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Chair

Mr. Leon Benoit

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•(1110)

[English]

The Chair (Mr. Leon Benoit (Vegreville—Wainwright, CPC)): Good morning, everyone.

We're here today pursuant to Standing Order 108(2). The House of Commons Standing Committee on International Trade is undertaking a study examining the opportunities and challenges Canadian businesses face with respect to the Canada-U.S. relationship.

The committee is specifically interested in identifying and removing the obstacles that stand in the way of stronger economic ties with the U.S. and answering the question of what the Government of Canada can do to help Canadian businesses take better advantage of trade, investment, and business opportunities.

Before I introduce the witnesses for today, I have a couple of other items of business that I want to quickly mention. The first is the issue of travel. Somehow the dates given by the clerk and the dates the committee and I had talked about throughout the discussion are different. I had talked about the Thursday of the first week in June as the starting point, which makes it June 7, and that was certainly the date the committee discussed. So just for the record, the travel will be from roughly June 7 to June 19.

There may be a motion coming up toward the end of the meeting, and we'll deal with it at the time. It's certainly up to the member. I'll ensure that there's been proper notice given of that.

Mr. Julian, do you have a question or a comment on the travel issue?

Mr. Peter Julian (Burnaby—New Westminster, NDP): No, I simply move to refer the travel issue to the steering committee.

The Chair: I don't understand your comment.

Mr. Peter Julian: We have a motion coming up later in this committee hearing. Rather than avoiding the witnesses, I simply move to refer it to the steering committee.

The Chair: I don't know if there is an issue, but if there is, it can certainly be brought up later. I was only clarifying those dates.

Mr. Peter Julian: Well, Mr. Chair, you need a discussion and a vote on that issue, so I move that we refer it to the steering committee.

The Chair: It may be something we'll talk about later, Mr. Julian.

I will introduce the witnesses, and we'll have the presentations in the order of the introduction.

From the Canadian Chamber of Commerce we have Clifford Sosnow, partner, Blake, Cassels & Graydon; and Brian Zeiler-Kligman, policy analyst international. From the Canadian Council of Chief Executives we have David Stewart-Patterson, executive vice-president. From the Canadian Centre for Policy Alternatives we have Bruce Campbell, executive director.

I'd like to thank you all for coming today. I'm looking forward to your presentations. The clerk has discussed with you the amount of time you're allowed for the presentations. I ask you to stick to that time.

We'll start with the Canadian Chamber of Commerce. Clifford Sosnow, go ahead.

Mr. Clifford Sosnow (Partner, Blake, Cassels & Graydon, Canadian Chamber of Commerce): Thank you, Mr. Chair, members of the committee.

Recognizing the time differential, I'll break right into our comments. I understand that these have been passed to you in both English and French. For the most part, I will be sticking to that text.

Just to repeat the introduction, my name is Clifford Sosnow. I am the co-chair of the Canadian Chamber of Commerce's international affairs committee and partner at the law firm of Blake, Cassels & Graydon. I have with me Brian Zeiler-Kligman, policy analyst. Of course, after our presentation and when questions are asked, both Brian and I will be more than happy to respond to those questions as fielded.

We are pleased to provide input on the vital issue of the Canada-United States relationship. I think it's fair to say that our relationship with the U.S. is extremely complex, with literally thousands of agreements, consultations, and discussions going on at any one time. As you all well know, in our new security environment all issues are tempered by the need to balance North American security and competitiveness. Frankly, our ability to achieve both is very much tempered by the tone and the strength of that overall relationship. In our respectful submission, moving that relationship forward is of the utmost importance.

Now, we must keep in mind that the degree of our integration is such that we do not just sell to each other. We are not two separate entities that have no linkages other than trade. The reality is, we make things together.

The classic example is that each vehicle that's produced in North America crosses the border approximately seven times during the production cycle, so as result, effectively dealing with the Canada-U.S. border is a cornerstone to our ability to keeping this important relationship strong and progressive. Again, it is not an "us and them" equation; it is a "both" equation.

Balancing security and competitiveness, developing a border contingency plan, improving border infrastructure, and further regulatory cooperation are all interdependent strategies to enhancing the Canada-U.S. relationship. Further, the successful implementation of these initiatives can better position Canada in the U.S. market and enhance North American competitiveness generally vis-à-vis other established and emerging economic forces. We make that point cognizant that this is one of the key issues that you are looking at—how we manage that relationship given the threats from China, from India, and Brazil, recognizing also that those are valued and cherished trading partners.

If I could, I'll speak a few moments on the border contingency plan. A pandemic, a natural disaster, or terrorist activity—any of these could lead to a partial or full border closure. The border's importance means a strong contingency plan to deal with such a situation needs to be in place, and it's not yet there. That said, the Canada Border Services Agency, through the impressive work of its officials—and they usually get brickbats thrown at them, but the Canadian Chamber is showering them with flowers on the work they're doing—and the U.S. Customs and Border Protection agency are developing a border contingency plan through consultations with industry in both countries. We definitely applaud that initiative. We also applaud the additional \$24 million that has been provided to further develop this plan.

You should know that earlier this month the Canada Border Services Agency and their U.S. counterpart engaged in a simulation exercise with our participation, and paradoxically it was a success, because it highlighted the failures. Clearly, more work is needed, and most evident was the need for both governments to work in tandem with business groups, such as the chamber, to develop a communication plan to ensure that businesses on both sides of the border are informed on who and what can cross the border, both during an emergency and as the border ramps back up to normal operations.

● (1115)

The reality is, though, that work still needs to be done on establishing a framework for determining which goods and people qualify for priority status, and we would urge speedy resolution of that issue.

If I can speak a few minutes to border infrastructure, we must also do more to improve that infrastructure. It's almost a trite proposition, but it's also a vital proposition. Since 2001, estimated processing times of shipments have increased 300%, and that represents at least \$14 billion USD in annual costs to both economies, just simply because border infrastructure is lacking. It's that simple.

The growing number of border-related requirements clearly indicates that more must be done to increase border capacity in such areas as extending the number and length of fast lanes and the hours of full operations at key crossings.

I'll remind this committee that \$2 billion in trade goes between Canada and the U.S. every day. Currently, 40% of trade occurs at the Windsor-Detroit crossing. So, in our view, an additional crossing is urgently needed.

The budget in 2007 provided for the federal component of this investment, but talks are still going on, so we urge this House to move forward quickly on this initiative. At the same time, we caution that this new bridge-crossing process must ensure that it is structured in such a way that it offers a fair option to the existing infrastructure. We would not want to see the new bridge create a zero-sum game with respect to existing infrastructure.

Investments to ease capacity and efficiency problems are also needed at many other crossings, including in the Richelieu area of Quebec, and in particular the Lacolle-Champlain gateway. That clearly is an issue that the chamber thinks needs urgent renewal.

In addition, Canada has only one marine-based preclearance site located in Victoria, British Columbia, but that terminal lacks infrastructure necessary to maintain passenger sterility and vessel security. In consequence, we have been told that the site is at risk of losing its preclearance status from the United States. We would urge this committee to urge the House to make the investments necessary on the terminal, as required.

Ontario, British Columbia, and Quebec are some of the major sore points with respect to badly needed infrastructure changes.

I'm conscious of the time and I'll try to speed up a bit.

The western hemisphere travel initiative is one of the most contentious border issues that there is between Canada and the United States. As you all know, this initiative concerns the need for a passport to cross into the United States.

There has been progress made to date, and we do applaud that progress and we support the efforts of the government and of the House to encourage the U.S. to delay the next phase of implementation of this initiative until a pilot project has been undertaken and analyzed.

At the same time, the reality is that the WHTI, particularly at land crossings, is going to happen and we can't get away from that. As a result, we ask the government, at the officials level, to do the job it needs to do to properly prepare for what we consider to be the likelihood of a flood of passport applications. We saw that recently with the air deadline. And there must be a quick rollout of a communications strategy to ensure that all travellers are properly informed of what documents are required and when the new initiatives will be implemented.

Finally, we encourage the expansion and promotion of the NEXUS program and the FAST program to fast-track the movement of regular and low-risk travellers. The reality is that those programs will minimize the impact of the WHTI.

I have two more points. Regulatory cooperation will facilitate the movement of goods and people at the border. What we're talking about here right now when we talk about regulatory cooperation is what has been referred to constantly as "the tyranny of small differences" between our regulatory regimes that impose significant costs on Canadian manufacturers, exporters, transport carriers, and Canadian and foreign customers, negating the benefits of the hard-fought tariff negotiations that you have all negotiated.

Differences exist amongst others regarding health and safety, technical, environment, and product packaging and labelling standards. Again, we would encourage greater regulatory cooperation in that area.

We would note that areas begging—and we use that word advisedly—for further cooperation include the auto and food industries. As well, in the defence industries, greater cooperation is needed in the area of U.S. international traffic in arms regulations. We can respond to questions on those specific issues as needed.

• (1120)

Finally, with respect to intellectual property protection, from a Canadian perspective, there is a lack of adequate intellectual property protection and enforcement. The reality is that this affects all Canadian industries and presents a health and safety risk to consumers, to society in general. Just last month, the chamber appeared before the House of Commons Standing Committee on Public Safety and National Security and we did advocate for changes to our IP laws and enforcement for the benefit of not just business but all Canadians.

Canada's poor record on IP protection is also affecting our relationship with the United States. In the past few weeks, the senior House Democrats sent a letter to the President requesting that the U.S. initiate a WTO complaint against Canada for what they say are our weak copyright laws. For both our interests and the sake of our most important relationship, we would urge the Canadian government to make improvements in our IP environment a priority, so that it is up to the standard of our international trading partners, in particular the United States.

Mr. Chair and members of the committee, we all recognize the vital importance of the Canada-U.S. relationship and the large number of potential areas for further enhancements. We have provided you with some areas where the Canadian Chamber of Commerce urges this committee to recommend that the House and the government focus on: enhancing relationships dealing with border facilitation; regulatory cooperation; and of course the corollary to that, intellectual property protection.

Thank you for this opportunity to present the Canadian chamber's views.

Of course, at the appropriate moment, we would be more than happy to respond to any questions you may have.

The Chair: Thank you, Mr. Sosnow, from the Canadian Chamber of Commerce.

We have now, from the Canadian Council of Chief Executives, Mr. Stewart-Patterson. Thank you very much. I look forward to your presentation.

Go ahead.

Mr. David Stewart-Patterson (Executive Vice-President, Canadian Council of Chief Executives): Thank you for the opportunity to appear and discuss with you the Canada-United States relationship. As many of you probably know, the Canadian Council of Chief Executives has been a strong supporter for decades of efforts to make the border between Canada and the United States less rather than more of a barrier to both people and goods.

However, if you look back to the 1980s, in the days before the original Canada-U.S. Free Trade Agreement, the main goal at that point was simply to ensure better access for Canadian companies to the huge market to our south. Today, I'd suggest to you that the efficient flow of goods and services and of people between our two countries does more than give Canadians better access to the U.S. market. What it does is enable companies on both sides of the border to work together, as my colleague from the chamber said, to compete more effectively against the rest of the world, and particularly compete against some of the new emerging economic powers out there, like China and India, which are essentially transforming patterns of trade and investment around the world.

At the same time, the terrorist attack of 9/11 ushered in a new era in which security became the focus of public policy in the United States. Despite that, we had a recognition by decision-makers in both countries that economic security and physical security had to go hand in hand. That led initially, of course, to the smart border accord between Canada and the United States and a similar one between the United States and Mexico.

As we've gone on, since the past five years, we've really had to recognize that, as my colleague pointed out, while goods coming into North America face only a single customs inspection, goods that are produced within the continent often cross the border several times as they set a flow from raw materials through intermediate processing and eventually become finished goods. So every measure that adds to the cost or time to cross borders within North America amounts to a tax, a tax on enterprises in both our countries, a tax on jobs in our countries, and a tax on investment.

A clear understanding of this reality is essentially what led governments to agree to the security and prosperity partnership of North America at the 2005 summit of leaders in Texas. I think it's remarkable because there are two sides to the SPP. It is both a strategic, visionary document and at the same time a very pragmatic, practical one.

Strategically, the SPP recognizes that the growth of all three of our economies requires much stronger cooperation if we're to enable companies to continue to invest, create jobs, to build global businesses from bases in communities within our countries. But in a very practical way, it also recognized that there's no great appetite for another grand bargain on the trade front. On the other hand, there is room for a lot of progress in little ways.

The focus of the SPP on issues that can be addressed without the need for treaties or new legislation has led some critics to portray it as a kind of grand bargain in disguise, but the underlying principle of the SPP, I would suggest to you, is simply to encourage a common sense approach to deal in practical ways with practical issues that can help the economies of all three countries do better.

The initial SPP agenda included some 300 items. Many of these represent very small steps and individually won't make much of a difference. On the other hand, even 300 small steps, if we take them all, add up to a pretty giant leap for North America and without any need for a grand bargain.

When leaders met in Cancun last year for the first anniversary of the SPP, they recognized that more direct advice from the private sector would be helpful in driving progress on the measures that would actually make the most difference, be most effective in enabling North American companies to attract investment and create jobs. The result was the creation of the North American Competitiveness Council, the NACC, a trilateral advisory body made up of business leaders from all three countries.

The leaders decided that the NACC should function fully independently of governments and therefore requested NACC members to seek secretariat support from outside government. That was done in each country. My council is pleased to be acting, serving as the Canadian secretariat to the NACC.

Once the NACC had been appointed, it moved very quickly. By August last year, members had agreed to focus on three strategic priorities in their first year: border facilitation, regulatory cooperation, and energy integration. Over the next four months the secretariats consulted broadly across the business communities in all three countries. A draft report to ministers was ready by early December. That was hashed out in the final report, representing a strong consensus across the business communities of all three countries, and it was approved in January 2007.

The report makes a wide variety of recommendations, more than 50 in all. The section on border facilitation makes recommendations in four areas: emergency management, expansion of border infrastructure, the movement of goods, and the movement of people.

• (1125)

On the regulatory front, the report supports the goal of completing a North American regulatory framework agreement this year and makes specific calls for action related to food and agriculture, financial services, transportation, and intellectual property. In the energy section, the report calls for trilateral measures related to cross-border distribution systems, human resource development, and clean energy technologies as well as offering some thoughts on how Mexicans might work within their own country to accelerate development of their impressive resource base.

Across all three areas, the NACC also urged governments not to slip into reverse to allow borders within North America to become more rather than less of a barrier to goods or to people. It highlighted two specific issues. First was the impact of the United States western hemisphere travel initiative on the movement of people and the line-ups for passports that we've already seen at passport offices as a result, and also the new inspections and fees being imposed by the U.S. Animal and Plant Health Inspection Service, or APHIS.

The NACC presented its report to the responsible ministers from all three countries at a meeting here in Ottawa in February. It's a public report. It's available on multiple websites. I brought copies with me for every member of the committee, in case you haven't seen it yet. I just want to emphasize that it is public and has been

public for months. I'm interested if there are any comments on that front.

I have to say the government is already taking action on these recommendations. The 2007 federal budget responded directly to two of those recommendations in particular. The first was the elimination of a withholding tax on cross-border payments of interest through the Canada-U.S. tax treaty. The second was expanded investment in new capacity at the Detroit-Windsor border crossing. My colleague has addressed that already.

We're also seeing progress on other issues, although it seems to be somewhat uncertain at times. I would like to suggest to you that the most critical one here is the pilot project for land preclearance. This is something that has been on the books since the original smart border accord. The notion of moving customs processing for commercial traffic away from the physical border is a critical step if we want to ease congestion at those major land crossings. My understanding was that, as of the beginning of this week, a whole host of contentious issues had been ironed out. We were down to a single issue, but we're at a make or break stage, and I am still awaiting information as we speak as to whether that's been worked out or not. I certainly hope so.

Mr. Chairman, I might just note here that my colleague from the chamber touched on a number of issues: emergency management, border infrastructure, the western hemisphere travel initiative, regulatory cooperation, intellectual property. These are not just important to Canadian businesses.

I think perhaps the most important contribution of the North American Competitiveness Council is that with its first report we now have a position that is the formal and public consensus of business communities across all three of our countries. In other words, the business communities of Canada, Mexico, and the United States have looked at where we can agree and where we can speak with one voice to our respective governments. We're hoping this has a positive effect in enabling our three countries to work together more effectively at the government level and to achieve the objectives that leaders have set for us.

The members of the NACC will be reporting formally to leaders ahead of the next North American summit, which is scheduled to be hosted this summer by Canada. As they move into the second year of their mandate, they will be considering further practical ways to help companies and communities across North America compete more effectively within the global economy.

Mr. Chairman, I will leave my opening remarks there and look forward to your questions. Thank you.

• (1130)

The Chair: Thank you very much, Mr. Stewart-Patterson, from the Canadian Council of Chief Executives.

Our final presenter here today is Mr. Bruce Campbell, from the Canadian Centre for Policy Alternatives.

Go ahead, Mr. Campbell.

Mr. Bruce Campbell (Executive Director, Canadian Centre for Policy Alternatives): Good morning, and thank you, Mr. Chairman.

Thanks to the committee for at least beginning to investigate the security and prosperity partnership. As you know, it's the umbrella for a vast array of security- and economic-related initiatives under way to further integrate the North American market. It is a NAFTA-plus, or a deep integration, initiative. As David said, it's not a grand bargain type of negotiation, as NAFTA was; it's an incrementalist project. It's an executive branch to executive branch project. Legislative change is not expected, at least not directly, but despite its incrementalist nature, the cumulative effect of the SPP, over time, could be profound. It could be even more significant than NAFTA, depending on how far and how fast it goes. That's why I think it's important that you're focusing on it.

Like many others, I'm concerned about the process. You will hear from some of them in the coming days. I'm concerned about the lack of transparency and the lack of public input. I'm concerned about the privileged access that big business has under the new body, the NACC, established by the SPP. We have superficial information about the project, about the SPP, but not a sense of what's really going on.

I'm sure lots of useful and important and beneficial work is being done, but I'm also concerned that hidden by the sheer size and scope of the project, things are under way that may not be so beneficial and that they may privilege private interests over the public interest. In any case, neither Parliament nor Canadians can debate this until we have a better idea of what's going on.

I'm also concerned about substance, namely the free market model of integration that's being pursued. All the rhetoric we hear around the SPP is about ever-deeper market integration to increase competitiveness. It's about the integration of energy markets and reduction of regulatory burdens—regulation is always described as a burden. All of this is to enhance business freedom; I never hear talk about measures that would encourage upward harmonization of labour standards or environmental standards, measures that would encourage productivity gains to be distributed fairly to workers, tax measures that would prevent corporations from engaging in transfer pricing, or tax measures that would discourage shifting of profits to tax havens. This type of cooperation is not on the SPP agenda, and it begs the question: prosperity for whom?

Finally, I'm concerned about the shrinking of Canadian policy autonomy under the SPP. The SPP is a process of convergence or harmonization of policies and regulatory regimes for the purpose of reducing impediments to business. Given the huge power imbalance between Canada and the U.S., I can't help but think that harmonization means, in most cases, that Canada will bend its regulations or simply adopt U.S. federal regulations, and I ask this question: at what point does the narrowing of policy room to manoeuvre fundamentally compromise democratic accountability in our political system?

Those are some of my general concerns. In the few minutes I have left—and you'll be hearing from others about a range of issues from water to energy, etc.—I want to focus a bit on regulatory cooperation, which is really, as I said, about regulatory harmonization. It's proceeding on two tracks. One is the comprehensive track, which has been discussed. Then there are a number of sectoral regulatory initiatives, from energy infrastructure to pesticides,

biotech, and pharmaceutical processes. I really hope you will be requesting briefings on the status of these initiatives.

There are a couple of specific concerns. Both the SPP leader statement on regulatory cooperation back in 2005 and subsequent statements make it clear that it's mainly about cost and competitiveness considerations. The considerations of protection—I'm interested in public interest regulation here—are given a subordinate place, so it's the regulated industries, not the regulators, that have a privileged place at the table with the NACC. That's of concern to me.

• (1135)

It's another manifestation of a shift that's been going on in the last four years under the smart regulation initiative, which is really a deregulation initiative. It involves a shift of the basic philosophy to regulation, which is called the precautionary principle, the primacy of protection, toward a risk management approach, which gives equal weight to business cost considerations. There has been a serious weakening of the precautionary approach. This has occurred over the objections of many environmental and health groups. Most recently, it has been embedded in the government's new regulatory policy that was revealed a few weeks ago, the government directive on regulations. So now the structures are in place, and I'm concerned that they will facilitate a regulatory harmonization process in a direction aligned with the Bush administration's aggressive deregulation agenda and that this will further compromise the precautionary approach and accelerate deregulation within Canada.

My other concern, for purposes of my presentation, has to do with the outsourcing of regulatory functions to the U.S. The business advisory committee on smart regulation in 2004 advocated taking advantage of what it called the superior scientific and regulatory capacities of the U.S. Food and Drug Administration and focusing its scarce resources on strategic priorities.

The trinational business report on North American integration in 2005 advocated immediate adoption of a tested-once policy for biotech products and pharmaceuticals, whereby a product tested in one country would automatically be accepted as meeting the standards of the others.

So my question is, is the SPP moving toward a tested-once policy for pharmaceuticals and biotech products? Does it mean a downsizing of our own testing and research capacity and accepting those of the U.S. FDA? How wise would it be to outsource such a vital government responsibility to a U.S. body whose safety record has been widely criticized and which is seen as under the sway of the U.S. pharmaceutical lobby? It seems to me that this is tantamount to importing deregulation.

Thank you.

• (1140)

The Chair: Thank you very much for your presentation, Mr. Campbell.

We will go directly to questions.

From the Liberal Party, the official opposition, Mr. Bains, for seven minutes.

Hon. Navdeep Bains (Mississauga—Brampton South, Lib.): Thank you very much, Chair, and thank you very much, all of you, for coming here before the committee today. I'm glad we had a balanced perspective presented today, which is very important.

Just to highlight some of the remarks made by Mr. Campbell, we met with department officials as well, and I brought forth some of the concerns he alluded to with respect to transparency and accountability and with respect to the process. These concerns have been raised not only here in Canada with the security and prosperity partnership but also in the United States as well as in Mexico. There seems to be concern among legislators, the general public, and civil societies about this.

I think the primary concern has to do with the limited or exclusive executive-level access to some of these discussions that take place when some of these agreements are talked about or some of these partnerships are talked about. In your opinion, Mr. Sosnow and Mr. Patterson, do you acknowledge these concerns? If so, I'd like to hear from you, how do you think we can improve the process to include and engage other key stakeholders in terms of the going-forward process?

Mr. David Stewart-Patterson: If I may, I think the leaders established the process in 2005. It was a very public process. It was made clear from the beginning that the intention is to move forward, as Mr. Campbell suggested, not through any great leaps but in very practical, incremental ways. Last year, in establishing the North American Competitiveness Council, leaders essentially recognized that areas like regulation and border management are highly complex, and given the sprawling number of potential items for action, they would benefit from advice from those who would be most directly affected.

In other words, if you have a limited amount of time and attention that a government can bring to a broad agenda, you want to look at what actions we can take and how best we can use time and resources that are available. In serving those outcomes, the governments have decided what advice is going to be most useful. It seems to me that if you're dealing with issues of the nature that are being dealt with under the SPP, leaders simply turn to ask for advice from those with the most relevant expertise, and that's their option at any time.

The Chair: Thank you.

Ms. Sosnow.

Mr. Clifford Sosnow: Thank you, sir.

My colleague, Brian Zeiler-Kligman, will respond to your question.

The Chair: Mr. Zeiler-Kligman, go ahead.

Mr. Brian Zeiler-Kligman (Policy Analyst, International, Canadian Chamber of Commerce): Thank you.

Certainly the Canadian Chamber of Commerce always advocates for consultations on important public policy issues. We're a big advocate of the government consulting with business and other key stakeholders on these issues.

With specific reference to the SPP, in the last six weeks, the Canadian Chamber of Commerce has been approached by both Industry Canada and the CBSA seeking input or consultation on the SPP process, giving indications that the government departments viewed the NACC as one consultation and that they welcomed input from other sources. It is our understanding from these discussions that the government is already undertaking wider consultations. So we see this process already happening.

Hon. Navdeep Bains: No, I appreciate that. I just wanted your opinion on whether you felt other stakeholders were maybe being excluded from the executive-level process and should be included. I know the onus is on government to incorporate them into it, but I wanted to get your perspective on that.

Because I have limited time, I am going to proceed with my next set of questions, which has to do with an issue you raised.

Mr. Sosnow, you never mentioned this in your presentation, but I believe Mr. Stewart-Patterson did, with respect to our natural resources, specifically the issue of water distribution.

I travelled abroad with the minister to the Cairns Group discussions and had an opportunity to meet with countries, especially Pakistan and India. I asked them how they viewed Canada and what our competitive advantage was. Consistently, or across the board, in every discussion I had, they always said we were a country of natural resources, full stop. We've done a very poor job of branding ourselves outside of North America. And my concern in North America is that many lawmakers and individuals in the United States view us simply as a country of natural resources as well. I think we have to be very cognizant and mindful of that.

There's been some concern—it was written about today as well—with respect to water supply, water consumption, and water transfer and distribution. What assurances can you give us to make sure this is a competitive advantage that we have as a nation? This is a public good and something that is important to our future prosperity and future generations to come. What assurances can you give us in committee on how that very precious commodity will be protected in our best interests when those discussions take place—and I believe they will start tomorrow?

There's no doubt in my mind that if China and India are looking at our natural resources, it's almost certain the United States and Mexico are as well. I just want your opinion on that.

• (1145)

The Chair: Go ahead, Mr. Stewart-Patterson.

Mr. David Stewart-Patterson: If I may, I will speak very plainly on the issue of water. The NACC did not consider water as an issue at all; it was not a subject of discussion and not a subject of any of the recommendations made.

The area on which the NACC chose to focus was energy, specifically. Frankly, the vast majority of the discussion about energy dealt with issues within Mexico. Members of the NACC were very cognizant of the fact that those were decisions the Mexicans had to make for themselves and that it was in their sovereign jurisdiction.

The main impact for Canada, for instance, was in regard to very practical things, such as our current very vibrant energy sector that is short of skilled people. Mexico, because of its restrictions on the development of its own resources, has a surplus of skilled people. Can we enhance or facilitate the temporary movement of those people, so that we can work on our labour shortage for now while helping the Mexicans develop and bring their skills up to the highest possible level, so that they're ready to work more effectively in Mexico when the time comes?

If I could speak more generally, not to the water issue so much, but to your second point, which was...?

Hon. Navdeep Bains: My second point was simply on what assurances you can give me. I know the discussion will come up. There are think tanks in the United States who have talked about water supply from the northern part of Canada; they want to divert that water supply throughout the United States. I know they've made many recommendations on that in the past, and it has come up in discussions.

I wanted your viewpoint, as well as Mr. Campbell's, in terms of whether Canada has staked out a position. Have any of these discussions taken place? I know there are future meetings where these discussions will take place, and I wanted to get your perspective on that.

Mr. David Stewart-Patterson: Specifically, there was a reference in the media this morning to a meeting that has nothing to do with the North American Competitiveness Council or, for that matter, with my council. So I'm not aware of what's on the agenda or who's there. It's not part of the official process.

But I will make one further point, which is that the Canadian members of the North American Competitiveness Council are very consciously aware of their responsibilities, not only as people trying to contribute to a trilateral business consensus, but also of their responsibilities as Canadians. Canadian members of the NACC have met separately with Canadian ministers and officials to talk about Canada's priorities within that trilateral consensus.

I can assure you going forward that as Canadian members of the North American Competitiveness Council continue their work, they will be functioning wearing both hats. They will be looking for places where all three countries can work together more effectively, but they will also very much be taking into account what they see as Canada's best interests.

The Chair: Thank you, Mr. Bains. Your time is more than up, as you're a minute over.

Monsieur Cardin, for seven minutes.

[*Translation*]

Mr. Serge Cardin (Sherbrooke, BQ): Thank you, Mr. Chair.

Good morning, gentlemen.

I can see we have a diverse group of witnesses today. We have representatives from the Canadian Council of Chief Executives, the Canadian Chamber of Commerce and the Canadian Centre for Policy Alternatives. I am sure you do not agree on some issues or points of view. However, in 2005, the objectives of the Security and Prosperity Partnership of North America were to establish an approach based on cooperation, to design a common security strategy and to stimulate economic growth, competitiveness and quality of life.

In order to promote economic growth and competitiveness, important measures were considered such as increasing productivity, reducing the cost of doing business, enhancing common stewardship of the environment and facilitate agricultural trade. On the latter issue, it should be noted that countries agreed to consult the stakeholders, including the business community, State governments, municipalities and NGOs.

I want to know how the consultation process is proceeding, who is really taking part in it and, if it has not yet been started, when it will be.

• (1150)

[*English*]

The Chair: Monsieur Cardin, is your question directed at any particular witness?

[*Translation*]

Mr. Serge Cardin: I will direct it to the representative of the Canadian Council of Chief Executives.

[*English*]

Mr. David Stewart-Patterson: If I may, we really only looked at the food and agriculture part of the agenda within the context of the regulatory priority. In other words, when members of the NACC established their priorities for their first year, they looked at border facilitation, they looked at regulatory cooperation, and they looked at the energy sector. The work after that was limited to those areas.

Food and agricultural issues were considered within the regulatory framework, but as you can see in the report, they were limited to some very specific items, in terms of labelling of fortified foods; eliminating duplicate food safety audits; and dealing with health claims on labels. In terms of the kinds of issues being addressed, that's what was being looked at. In the first year of discussions, no measure was contemplated dealing with changes to agricultural markets, for instance. There was nothing trade-related in that way.

[*Translation*]

Mr. Serge Cardin: I take that to mean there is no consultation mechanism. As you know, in the case of agriculture, most people are in favour of labelling. Moreover, it seems that 4,000 chemicals used in the United States are banned in Canada. Could the U.S., considering its weight, require Canada, for reasons related to prosperity, to accept products containing these chemicals? Should Canada prohibit their importation? In the case of these products, it is not enough to consult a few U.S., Canadian or Mexican ministers. Organizations advocating labour, environmental and health harmonization also have to be consulted.

Getting back to my question — Mr. Campbell, you can also answer because you are familiar with the situation —, I want to know whether people other than those interested in making money will be consulted, as was contemplated in 2005?

• (1155)

[English]

The Chair: Mr. Campbell.

Mr. Bruce Campbell: Thank you for the question. I think it's a very good one.

As I look at the report of the NACC that has been passed around, when it's talking about regulations it talks about a North American default provision, a North American regulatory standard, and that it should be the one that is utilized.

In the case of chemicals, as you mentioned, the question arises, what happens in the case that there are certain chemicals in food and in cleaning products that are illegal in Canada, which the regulators have determined to be such, and there's a different standard in the United States? What regulatory standard then applies? Is it going to be the U.S. one? Given the size difference, my concern is that it will always be biased in favour of the U.S. one.

Would it be a higher regulatory standard? Is there a principle? There's a negotiation going on, as you know, for an overall framework agreement for regulatory harmonization. Is it one of the criteria that the countries will foster an upward harmonization of regulatory standards?

I think these are really important questions. I favour cooperation, but I don't favour capitulation.

The Chair: Thank you, Mr. Campbell.

Merci, Monsieur Cardin.

Mr. Allison, for seven minutes, please.

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

I want to thank the witnesses for being here today.

I have a couple of thoughts I'd like to get on the record, and then I have a question for Mr. Stewart-Patterson. It's good to see you back again.

I need to be clear in terms of this process. This last question asks, are we going to consult those who aren't making money? This is about businesses that employ people in this country who need to earn a living to make things happen. The challenge I have is that we have businesses where I come from in Niagara—and Mr. Maloney will attest to this—that while the Liberals were in government had issues at the border. We had fresh cut flowers that couldn't get across because we didn't have an inspection process in place or a preclearance program, etc. Thanks to Mr. Maloney and his government, they were able to go government to government to make this happen and start facilitating these goods.

I think what people fail to realize is that this is a collaborative process. This is to enhance the security, prosperity, and quality of life, because small businesses—I've got a news flash for you, guys—employ people, and this is how things happen. You want to talk

about the criticism of lack of public consultations. Any changes to regulations or laws are not up to anyone doing the consultations. It's still going to be left to parliamentarians, an all-democratic process. What I see here is a way we can facilitate how we can move goods and services across the borders. Once again, 85% of our goods—these are all numbers we all know and we look at what is going on. We talk about transparency, and yet we have all kinds of stakeholders involved. I realize, Mr. Stewart-Patterson, you've already made reference to the North American Competitiveness Council.

As I continue to look and wonder, people fail to realize small businesses are affected when we don't work cooperatively with our largest neighbour. We're not talking about changing legislation. What we're talking about is how we can facilitate legitimate goods across the border in a timely fashion.

When I look at some of these things, it always boils down to people. It boils down to the fact that there are families working for small businesses that are trying to send their goods and services across the border. This is not some great conspiracy theory. Some of our members would like to fight with softwood lumber. We need to hold out when we have people who are not working and money that is being tied up.

I wanted to state this for the record before I move on to the question I have. It is directed to you, Mr. Stewart-Patterson. Back in January, the Minister of Public Safety talked about over \$400 million for an e-manifest program and trying to enhance this whole initiative of risk assessment and these kinds of things. The example I used before is a great one. Mr. Maloney and I have producers of fresh cut flowers in greenhouses in Niagara. If they're stuck at the border for 48 hours because they can't preclear the programs, those products die; they're worth nothing and they're useless.

I would like you to comment a little bit on this e-manifest program and what it means to other businesses. Certainly, I can tell you what it means to a business that has perishable products. Talk to us about what this could mean in terms of overall trade.

• (1200)

Mr. David Stewart-Patterson: I think e-manifest is an excellent example of the very practical approach that members of the NACC from all three countries are strongly in favour of. If you look at some of the recommendations and discussions dealing with the movement of goods across borders within North America, and goods into North America as well, the conversion from paper to electronic products is clearly a critical element of that.

I'm strongly supportive of the work that's ongoing. Indeed, I think it's fair to point out that in some cases the recommendations being made by members of NACC were acknowledging that important work is being done by governments. We're simply putting a trilateral business endorsement on this, saying this matters to the future of businesses in all three countries and therefore the future of communities in all three countries.

If I may respond to your comment as well, because it addresses the question Mr. Campbell asked earlier in his presentation.... He was saying, "Prosperity for whom?", suggesting that the SBP somehow was not producing prosperity for Canadians. I think that's a residue of older times when there were still worries in this country about whether we could compete with companies based in the United States. That is always an issue for Canadian companies. It's a big market. It's a competitive market. It's a challenge for anybody who wants to do business. I think we're also recognizing that there are even tougher competitors out there in the world who are transforming what Canadians buy on the shelves of the stores every time they go to the market.

The real issue is what kinds of jobs are Canadian communities going to be fostering in the years and the decades ahead. I think what the SBP recognizes, and certainly what is the goal of members of the North American Competitiveness Council from all three countries, is to enable people in communities in Canada, in the United States, and in Mexico to do the best they can in creating better jobs with better wages and salaries, better living conditions, a better quality of life, because we're doing the best we can to work together and take on the rest of the world.

The Chair: You have about a minute and a quarter left, Mr. Allison.

Mr. Cannan, do you want to comment?

Go ahead, please.

Mr. Ron Cannan (Kelowna—Lake Country, CPC): Thank you, Mr. Chair.

I'll continue on in the next round, but just for this particular minute and a half, I thank you, presenters, for your presentation.

Just briefly, you can start, and I'll continue on in my next round. Dealing with this committee for the last three months or so, we have heard numerous witnesses coming together. We are building a trade strategy to help enhance trade, not only within North America but around the world. We've heard clearly the fact that there are challenges with the regulatory standards for both Canada and the U.S. Upon reading and researching it, I would say that the Americans have a lot of concerns as well.

Maybe you could comment on whether all Canadian standards are higher than the Americans' or the American standards are higher than ours. Where are we with this? I'm hearing that Americans are just as concerned as Canadians are.

The Chair: Mr. Zeiler-Kligman.

Mr. Brian Zeiler-Kligman: Thank you.

Certainly Canadian standards and U.S. standards are not uniform in everything. A lot of commentators indicate that Canadian standards would actually have to rise in order to meet U.S. standards in most instances, so it is not an issue necessarily of racing to the bottom.

I also want to stress the fact that what we're talking about is regulatory cooperation, not just harmonization. In fact, the announcement in January that Mr. Allison spoke of also contained two other funding announcements that were very important toward regulatory cooperation. They were about important programs and

issues to highlight what we're talking about here. One of the announcements was for funds to help the Canadian Border Services Agency and the U.S. Customs and Border Protection agency harmonize and come together and cooperate on their programs for registering companies crossing the border, their Partners in Protection program and the C-TPAT program. Rather than having two programs that essentially do exactly the same thing, operated by each country so that a company has to register twice and go through the process twice, they're looking at exactly the same thing. They're doing exactly the same thing, trying to actually put these programs together to create that kind of efficiency.

That's what we mean by regulatory cooperation as well.

• (1205)

The Chair: Thank you very much. Your time is up, Mr. Cannan and Mr. Allison.

We'll go now to the New Democratic Party, to Mr. Julian, for seven minutes.

Mr. Peter Julian: Thank you, Mr. Chair.

Thanks to all witnesses for coming forward today. Thank you particularly to Mr. Campbell. That was an excellent presentation you made.

We have a real problem in this country. It was admitted to by Foreign Affairs and International Trade on Tuesday. They simply admitted, for the first time, that what we've actually seen in this country since 1989 is poor Canadians getting poorer. In fact, there's an erosion of income, in real terms, that affects 80% of Canadian families. So since 1989, we've moved to a situation in which 80% of Canadian families are earning less now in real terms than they were then. We know that overtime hours have skyrocketed—by 33%—so ordinary working families are working harder and harder, longer and longer hours, going from temporary job to temporary job, part-time job to part-time job. This doesn't seem to be addressed by any of the public policy put forward by the previous government or put forward by this current government.

My question is for you, Mr. Campbell.

We seem to have a situation in which our trade and economic policy is made for CEOs and for corporate lawyers rather than for most Canadian families. We have a situation in which most Canadian families are earning less now than they were in 1989. If that's not a failure on the bottom line, I don't know what could be.

Do you see anything in this strategy, in what you've been able to find of it, that addresses this growing and severe prosperity gap?

Mr. Bruce Campbell: I've been a critic of the NAFTA that's been in place for a long time. I've been a critic of the model of integration that the NAFTA embraces. And it's not just NAFTA; there are other policies too. But the combination of those policies interacting with each other has in part been responsible for a growing inequality in this country, a level of inequality that we haven't seen since the 1920s.

Yes, there are—

Mr. Peter Julian: So are you saying that we're seeing the same level of inequality now as we saw prior to the Great Depression?

Mr. Bruce Campbell: That's what the evidence suggests. We are a rich country. We've gotten significantly richer in the last 10 to 15 years. Yet our polling research and analysis show that almost half of Canadians have a sense of insecurity, and they believe they're only a paycheque or two away from poverty.

A large majority of families are running harder to stay in the same place. It's only among the top 10% or even narrower—the top 5 or 1%, especially—where there have been spectacular gains. So there is this sense of insecurity and running harder to stay in the same place.

So I reiterate the question that I posed at the beginning: prosperity for whom? I don't see anything in what's moving forward assuring me that measures are going to be taken, even from an integration standpoint, that will enhance the living standards and better the lives of the vast majority.

I suggested some measures that I think would have a positive effect, but I don't see them on the table for the SPP right now.

• (1210)

Mr. Peter Julian: I'm a member of the New Westminster Chamber of Commerce and the Burnaby Board of Trade.

Small business people are impacted most when middle- and working-class families see their incomes decline. So what we really have is a strategy that seems to benefit the largest companies—those most inclined to downsize jobs in Canada—rather than small, local businesses that really need to have a prosperous middle class in their community in order to thrive.

I want to move on to energy integration. I don't know if you saw the excellent piece by Gordon Laxer this morning in *The Toronto Star* concerning Canada's energy insecurity. Basically Canada has given up its ability to manage its own energy resources.

Do you know of any other country in the world that gives another country preferential access to its energy resources to the detriment of its own citizens, aside from Canada?

Mr. Bruce Campbell: I find it curious that almost alone among the oil producing and exporting countries, Canada has not used this as a tool for diplomatic leverage. In fact, Canada seems to have pretty much surrendered that option.

So we are in the curious situation now. We don't have a strategic petroleum reserve in Canada, almost half of our energy is imported, and yet we're exporting a huge amount, almost two-thirds of our oil production, south of the border.

So we don't have energy security, and we don't have anything in place to enhance energy security.

Mr. Peter Julian: How many industrialized countries do not have a strategic petroleum reserve?

Mr. Bruce Campbell: We're a net exporter, but we're also a huge importer. So among developed countries that are huge importers, I think we're probably the only one.

Mr. Peter Julian: Yes, which would be quite appalling—

Mr. Bruce Campbell: The U.S. has a huge strategic reserve. East of the Ottawa River, 90% of our oil consumption is from imports from the North Sea, and there is a growing percentage from the Middle East, Algeria, and Iraq.

So we have no contingency measures in place in case there's a supply disruption.

Mr. Peter Julian: So in that case, because of NAFTA's proportionality clauses, if there is a shortage of supply in Canada, Canadians would literally freeze in the dark while we supply the American market.

Under this energy integration, where we simply hand over energy policy to Washington, D.C., and the Bush administration, the proportionality obligations we have now would worsen.

Mr. Bruce Campbell: We are locked into—

The Chair: I'll ask you for a very short answer, please.

Mr. Julian's time is up.

Mr. Bruce Campbell: We are locked into exporting a certain proportion now. It's almost two-thirds of our oil and gas export and close to 60% of our gas exports.

It becomes extremely difficult under the proportional sharing arrangements to change that situation. So we have an energy security problem.

The Chair: Thank you, Mr. Campbell.

We'll now go back to the official opposition Liberal Party, to Mr. Maloney, for five minutes.

Mr. John Maloney (Welland, Lib.): Thank you, Mr. Chair.

Mr. Stewart-Patterson, in your presentation you referenced the smart border accord, which was signed in 2001 and which was a good step towards border issues between the United States and Canada. In 2007, it still hasn't been implemented, as you are aware.

Also, in both presentations—Mr. Sosnow's and yours—reference was made to the need for additional border infrastructure, specifically in the Windsor–Detroit area. The Buffalo and Fort Erie Bridge, the Peace Bridge, also has a plan for renewed infrastructure. The problem is they can't proceed with building new bridges because they don't know how to design their plazas. They don't know whether the cross-border accord is going to be in or going to be out. And after they design their plazas, they have to get environmental assessment approval based on these plans.

I was happy to hear, Mr. Stewart-Patterson, that this has boiled down, in your opinion, to one outstanding issue on having the smart border accord implemented. What is that issue? How can we as parliamentarians facilitate to remove that, if we can?

Mr. David Stewart-Patterson: I have to say that my knowledge on this file is limited. There are negotiations ongoing at this time, as I understand it, so obviously I don't know what's being said at the table.

As I understood it, as of, say, the beginning of the week, the outstanding issue dealt simply with the question of how to deal with people who approached an American officer at a preclearance facility, were chosen for secondary questioning, and chose not to proceed. I'm not an expert in terms of the legal issues and constitutional issues involved in that, but my understanding was that it was the only question that was still outstanding as of the beginning of the week.

•(1215)

Mr. John Maloney: Would a solution be to make that area, the preclearance area, not an international zone, but a...?

Mr. David Stewart-Patterson: That's the whole question with this preclearance facility. The question is, on whose ground are you standing, and therefore what constitutional requirements have to be respected, and so on?

One of the early issues that had to be dealt with was the question of whether border guards could or should carry guns while on this preclearance terrain. That one has been resolved, but....

Mr. John Maloney: Mr. Sosnow, do you have a comment?

Mr. Clifford Sosnow: Thank you, sir.

That is one of the issues. The other issue is, as you correctly pointed out, that environmental assessments have not yet been done.

Interestingly enough, locations have not yet been chosen, and these are, frankly, very fundamental yet enormously basic decisions that come before a discussion of the preclearance issue, which raises complex constitutional and legal arguments. What we're simply saying is, can we not agree as a committee to recommend to the House that it move with all due haste in terms of site selection, in terms of environmental assessment, and in terms of frequency of meetings to ensure constitutional jurisdictional issues are rectified sooner rather than later?

Mr. John Maloney: My understanding is that the Peace Bridge—Buffalo and Fort Erie—and also the Thousand Islands have been designated as pilot projects, but we want to move beyond the pilots to universal implementation when we're required to cross our border.

Mr. David Stewart-Patterson: I think you're right.

The pilot project was designated for the Buffalo crossing area, and obviously the fact that it has been held up for so long since the original smart border accord is very frustrating, not only because it's holding up efforts to deal with infrastructure and congestion at that crossing but because we need the pilot projects under way and completed in order to spread the process of land preclearance to the other major border crossings as well. So this is one of those little things that's holding up a very important piece of the border puzzle.

Certainly I would urge members of the committee, from all parties, that if you want to focus attention on one border issue that the government really needs to bring its full force to bear on and to work hard with the United States to get this thing resolved and get this project under way without delay, you'd certainly have our support.

Mr. John Maloney: How am I doing, Mr. Chair?

The Chair: Mr. Maloney, your time actually is up.

Mr. André, for five minutes.

[*Translation*]

Mr. Guy André (Berthier—Maskinongé, BQ): Good morning. I listened carefully to what you said and I have a question to ask you.

Presently, in the context of the Security and Prosperity Partnership of North America, are there business people representing the three countries and, if there are, how many have interests both in Canada

and the United States or Mexico? It is well known that freedom of movement encourages industries to move from one country to the other.

There is also the whole matter of Chapter 19 of NAFTA. The softwood lumber crisis had a major impact on our industry in this area. As you know, Chapter 19 is very important as far as regulation, negotiation and disputes go. There are presently many questions about its validity, which was found to be rather weak in the context of the softwood lumber agreement. Are you presently reviewing issues related to Chapters 19 and 20 of NAFTA?

Obviously, some countries as well as some U.S. States are unwilling to ratify the Kyoto Protocol. But are you working together to identify some measures industry might take in the next few years to reduce greenhouse gas emissions? What kind of discussions are taking place in this regard?

•(1220)

[*English*]

The Chair: Mr. Campbell, could you respond first, please?

Mr. Bruce Campbell: Thank you very much.

Mr. André, on your reference to softwood lumber and chapter 19, I think you've asked an important question. This committee held a lot of hearings on the softwood lumber agreement. I happen to think, and I think a number of members of the committee agreed, that it was not a good agreement, for a number of reasons. One of those reasons was that it would give the United States an effective veto over Canadian policies.

I have some recent correspondence from the Office of the President to the Minister of International Trade. They're asking for consultation because they believe the policies that have been put in place, for example, by the Quebec government, are contrary to the agreement. So the \$436 million, another program in support of regional development in Quebec—\$75 million—and \$44 million intended specifically for forest workers.... These are indications that it holds a veto power and will determine and shape and limit the ability of our governments to apply policies in the best interest of workers and businesses in the industry.

On the question of Kyoto—and I come back to what I was talking about earlier about regulations—if, as it seems the NACC is recommending, there's a North American default standard that should be accepted, and the regulation should comply with that standard, we have different international commitments with respect to the reduction of greenhouse gases and Kyoto treaty commitments. If something like that is in place, how are we able...? I mean, regulation is a very critical part of implementing a protocol like that. How are we able to have the flexibility to apply a range of regulatory instruments that would be effective in reducing greenhouse gases if there is this North American standard that limits our flexibility? Those are real concerns.

The Chair: Mr. André, your time is up.

We now go to Mr. Cannan for five minutes.

Mr. Ron Cannan: Thank you, again, Mr. Chair.

I just wanted to comment on one of the discussions that was taking place earlier regarding the Canadian Centre for Policy Alternatives' report. It did have some really interesting information about the fact that, working with statistics, the Canadian economy doubled in size in the past 25 years. Average real family earnings increased from \$60,000 to \$70,000 from the late 1970s to the early 2000s. In fact, the poor are demonstratively not getting poorer. This is according to the report's own statistics. The poorest 10% of families with children are 8% better off, in real terms, than they were 25 years ago. That's from your own report.

There have been over three million net new jobs created in Canada. This bilateral trade relationship between Canada and the U. S. is the largest in the world. Approximately 80% of Canadians live within 160 kilometres of the border. The report mentions, Mr. Sosnow, over \$2 billion in trade per day—37,000 trucks, 300,000 passengers.

I come from British Columbia, the Okanagan Valley. The movement of goods and services is not too far from the border. Passports are a big concern.

I need to know a little bit more, from your perspective. What did we learn from this exercise that took place? I'm looking for some recommendations that you might have gained from the opportunity to experiment on communication plans. You looked at developing a communication plan to ensure that businesses on both sides of the border are informed on who and what can cross the border during an emergency.

Obviously, communication is key for businesses to understand what they have to do to help eliminate their freight being tied up for 10 days at the border, costing us money. Maybe you can elaborate a little bit more. What did we learn, and how can we share that information with our constituents?

• (1225)

The Chair: Mr. Sosnow, go ahead, please.

Mr. Clifford Sosnow: Thank you, Mr. Chair.

With respect to that particular exercise, one of the big faults, if I can put it in those terms, is the sharing of information. In particular, there was a software that was used. We're getting down to the nitty-gritty here, but the software was supposed to create links that would be portals to allow businesses to understand what the governments on both sides of the border were doing to ramp up the border, to close the border. That software, to put it diplomatically, just was not working properly at all.

That basic government communication function of getting information out to the widest possible distribution, to tell us in very basic terms what the governments are doing and what we need to know to get our product across the border, and when we can get that product across the border is just not being performed.

Then, of course, there is the issue—and we discussed this earlier in my comments—of the need to have a sense of when there has been a shutdown, when there will be a ramp-up, what goes across first, and, when we're identifying people, who can go across first, and, when we're identifying goods, what kinds of goods can go across first, and how much and using what methods of transport.

These are real nuts and bolts kinds of nitty-gritty issues, but, frankly, they just haven't been worked out yet.

Mr. Ron Cannan: So will we continue to have those fruitful simulations as we move closer to implementing some sort of consensus then?

Mr. Clifford Sosnow: Yes.

Mr. Ron Cannan: There is just one other thing before I pass the floor to my colleague, Mr. Wallace. There was a comment earlier about the importance of ensuring that Canadians stand up for sovereignty. I know Mr. Day was quoted in the paper today. There was some discussion about traffic flow over the Buffalo, New York, border. The Americans would have to give up critical inspection tools to comply with Canada's Charter of Rights. Minister Day said there was no way, and that we are standing up for the Canadian Charter of Rights. So that's an example of how the Americans are going to have to, instead of battling to the bottom, raise their levels to meet Canadian standards.

Mr. Wallace, I pass the floor to you.

The Chair: You have about 30 seconds, Mr. Wallace.

You can take the next round, though, of course, but go ahead.

Mr. Mike Wallace (Burlington, CPC): Mr. Campbell gave an example of regulation dealing with approval of drugs south of the border and whether we should be.... I'll give you a personal example, using the case of my mother-in-law. There was a drug in the United States that was approved and had been tested but had to wait for a clinical trial here.

Now, thank God, it saved her life—and I'm not just saying that, it actually saved her life—but it's exactly the kind of work that I think we should be doing: try to find an opportunity to work with our partners south of the border. That way, if it is tested only once and we're sure that the test is accurate, then assuring the health of Canadians, for example, can be expedited by that kind of work. I think it's a good thing we should be doing and not a bad thing.

The Chair: I'll take that as a comment, Mr. Wallace. Your time is up.

We will now go to the final questioner on the first five-minute round.

Mr. Julian, five minutes.

• (1230)

Mr. Peter Julian: Thank you, Mr. Chair.

What Mr. Wallace didn't mention were all the cases where the Americans fast-tracked pharmaceutical products that turned out to be harmful and afterwards had to remove them from the market. So we're actually putting Canadians in danger if we don't have a sober, second thought, a testing system that is not subject to manipulation by the pharmaceutical industry.

I'd like to come back to Mr. Campbell. On your comments about the regulatory framework, we've discussed.... Some members have referenced the egregious softwood sellout, whereby Canadians now have to go to Washington to get approval on any programs to help softwood communities, even though we've now lost 5,000 jobs and counting as a result of this very poor agreement. We talked about energy integration earlier, which means the same thing—Canadians going to Washington to negotiate access to our own energy resources.

I'd like to come back to the regulatory framework. Some of the things that have been thrown around by some of the other presenters—health and safety regulations, environmental regulations, and labelling standards—are all things that Canadians feel very profoundly about. Many Canadians are concerned about not having a genetically modified food labelling law so that we would know when there are genetically modified foods in products.

If we continue to lower our standards to lower American ones, whether it's pharmaceutical products and accepting dangerous products in Canada or not being able to have the kind of right-to-know labelling that many Canadians feel very strongly about, is it not true that, essentially, it would mean Canadians would have to go to Washington to lobby—right now, the Bush administration—for the kinds of standards and protections that many Canadians feel are important for their health and the health of their families?

Mr. Bruce Campbell: I think this regulatory harmonization issue is really important. Let's call it what it is and dispense with the Orwellian term of "cooperation", because I think what this does is go well beyond it in certain places. If it is about recognition, or mutual recognition of standards, let's see the mutual recognition agreements. These agreements are incredibly difficult to negotiate.

Regulation is a vital function of parliamentarians. It's been defined as a subordinate form of legislation or a delegated form of legislation.

My concern on the sovereignty question is that, over time, the room to manoeuvre gets narrower and narrower, and at a certain point we realize we don't have the ability to regulate or legislate in the best interest of the country as determined by, for example, our health regulators or our environmental regulators. It's a real concern for me.

It's doubly concerning because of what we're regulating to, especially with the current administration in Washington, which has embarked on a very aggressive deregulation initiative of gutted air standards. I could go through a long list of regulations they have either weakened or eliminated, regulatory capacity that they've reduced.... I worry that this is a form of importing a deregulation agenda south of the border.

Mr. Peter Julian: So, in a sense, we'd be gutting the protections that Canadians have decided, as a society, they want to have in place.

Mr. Bruce Campbell: Yes. Let's go back to drugs. Are you suggesting we have...?

I've heard a trade negotiator say we should get rid of the 900 people over at Health Canada, have maybe a dozen people looking at what the United States is doing or what other countries are doing, and basing their criteria for drug approvals on that basis.

Are we talking about gutting our regulatory capacity? Is this what it's about?

Mr. Peter Julian: Are you familiar, Mr. Campbell, with any case where there has been an enhanced protection?

In the transport industry, I'm familiar with this push to lower our standards to lower American ones. That means fewer flight attendants to assist people getting off planes in emergencies. It means companies, on their own, taking over safety management and doing whatever they want with it. These are the kinds of things we see.

• (1235)

The Chair: Mr. Julian, your time is up.

Mr. Peter Julian: Do you see any areas where there has been an improvement?

The Chair: We will now go to Mr. Temelkovski for five minutes for the official opposition Liberal Party.

Mr. Lui Temelkovski (Oak Ridges—Markham, Lib.): Thank you, Mr. Chair, and thank you very much, gentlemen.

I'd like to ask a number of questions in terms of the estimated processing time of shipments. Are you aware of what the figures were prior to 2001, from 1995 to 2001, for example? Were they on an increased or a decreased level?

Mr. Brian Zeiler-Kligman: This was actually from a report by the Coalition for Secure and Trade-Efficient Borders, which was a coalition of about 50 businesses from both sides of the border that are studying the issue. Actually, their final report was in 2005, because they gave up on this issue, but the numbers within there were that prior to September 11, 2001, estimated processing times—and this, of course, varies depending on the shipment and other factors—averaged about 45 seconds, and that at this point as of 2004, which was when the latest data was available, the processing times had gone up to 2 minutes and 15 seconds.

Mr. Lui Temelkovski: Thank you.

You mentioned infrastructure as a capacity or as a reason for the delays, and you also mentioned infrastructure as part of the solution to the delays. Do you think infrastructure is part of the problem?

Mr. Clifford Sosnow: If I may, I think if you look at the border as a wall—and we talked about this before—when we talk about infrastructure we talk about doors through that wall, access points. The reality is that if your door is jammed, you're not going to be able to get into your house, and the more doors you have, the easier it is to get into the house and the easier it is to get out of the house.

The reality is that Canadians want to trade with the United States. The reality is that our trade grows every single year, and it is not just big business. When the trucks go over, they carry the produce of the farmers, they carry the produce of labourers and small business. But when you have doors that are creaky, when you don't have enough doors, you create the proverbial bottlenecks with all the attendant frustration, with all the attendant costs.

So you're quite right when you say infrastructure is the problem, but from our perspective infrastructure is the problem because (a) there are not enough doors, if I can put it in those terms, to manage that pressure to want to trade, and (b) the doors that are there, the infrastructure that is there, is fast becoming obsolete.

Mr. Lui Temelkovski: Is infrastructure going to solve most of it, or was it legislation that made this time increase from 45 seconds to 2 minutes and 15 seconds, firstly? And second, if I could put in my question, have you seen growth such as this in transferring goods and people across borders in other jurisdictions such as Europe, China, India, and Brazil? Are their timings of moving goods and people increasing similarly to our numbers, or are they somewhat insulated from the issues that we have to deal with in North America?

Mr. Clifford Sosnow: Those are all very good questions.

The reality is that everyone wants to integrate. The Europeans want to integrate further. I was in Beijing just last week, and the Asian countries want to integrate further; there is talk of an Asian sensibility that's different from a North American or European sensibility. The talk there is about how to break down barriers.

As you know, in Europe it's a community, so there are commonalities of standards with respect to labour, with respect to environment, and with respect to products and their labelling. For them, the drive is to remove those differences, because those differences mean greater timing.

As to whether those particular jurisdictions are suffering the kinds of issues that we suffer here in Canada, the answer is yes and no. It is yes in the sense that they're at a lower level of development, particularly in Asia, than we are in North America, so customs processing continues to be a problem that plagues them. From their perspective, that's something they need to work on. It's something they want to work on to reduce.

With respect to the United States, you asked why there is the problem of the time issue. That's the \$64 million question. Part of it is security: the United States is feeling less secure. Since 2001 there has been a fundamental cultural shift in the way they view trading partners. That just means more paperwork. Then there is the issue of devoting dollars to infrastructure. As well, there is the issue of managing the complexities; we talked about them with respect to the Detroit bridge.

There are legal issues, there are dollar issues, and there are cultural issues. They wrap themselves up in a fairly complex ball.

Given the level of the importance of infrastructure and the complexity of the problems, delay, from our perspective, costs all Canadians billions of dollars.

• (1240)

The Chair: Thank you, Mr. Sosnow. Thank you, Mr. Temelkovski.

We now go to the government side. Please go ahead, Mr. Wallace, for five minutes.

Mr. Mike Wallace: Thank you, Mr. Chairman.

Could I have just a brief response?

Mr. Campbell did mention mutual recognition agreements, and I agree with him that this is what we would need to see, but you can't have it without dialogue, Mr. Chairman. If we're not having dialogue, it won't happen. We are having dialogue and we may find solutions. I think Mr. Julian was one of the ones who accused us of fear-mongering on the government side this week, but he's the king of fear-mongering. Maybe he sleeps with the covers over his head; I'm not sure.

But without the dialogue, it would not happen. That's what I have to say.

My question is to the other people here today.

I am the chair of the steel caucus, and I am joined by Mr. Maloney, who is also on the steel caucus from the Liberal side. Part of the work that's been happening.... There is a North American steel trade cooperative. Just for the understanding of everybody around the table, for example, galvanized steel that's produced in Canada is treated as North American steel. It does not attract any duties, and it is not treated as offshore steel as it is sold in the United States. From the steel perspective, our biggest market is the United States. Unfortunately, Chinese imports are actually starting to surpass us for the first time in the United States, so it's putting pressure on our steel market—but as an example, steel is treated as a North American commodity. Jobs are produced in this country because they're able to sell the product south of the border and have it treated as a Canadian product.

I would like either the chamber or the CEO group to tell me if this is the kind of thing you would like to see for other product lines, in terms of our being able to work with our partners on a North American basis to make sure we are competitive against other areas of the world that are producing similar products.

I'd like both to answer that question.

Mr. David Stewart-Patterson: Mr. Chairman, I think the steel industry is an example of an early leader in the whole process of North American companies working together. Long before the SPP, the steel sector was ahead of the pack in figuring out how to make economic integration work for Canadians and work for Americans as well.

As you say, in the early days of Canada-U.S. free trade discussions, the big debate was over whether Canadians could handle competition from the United States. Today it's very clear that competition is global, and the best way for Canadians to compete and for Canadian communities to prosper is to work with our neighbours and figure out how to combine our forces, how to combine our strengths, and benefit communities on both sides of the border. I think the steel industry has gone a long way in showing how that can happen.

It's more difficult I think in other commodities, but I think the steel sector has shown what is possible, and I would commend them for their work.

• (1245)

Mr. Mike Wallace: Okay.

Mr. Sosnow, would you comment?

Mr. Clifford Sosnow: There clearly are, in our view, products for which a North American standard makes sense. For example, we talked about the proverbial movement of cars back and forth, and as they move back and forth, more and more products are added to them. That's just a reality. But all the different components have a U.S. standard and a Canadian standard. So there's compliance with two sets of standards. Notwithstanding the fact that North American labourers, if I can put it in those terms, work together to produce a North American vehicle, there's a plague in that there's both the Canadian standard for the variety of products that exist and there's the U.S. standard.

I didn't hear the chamber, in its opening statements, and I have not heard the chamber say anywhere else that the chamber is asking for a race to the bottom on the issue of developing common standards. What the chamber is asking for is the development of common standards that are mutually beneficial to both Canada and the United States pursuant to negotiations and agreements between the two of them.

The Chair: Mr. Wallace, you can have a very short question.

Mr. Mike Wallace: Okay. I'm just going to make a short comment then.

I think everybody, even Mr. Campbell, agrees that the only way to find solutions is through discussion. Some of us may agree or disagree on the process we've put together. But I want to be on the record as saying that I agree that we need to discuss this, particularly after you've demonstrated that when you're in Asia, the Asian groups are coming together, and obviously we know about the European Union and their approach. They have to work together. I think it's important for us on this continent to be working together.

The Chair: Thank you, Mr. Wallace.

With apologies, I go back to Monsieur Cardin. I apologize for missing you. Go ahead, please, for five minutes.

[*Translation*]

Mr. Serge Cardin: Mr. Chair, had it been 12:57, I would have reacted very quickly to draw your attention to this.

I want to get back to the major criticisms expressed, including about the so-called deep integration and transparency. Mr. Wallace has already announced that I would be talking about transparency. The way things are structured hinders legislative progress and public debate. The only people present are business people and corporate executives. There is virtually no consultation.

My question is addressed to the representatives of business people and corporate executives. You know that on many points, this is not what people want. There are things people want and things they do not want, but they have no say in this. Even parliamentarians are not allowed to participate. I want to know what business people intend to do to honour the commitment made about consultation? I would like Mr. Campbell to tell us what has to be done for these consultations to take place so that some progress can be made. It is much easier to go forward when there is cooperation rather than confrontation.

[*English*]

The Chair: Mr. Campbell, go ahead, please.

Mr. Bruce Campbell: This is a first step. I think it's really important that parliamentarians are focusing on this initiative, because it is such a vast umbrella, and there are interconnections. This seems to be the committee that's best able to look at those interconnections in their entirety.

We haven't talked at all about the whole security dimension—the implications for civil liberties, the implications for harmonization of immigration policies and visa policies, and what that means, and how it plays out in this initiative. As business leaders often repeat, these two issues are indivisible.

So it's really important that you continue to monitor. Just leaving it at a couple of days' hearings is not sufficient. I think you have to be calling bureaucrats who are involved in these working groups.

We have an overall framework, a regulatory harmonization negotiation going on that is scheduled to be completed this year. What's the status of that negotiation? What are the main criteria that are being discussed to overarch things? Where does the precautionary principle as a basic regulatory principle of primacy of protection fit into the agreement? How does it relate to competitiveness and cost considerations? And I mentioned some of the regulatory issues on pharmaceuticals or biologicals. What does it mean for our research, our testing capacity?

All of these questions are extremely important, and it's important that you continue to hold these hearings and that you bring civil society into the process, so that there is sufficient input that at least we can have a debate about key elements of this process.

I haven't suggested that there's not a lot of stuff going on that's useful and important, but that there may be stuff also going on that's not so beneficial and that privileges private interests over the public interest. Your responsibility as parliamentarians is to ensure that the public interest is being advanced.

• (1250)

The Chair: You have about 30 seconds, Monsieur Cardin.

[*Translation*]

Mr. Serge Cardin: I would like the business representatives to tell me what they intend to do about these consultations with people or parliamentarians.

[*English*]

The Chair: Mr. Stewart-Patterson.

Mr. David Stewart-Patterson: I'll try to answer briefly, Mr. Chair.

First of all, I think the SPP has been a very open process. It's been public from the day it was announced. Governments, as far as I can tell, have welcomed thoughts from all sectors of society. The establishment of the North American Competitiveness Council a year ago was reflective of the fact that leaders felt they would benefit from particular advice from people who had particular expertise on one set of issues within the security and prosperity partnership. We have endeavoured to meet that request.

The other thing I think we have to keep in mind as we talk—this is just discussing how we can help our countries work together on regulatory issues, whether we can agree on common standards, whether we can agree on mutual recognition—is the fact that in any change in regulation there are processes in place within Canada that involve public consultation. The rule-making process itself in Canada necessarily involves consultation at that level as well.

The Chair: Thank you.

Mr. Sosnow, would you give a very brief answer? Monsieur Cardin's time is up.

Mr. Clifford Sosnow: I would echo those comments. The reality is that there seems to be the assumption that there has not been consultation, that this is a discussion that's in secret, and that it is all about big business to the exclusion of everybody else. In our experience, that really has not been the case.

The Chair: Mr. Julian, go ahead, for five minutes, please.

Mr. Peter Julian: Thank you, Mr. Chair, and thanks to all the witnesses for coming today.

What's very clear is that this goes far beyond smart borders, and it's helpful to have that as the first of the sessions we're going to have around the security and prosperity partnership.

I'd like to come back to Mr. Campbell on the issue of water, because this meeting that's being held in connection with the SPP tomorrow in Calgary is going to discuss issues around water consumption, water transfers, diversions of fresh water, looking for a goal of joint optimum utilization of available water. Basically that means Canadian water going to the United States, I would imagine. I would like you to comment on that. Again, this is just another example of this going far beyond smart borders, and it's disingenuous to pretend the contrary.

My final question is around the whole issue of democracy that you raised. There's very explicit confirmation that Canadians reject this kind of right-wing strategy from the Canadian Council of Chief Executives' brief where they say there's no appetite for a new push or a new grand bargain on the trade front, because as we know, Canadians voted against the Canada-U.S. Free Trade Agreement, though the electoral system did not allow that voice to be heard, and very clearly expressed in 1993 concerns about NAFTA that have been justified by the fact that most Canadian families are earning less now than they were since this whole process started.

So could you comment about the drive for Canada's water, and could you comment on this explicit confirmation that indeed most Canadians would reject this agenda if it were out in the public eye?

•(1255)

Mr. Bruce Campbell: Water has been a controversial issue on the trade front for a long time, going back to the FTA and the NAFTA. Bulk water exports have not been protected adequately. There is no legislation that would do that. Once the tap is turned on, it would become a commercial good and therefore open for export.

We know from chapter 11 of NAFTA, the investor-state provisions of NAFTA, that companies in the United States have challenged any provincial measures to limit water exports. There are cases that are ongoing in that respect.

It has remained an important issue for the United States, and I think this latest initiative with the Center for Strategic and International Studies is an example of that. They see it as in their national security interests to gain access to Canadian water, as to Canadian oil. This think tank with close connections...it was commissioned. From what I've been told, it is funded largely by the National Security Council in Washington. They're our partners. The Conference Board of Canada is a partner. But it emanated in an informal way out of the last SPP meeting and it's one of the issues that's on the table for discussion. I know it makes Canadian politicians and the Canadian public extremely nervous, but it is definitely something they're pushing for.

The trinational business report in 2005 and this latest NACC report do not mention water, although in the preliminary report, or at least in the minutes from some of their earlier meetings, they discussed water and decided it was too controversial to put it formally on the table. But that's not to suggest that it's going to go away. It keeps getting repeated. It keeps reappearing on the agenda.

The Chair: Mr. Julian, you have about 30 seconds left.

Mr. Peter Julian: You've advised us to start bringing in these advisory groups that are moving ahead on deregulation, or less regulation in a number of different areas. To what extent do you think this agenda is moving forward without Canadians actually being able to find out what the implications are in each of the various policy areas?

Mr. Bruce Campbell: I don't know. Perhaps Mr. Stewart-Patterson is better able to respond to that because he's on the inside.

I've mentioned a number of areas of concern. I mentioned that this framework agreement is moving quickly and that we'll get resolution before the end of the year. I think it's incumbent upon parliamentarians to get a clear understanding of where these negotiations are, what's on the table, and what the Canadian side is being asked to sacrifice.

It's great to have regulatory cooperation, as I said, but how far do you go? That's the question. What are the limits to regulatory cooperation? When does it become a real compromise of policy flexibility and democratic accountability?

It's sort of like the question of the frog in the pot of hot water. If you put a frog in boiling water, the frog will jump out immediately. If you put the frog in a pot of cool water and heat it gradually, the frog will not jump out and will be boiled alive. It's that sense of this very slow, incremental, sometimes fast, under-the-radar process that is the basis for my concern and the concern of a lot of groups and individuals in Canada.

•(1300)

The Chair: Thank you, Mr. Campbell.

Thank you, Mr. Julian.

Thank you all very much for coming today and getting our study on Canada-U.S. trade and investment off to a good start.

I thank all the committee members for their questions today, and I look forward to the continuation of this discussion at our next meeting on Tuesday.

The meeting is adjourned.

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