTA; it’s the government and the bureaucrats getting together to do a number of the common-sense things that they have to do.

The Chair: To our witnesses today, thank you very much for the time that you’ve spent discussing the subject. We need to go in camera just for a second to talk about drafting instructions. I’ll give our witnesses a chance to step back from the table and clear the room a bit, and we can go from there.

Once again, thank you very much for your time. I appreciate it.

[Proceedings continue in camera]

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