House of Commons
Chambre des communes
CANADA

Standing Committee on International Trade

CIIT • NUMBER 028 • 2nd SESSION • 41st PARLIAMENT

EVIDENCE

Tuesday, May 13, 2014

Chair

The Honourable Rob Merrifield

Standing Committee on International Trade

Tuesday, May 13, 2014

● (1100)

[*English*]

The Chair (Hon. Rob Merrifield (Yellowhead, CPC)): We have quorum. If members will take their seats, we will move forward with the meeting.

I want to thank our witnesses for coming forward.

We are progressing with our study on the global markets action plan.

We have with us, from the Canadian Council of Chief Executives, Ailish Campbell, vice-president. Thank you for being here again. We're always excited when you can stop in.

We have, from the North-South Institute, Pablo Heidrich. Thank you for being here again.

We will start with you, Ms. Campbell. The floor is yours.

Dr. Ailish Campbell (Vice-President, Policy, International and Fiscal Issues, Canadian Council of Chief Executives): Mr. Chairman and committee members, thank you for the invitation to appear on the global markets action plan.

Before I begin my remarks, let me tell you a little bit about our organization. The Canadian Council of Chief Executives is a not-for-profit, non-partisan organization composed of the CEOs of 150 leading Canadian enterprises. Member companies collectively administer $4.5 trillion in assets, have annual revenues in excess of $850 billion, and are responsible for the majority of Canada's exports, investments, R and D, and training.

[*Translation*]

We engage in an active program of public policy research, consultation and advocacy. The CCCE is a source of thoughtful, informed comment from a business point of view on issues of national importance to the economic and social fabric of Canada.

[*English*]

My remarks today, Mr. Chairman and committee members, stem from one simple fact: the prosperity of Canadians and the health of the Canadian economy depend on trade.

Total Canadian exports in 2013 were $530 billion in a $1.9 trillion economy. Promoting Canadian commercial interests abroad is critical to our competitiveness and to our standard of living.

A second fact is that the government of any nation plays a key role in the success of its exporters.

As John Manley, the president and CEO of the CCCE, has stated in support of the global markets action plan, it:

> ...aligns Canada's trade promotion resources to help Canadian companies take advantage of opportunities in high-growth emerging markets and traditional markets of strength. By identifying economic diplomacy as a key to advancing Canadian commercial interests, the federal government is ensuring Canadian companies have the support to succeed abroad.

The partnership approach to success in global markets, in which business and governments are aligned on and execute opportunities, is at the core of the global markets action plan. The CCCE now calls on the government to effectively implement the global markets action plan, or GMAP.

There are four priority elements on which the GMAP will be judged a success.

The first, priority number one, is a strong and positive commercial relationship with the U.S. and a renewed North American partnership.

The U.S. is Canada's primordial trading partner. Canada-U.S. trade in goods and services in 2012 reached close to $742 billion, or 41% of Canada's GDP. Number two is the EU at a just over 5% share. Number three in terms of total goods and services exports is China, at about 4%.

The U.S. is responsible for almost 73% of Canada's total exports. Let me reiterate that. The U.S. is at 73%; the EU is at about 5%, and that is blended goods and services—merchandise trade might be higher at about 11.5% with the EU—and China is at about 4%. It is an order of magnitude unmatched by any other partner.

Our trade with the U.S. is so unique because of the amount of American content, of course, in the final products of Canadian goods.

Indeed, the forecasted recovery of Canadian merchandise exports to their pre-recession levels, which EDC, the Conference Board, and others have forecast, depends in 2014 on a U.S. recovery and on demand for Canadian products.

It must be the top priority of the GMAP to improve Canada's border and its border systems with the U.S. to increase regulatory cooperation and continue to advance North American energy security and sustainability.

The CCCE calls on the Canadian and U.S. governments to take the good work done under the beyond the border pilot projects and transform these into generally applied border procedures.

The CCCE also calls on the U.S. federal and state governments to exempt Canadian firms of all sizes from harmful buy American provisions that affect Canadian firms of all sizes. If this requires negotiation, let's get on with that.

Broadening our lens, there is great potential for a renewed North American partnership. Engagement with Mexico in this regard is critical. With growing energy production in Canada and the U.S. and significant energy reforms in Mexico, there is a critical opportunity to improve continental energy security and environmental sustainability. As well, a more diverse energy supply and competitive pricing will improve the attractiveness of North America as a location for resource and manufacturing industries and will build on important supply chain dynamics.

Priority number two, by which the success of the GMAP may be assessed, is of course the implementation of the Canada-EU comprehensive economic and trade agreement, CETA.

I have appeared before this committee in the past on the importance of CETA, so I won't go into detail here. I will only say that the agreement in principle was announced more than six months ago, in October 2013. The CCCE calls on both parties, Canada and the European Union as well as its member states, to complete the technical negotiations and announce a final conclusion to the deal before the summer break, and then to commence the ratification of CETA as quickly as possible in the fall of 2014.

● (1105)

Priority number three is a strategy for Asia, including a strategic partnership with China.

In 2012, Canada officially joined the Trans-Pacific Partnership, which has now expanded to include 12 countries with a combined GDP of nearly $22 trillion. Again, I've appeared before this committee on the importance of TPP, so I won't go into detail here, only insofar as to say that Canada is well advised to be participating actively in the TPP and has the CCCE's full support for its participation in these negotiations.

The CCCE also supports a rapid conclusion to the Canada-Japan economic partnership agreement as outlined in GMAP.

However, several countries identified as priority markets in GMAP are not in TPP. These include China, Hong Kong SAR, India, and Indonesia.

As such, the CCCE recommends that Canada: continue its negotiations with India for a free trade agreement; create a strategic partnership with China similar to what Australia has accomplished, which could lead to enhanced commerce in sectors of mutual interest, or as New Zealand has done, negotiate a free trade agreement with China.

As a first step, we would also call on the introduction and ratification of the foreign investment and trade promotion and protection agreement with China. We call for the implementation of the free trade agreement with South Korea as quickly as possible. We also call on the government to commit to a larger trade commissioner service footprint in Asia, in particular in those markets where commercial relationships are deepening and show the greatest potential for export.

The fourth and final priority is the growth of Canadian exports to emerging markets. As the Canadian Chamber of Commerce recommended in its report, “Turning It Around: How to Restore Canada's Trade Success”, Canada should take a look at the suitability of its trade finance instruments for developing markets. In addition, I would recommend to this committee that you consider requesting data from Industry Canada on the number of SMEs that export through supply chains of large firms to emerging markets.

Given that Canadian foreign affiliate sales now exceed the value of Canadian exports—again, we are selling more in markets than we are in fact exporting from Canada to other markets—this underlies the importance of bilateral investment treaties as a vital part of Canada's trade policy tool kit.

A bold move for emerging markets could be to unilaterally eliminate all tariffs and not wait for others to reciprocate, as the study we released yesterday suggested. The federal government is to be commended for eliminating tariffs on manufacturing inputs. The question remains, why not eliminate tariffs for other sectors, and especially those from developing country markets?

To conclude, resources and infrastructure are required for success. The GMAP is indeed just that, a map to deepen commercial relationships with established partners and identify new customers. While we look outside of Canada's borders for new opportunities, the plan to effectively implement GMAP and build on our strengths starts at home. This plan starts with firms. The onus is on us. Canadian companies must have the products, the strategy, and the marketing plans to identify and sell to new customers.

In many markets, and particularly emerging markets, the government is a critical partner in the early stages of landing new customers, in particular for SMEs. For large firms, high-level, top-to-top relationships are critical to lend support to sale strategies and create a positive reputation for Canadian products.

On the government's part, it's vital that the tools to enable new commercial relations are properly resourced in order to deliver on GMAP's objectives and the priorities I've set out in my presentation today. Government services, such as Export Development Canada, Canada's trade negotiating teams and diplomatic resources at the World Trade Organization, as well as the trade commissioner service, are key tools.

The CCCE would recommend that this committee do a deep dive into the budgets, full-time staff, and the recruitment and training tools of all trade promotion programs of the federal government. This data is required for your committee to ensure that trade promotion entities are streamlined in their services to business, possess business acumen and local market knowledge, and have access to catalytic funding and the digital tools to reach businesses around the world in order to deliver effectively on opportunities.

We also endorse the proposal by the Chamber of Commerce to create a forward planning committee with the private sector and other levels of government to coordinate delegations under the Canadian banner.

I'd also recommend to this committee an examination of Canada's logistic systems—roads, ports, rail, and airports. Transport Canada data indicates that total shipping time between the EU and Canada, as well as between Asia and Canada, is not improving, and in some cases the total shipping time is lengthening. The recent slowdown at Port Metro Vancouver will certainly result in a deterioration of the 2014 data, and we hope that can be reversed.

We commend the GMAP for looking beyond just traditional tools, to also looking at the enabling logistics infrastructure that will allow firms of all sizes to deliver on their export opportunities.

● (1110)

In conclusion, the CCCE fully supports the objectives presented in the global markets action plan. Now is the time to ensure there is alignment on the resources required to deliver on the plan and compete with the best in the world.

Thank you.

The Chair: Thank you very much.

We'll now move to Mr. Heidrich. The floor is yours.

Mr. Pablo Heidrich (Senior Researcher, Governance of Natural Resources program, North-South Institute): Mr. Chair, and honourable members, good morning, and warmest thanks for giving me the opportunity to speak with you about the positive effects of the global markets action plan.

My field of work at the North-South Institute is on international trade and investment, particularly looking at the relations of Canada with the developing world, and within that, very much with the countries in Latin America.

The North-South Institute is a Canadian institution that is non-partisan and non-profit. It's fully dedicated to providing advice to the Canadian government, Canadian firms, and the Canadian public on the relations of Canada with the developing world.

Given the topic for today, I will be mostly talking about the relations of Canada with the emerging markets. I recently published an op-ed on this export promotion plan, and some of the things I will be saying today are based on that. It was published in *Embassy* magazine a few months ago.

In our view, the GMAP strategy comes very much as a renewal effort of the current government to expand Canadian exports worldwide. While the specific goal of this initiative is to increase the number of small and medium exporting firms, given their important role as employment creators in Canada's economy, the way this proposal has been framed indicates to me that the purpose of the government is deeper and more encompassing than simply raising exports by small and medium enterprises. More than anything it is a way to position Canada's foreign policy, particularly toward the developing world, and what that should be about. It also means a possible redeployment of Canada's diplomatic assets from the political and development sides of DFATD to its commercial section.

In several ways this strategy is very understandable. Canada as an exporting nation is very much in trouble. While world trade has grown by 70% since 2000 until now, the exports of Canada have grown by only 11%. I'm talking about the exports of goods. From 2006 until now—to be more precise, during the time of this current government—it has grown by only 6%. Meanwhile, U.S. exports, for example, have grown since 2000 until now by a full 101%, and EU exports have grown by 87%. In short, Canada is losing global market share, and is doing so very quickly. We are still, and the world is trading more every day.

Thus, a decided push to focus on expanding exports is very much correct. The emphasis on small and medium enterprises might be correct as well, but we should not confound the terms, and in this case, we should not confound the policy aims.

Canada can well expand exports without increasing the number of small and medium enterprises involved in that trade, and vice versa. We can also increase the number of small and medium enterprises that are engaged in exports without really increasing overall exports. If I interpret this policy correctly, the idea is to increase the participation of small and medium enterprises in Canadian exports, and not necessarily to increase our total exports.

We all know that Canada has a serious competitiveness problem, and that is expressed in the low pace of growth in exports. This policy does not, however, deal with that in a central manner. If it were to do so, other measures inside Canadian borders that have to do with national economic policy would be needed before engaging in any export promotion effort of any kind. Therefore, I would like to return to the idea and the issue of reallocating diplomatic assets and the strategy to advance commercial interests, particularly toward emerging markets.

This is a very costly thing to do as it's formulated in GMAP, to reallocate political and aid assets to the commercial side of diplomacy, and most nations do not do that. The reasons are simple. Politics and business don't hold the same tempo, and nobody wants negative short-term spillovers, such as, for example, Russia turning off the gas exports to Europe because there is a conflict over Ukraine, or the U.S. losing global production chains with China due to arguments over human rights. Simply, business and politics are not always aligned, and there are barriers and firewalls that need to be kept. On that side, long-term political considerations must override short-term business interests if we are to maintain a strong policy consensus on security issues and diplomatic governance with emerging countries around the world.

● (1115)

Precisely nested in successful political relationships is where export promotion efforts and official visits can have positive commercial impacts. In other words, we cannot just get off a plane in official missions in countries where we don't even have an embassy and try to sell our wares as if we were there as an established presence.

This requires that the political diplomatic agenda is not directly linked to the commercial one, and again, vice versa. What I see, however, in the GMAP public formulation is that politics have infiltrated commercial diplomacy goals to an extent that it might go against our wider business interests. In Latin America, for example, small markets such as Uruguay and Paraguay are counted as being emerging markets with specific opportunities in the plan, but other much bigger markets in the region that already are much more important trading and investment relations for Canada, such as Argentina, Ecuador, and Venezuela, are not mentioned. They are ignored.

The same happens in Asia and Africa, where many markets are inexplicably absent from the strategy and others are inexplicably present.

The only variable I can see as rather constant against these lapses in economic rationality for an export promotion policy is that those present on the list have governments that are widely identified with conservative politics or neo-liberal economic plans, while those that are absent have more centre or centre-left governments and have less neo-liberal policies. In other words, politics, in my view, is undermining the map of opportunities for Canadian small and medium enterprises, and particularly exporters. Therefore, I would really recommend a clear explanation of how markets have been chosen for this policy. This is very much needed to generate credibility for the policy.

Finally, I'll look at goals and relationships. To say, as GMAP indicates, that we're going to reallocate diplomatic resources to promote exports, with this policy formulated with such a narrow focus in a series of countries to simply increase the exports of small and medium enterprises and to increase that number of enterprises by 10,000 firms, hoping to create only 40,000 jobs in five years, for me is not sound dollar-per-dollar public expenditure. Given the annual ups and downs of the Canadian economy as a whole, that number of small firms will die or be created every month, and that number of jobs will be reduced or increased in the overall economy every month. So to say that in five years we'll be creating that number of firms and that number of jobs with such a policy.... It's something that is so small for the amount of effort in the redesigning of our diplomacy, I don't understand the proportion between the effort and the desired result.

Increasing exports has to be, however, the central strategy if Canada is to have an export promotion policy at all. Within that, emphasis might or might not be given on supporting small and medium exporters, or even on increasing their number in certain markets. We need to have bigger goals if we're going to use such encompassing tools for promotion, especially when we're talking about redesigning the entire Canadian diplomacy apparatus.

To increase exports, the short list of policies that Canada must urgently follow is well known. We have to facilitate full market integration of its immigrant professional class. We have to reduce barriers to trade between provinces. We have to eliminate the prohibition on investments from foreign state-owned enterprises. I'm talking about not whether all these things are good or bad. What I'm saying is that these things are necessary to increase exports. We have to establish distinct parameters to recruit an enlarged trade commissioner service.

I very much thank you for your attention. I can answer questions later.

● (1120)

The Chair: Thanks to both of you for your presentations.

I believe we'll start the questions and answers with Monsieur Morin.

[*Translation*]

Mr. Marc-André Morin (Laurentides—Labelle, NDP): Thank you, Mr. Chair.

Mr. Heidrich, what you talked about is very thought-provoking.

Regarding target countries, it would appear that the determination of criteria for countries of interest to us is a bit arbitrary.

Are you concerned that mixing politics and trade could carry the risk of ideological contamination with regard to our decisions?

[*English*]

Mr. Pablo Heidrich: Yes. I read in the GMAP presentation done by the government that there was a series of consultations with the private sector, with think tanks, and with academics within Canada and abroad on how to make that list. However, the actual process on how that list was put together was not in the papers that I read, so I do not know how the actual list was produced.

I can see that the result has, as I mentioned, very surprising elements, as countries are not there. I don't understand why, for example, Ecuador and Argentina are countries of interest for the U.S. and for the EU but not for Canada. If they think they are, why don't we? I understand that Japan also considers Venezuela a country of interest, but not Canada. Canada sells a lot of oil-related and mining-related machinery, so it could very much compete with Japan in Venezuelan markets.

I'm talking about markets that have sometimes up to a half a trillion dollars of market size. We're talking about very big emerging markets. We're not talking about small exotic countries.

[*Translation*]

Mr. Marc-André Morin: For instance, globally, Brazil and Argentina have much larger economies than Uruguay, Equador or some of the micro-countries that, as if by chance, have a similar way of thinking and political direction.

If we are looking to sign agreements only with people who think exactly like us, our options may be limited.

What do you think?

[*English*]

Mr. Pablo Heidrich: Yes, that's very much the case. Brazil is included, however, in the list of GMAP.

I just want to basically underline the fact that if we want a business-oriented policy, then it must be business oriented. You cannot have it both ways. You can have certain strong political views, and then that would be for the political side of diplomacy, but then you need to have a political side of diplomacy. It cannot be all commercial.

[*Translation*]

Mr. Marc-André Morin: Canada is the largest supplier of pork to Russia. That market is important for Canadian pork producers. That is where they send all the parts that are not wanted in countries like Japan, which buys only the best cuts.

The political tension between the two governments will definitely not foster trade. I think that trade and politics are not a good mix.

Can you please comment on this?

● (1125)

[*English*]

Mr. Pablo Heidrich: Yes, indeed. That's why most countries do not reallocate their diplomatic political resources to do trade policy, to do export promotion policy, because they basically need to have at least two faces. One is to promote your economic interest and your business interest, short-term with micro-policies. The other one has to deal with political dialogue and diplomatic relations, where you can also have your ups and downs. Again, that should not, as much as possible, affect business interests.

Mr. Marc-André Morin: How much time do I have left?

The Chair: You have two minutes, but you don't need to take them.

Some hon. members: Oh, oh!

[*Translation*]

Mr. Marc-André Morin: Ms. Campbell, GMAP, or the Global Markets Action Plan, reflects the federal government's desire to promote and sign free trade agreements that will have a major economic impact.

Is there any evidence of the cause and effect relationship between free trade agreements, wealth creation and employment productivity gains?

[*English*]

Ms. Ailish Campbell: Free trade agreements, as well as investment, do lead to improved job creation, export promotion, and investment. I would commend to you a Department of Foreign Affairs, Trade and Development study on that very question.

[*Translation*]

Mr. Marc-André Morin: Thank you.

[*English*]

The Chair: Very good.

We'll now move—

Mr. Fin Donnelly (New Westminster—Coquitlam, NDP): Is there a minute left?

The Chair: You have a minute, yes.

Mr. Fin Donnelly: I'd just like to ask, Mr. Heidrich, the GMAP states that the federal government will “ensure that all Government of Canada diplomatic assets are harnessed to support the pursuit of commercial success by Canadian companies and investors.” The plan also indicates that Canada's trade policy framework will “leverage development programming to advance Canada’s trade interests.”

I was wondering if you could talk a little bit about how development programming can support Canada's trade interests, and to what extent trade priorities and development goals can be mutually reinforcing and produce meaningful results for both Canada and developing countries.

Mr. Pablo Heidrich: In one minute?

Mr. Fin Donnelly: In 30 seconds.

The Chair: In 30 seconds, actually.

Mr. Pablo Heidrich: All right.

I would say, in principle, yes.

The international practice.... If you look at different countries in Europe that have quite substantial development programs, within them they have programs to support the private sector through aid programs. It's very difficult, because you need to maintain very high ethical standards and you need to make sure the businesses from your country are not going to do anything that could contravene not only the laws of that country, but also your own laws. Sometimes you do not have the legal framework to actually compel businesses to behave in a certain manner when they are abroad.

The purpose of the government might be correct, but I think we still need a certain framework to regulate how Canadian companies operate abroad before they are given Canadian public funds to support strategies abroad.

The Chair: Thank you very much.

Mr. O'Toole.

Mr. Erin O'Toole (Durham, CPC): Thanks to both of our witnesses for appearing today. We appreciate your time and your perspective.

Mr. Heidrich, I'm going to concentrate my brief time with you, because I'm actually quite perplexed by your testimony. At one point you said we should keep a firewall—that was your term—between our economic interests, trade, and diplomacy. Yet I recall your appearance before this committee when we were discussing the Honduran trade deal, where you were talking about Canadian operators in that country and their impact in that country, and our development.

Your very testimony before this committee suggests there is no firewall. In fact, Canada is present in countries if our major trading and exporters are present. Would you not agree with that? We're there. Whether it's through diplomacy, development, or trade, Canada's brand—if you want to call it that—is there. How can we superimpose a firewall onto the global economy when it's already operating?

● (1130)

Mr. Pablo Heidrich: The firewall I was referring to is exclusively to how the Canadian state operates when it's abroad. There's one side, where you would be having political dialogue or having certain diplomatic exchanges, for example with Honduras—or you can take any other country. Take South Africa for example. There's a different part where you're going to be trying to strengthen the commercial relations.

What happens if you have a fallout with South Africa, for example, on the political side? I think it is good public policy that fallouts in political diplomatic relations do not affect Canadian businesses operating in South Africa. That's why a firewall is important. For that firewall to exist, it means that if there are issues that have to do with commercial matters, for example with South Africa or with Honduras, the political dialogue is not affected either.

For example, let's take Venezuela. There are Canadian companies operating in Venezuela. The Canadian government does not have good relations with the Venezuelan government for political reasons. I think that should be fine, but if you have all the diplomatic assets of Canada in Venezuela supporting our trade relations with Venezuela, then what? Do we have to say that we agree with whatever the Venezuelan government is doing towards its people and its human rights, and so on? I would say no. I would say that we could still remain critical to whatever the Venezuelan government is doing. At the same time, we're supporting our business. Then you need to have a separation between the diplomatic and the commercial sides.

Mr. Erin O'Toole: I have to stop you there. So you're saying we could be critical; we have people on the ground. To use Venezuela, we're trading; we can be critical. We can, in some cases, build institution and actually help capacity in those countries. That's essentially economic diplomacy, sir. It's recognizing that you can trade, while also providing developmental assistance, while also trying to improve the governance within that country.

Honduras is a great case in point, because that was the last time you joined our committee. We heard from many witnesses—you included—about the crime and narco-trafficking in Honduras. As one of the largest donors to that country, we're an important development partner. We're building institutional capacity building within their justice system, that sort of thing. We're engaging politically and diplomatically. We're also trading. We're also recognizing that there are some Canadian exporters are on the ground there. That's economic diplomacy.

I don't see how we can sort of pick and choose from that tool kit of diplomatic statecraft to say in one country—Venezuela, for instance—we're only going to trade, but we cannot engage bilaterally; we cannot engage in developmental assistance. You're seeming to suggest that we should only do development, not trade.

Mr. Pablo Heidrich: No, not by any means. I'm sorry if I gave you that impression. It's not what I would say.

What I said was in the case of Honduras, to sign an FTA with a country like Honduras is not going to report any significant economic benefit. If you really wanted to help Honduras, you should put more emphasis on development.

A lot of things that are done in development do not have any commercial utility. To say that everything that a country does on the political and development side—any country does on any other—also has a commercial meaning, I would very much dispute that. Canada has done plenty of things, for example, in Haiti, and it is not really to advance Canadian commercial interests in Haiti. They have done it for other reasons, which are very good as well.

Mr. Erin O'Toole: That's a great case in point. In fact, Canada took the lead from the hemispheric perspective on response to the Haitian earthquake and recovery from that, but at the same time if we have assets on the ground, we have a significant presence. We have a cultural tie with the francophone communities. Would it not also make sense to expand trade opportunities? That can grow the GDP for Haitians and actually help them sustain. That's what we're talking about when it's economic diplomacy. It's actually, I would say, a pragmatic trade policy.

● (1135)

Mr. Pablo Heidrich: Reallocating resources from one part of diplomacy to the other is something that for me is overly risky. It doesn't correspond with international practice. Most countries do have a political side that's not necessarily commercial and they don't have any commercial concerns on their political agenda.

There are countries like China, for example, that have a policy that is very much commercially branded, but China has a totally different structure because most Chinese companies are state-owned, directly or indirectly.

Mr. Erin O'Toole: Speaking for the commercial side, though, again, for our main competitors, and I mean our competitors also being our allies and friends, the U.S., the U.K., France, countries like that do advance economic diplomacy. Are we not in many ways just catching up to doing what most of our major developed competitors and allies are doing with respect to their foreign policy?

Mr. Pablo Heidrich: I think you are very much at the same level in terms of trade diplomacy. What may be lacking in the case of the Canadian economy is there are maybe more domestic policies that need to be changed to support Canadian companies from Canada in a more effective way, but I don't see it that much on the trade side, on the trade diplomacy side, what you need it for.

The Chair: Thank you.

Mr. Pacetti.

Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.): Thank you to the witnesses.

My first question would be for you, Ms. Campbell.

Seventy-three per cent of our trade is with the U.S. You seem to be advocating, or for the better part of your presentation you were advocating, for more trade with the U.S. and less so with other countries. Is that what I understand?

Dr. Ailish Campbell: No. My fundamental point is this: because of the primary relationship that our businesses have with U.S. customers, with the foreign affiliate presence and sales, with the investment that goes between our two countries, we have to get that relationship right. If that relationship is not functioning at its highest and most effective level, the global market action plan is not delivering on the opportunities that are available to Canadians.

My message is to grow trade with the entire world. My message is also about diversification, particularly, for example, in energy. As this committee well knows, diversification to additional markets for our energy products would be the top thing that we could do to increase not only our terms of trade, but also our total exports.

Mr. Massimo Pacetti: When it comes to the U.S. market, you want to perfect that relationship?

Dr. Ailish Campbell: Absolutely.

Mr. Massimo Pacetti: Yes. Okay.

When you talked about some of the countries that are non-TPP, for example, India, Indonesia, Hong Kong, China, is that also a priority for your group, or is TPP a priority? How do you rank it? How do you determine what is a preferential market?

Finding an agreement with China, I think, would be a huge challenge, whereas with TPP, given the fact that they've already undergone various rounds of negotiations, it would probably be easier to focus on some of the countries within the TPP. What's your viewpoint on that?

Dr. Ailish Campbell: I think we have to do both. I think our trade negotiating teams are capable of doing both.

Mr. Massimo Pacetti: That's not a good answer.

Dr. Ailish Campbell: Not only is it a good answer, I think it's an essential answer for the future prosperity of Canada.

TPP holds out an opportunity with Japan. It also holds out the opportunity to refresh our relationship with the U.S. and Mexico. As you know, we're not renegotiating NAFTA. It's going to increasingly be outpaced by new generation agreements like the Canada-EU deal.

If we look at our empirically driven trade statistics and where our businesses are trading and where we're establishing new markets, China is our third largest import and export relationship. In fact, it's our second largest source of imports, and the absence of a more sophisticated relationship is a huge gap in our trade policy.

It's hard, but our competitors have done it. Australia has a strategic dialogue with China that depoliticizes the leader's annual visit. It just becomes an annual piece of business. As the world moves more and more to if not a G-0 then a G-2 world where both China and the U.S. are incredibly important in their spheres of influence, having that regular relationship with China would be important.

New Zealand has seen its agricultural exports to China increase fivefold since its free trade agreement with China. So, it's hard, but we need to do it.

● (1140)

Mr. Massimo Pacetti: Thank you.

I have a quick question, or maybe a few, for Mr. Heidrich.

I think you're dead-on with the competition problem in Canada. We've talked about it, whether it's a competition problem, a productivity problem. Are we focusing too much on the U.S.? Has it been too easy for us and all of a sudden it became difficult for us to change strategy, which countries to deal with? Did we suffer because of the U.S. being in a recession? Are all our eggs in the wrong basket, or in the correct basket?

Mr. Pablo Heidrich: Yes, the global geography of trade and economic power is changing in such a way that it may not return to what it was before. Yes, Canada is next to the U.S., and as such, it has had a very deep commercial relationship with the U.S., and as Ms. Campbell just explained, it remains a very significant relationship for Canadian exporters. However, if Canadian exporters are going to succeed, yes, Canada has to diversify its markets, particularly toward emerging economies that are the most dynamic and are most likely to remain the most dynamic in the future. That presents very much of a challenge to how Canadian businesses are structured. I observe a certain culture in Canada; it needs to become much more global.

Mr. Massimo Pacetti: I agree.

Mr. Pablo Heidrich: Certainly our embassies and our trade commissioners are doing a very good job, but to be more successful, I think there is a lot of experience to be learned from other countries.

Mr. Massimo Pacetti: Is that my time?

The Chair: Thank you very much.

Mr. Cannan, the floor is yours.

Hon. Ron Cannan (Kelowna—Lake Country, CPC): I've been on the committee for just over eight years. In 2006 we had trade agreements with five countries, and now we have 43 and we're continuing to expand. So we have been relying on the United States, and Prime Minister Harper and now Minister Fast have been aggressively pursuing other markets because of the need for diversification.

It would be appropriate to call you Dr. Campbell. You have an Oxford doctorate. Congratulations. I appreciate your being here again, both times as a witness to our committee.

Dr. Campbell, in your comments, you talked about four priority areas. You talked about the strong positive relationship with the United States, and my colleague Massimo just said it's 73% of our trade. It has gone down from about 85%, so we're diversifying there. We have continued to build initiatives as vice-chair of our Canada-U. S.... The chair of our committee has been working hard with the U.S. trying to break down some of these buy American and country of origin restrictions, the COOL projects the Americans have put in place. We have been working on implementing CETA. Was it number two, number three? You talked about the Asia-Pacific TPP, and of course the Korea agreement was just announced in March, and emerging markets.

One of the goals of GMAP is to align Canada's trade promotion resources to help Canadian companies take advantage of opportunities in high-growth emerging markets. Do you think this is a good approach?

Dr. Ailish Campbell: First of all, I think it's ambitious and I like that. I like the fact that we have to get more aggressive about emerging market opportunities. I think that anything we can do on building relationships more broadly with Congress in the United States is important. Parliament and Congress relationships are incredibly beneficial; all party relationships and deepening relationships at the governor level, the state level, are also essential. I commend the chair of this committee and others for their work with the U.S. and with the states in the U.S. and with their political contacts of all political stripes. I'd like to know a little more about the consular service in the U.S. before I comment on it.

I've taken a look at the departmental plans—I can't get all the acronyms right—the departmental plans and priorities and reports to Parliament. You know the acronyms better than I do. We have some macro numbers but, for example, I don't have the head count numbers to let you know whether the footprint has changed and what impact that has had.

I can also tell you that as we move into emerging markets, two things are important, I think. First of all, local knowledge and business acumen in those markets are going to be critical. We need to leverage business associations and the Canadian diaspora communities that know these markets well, to develop plans to succeed in those markets.

Second, I talked about head count but more and more we should be applying our digital tools effectively. We should be using the DFATD website. It can be difficult to navigate. I'd suggest that might be improved in the first instance to allow more effective communication with firms of all sizes. Some of these things don't necessarily need more money, but they need us to be more focused and more effective, and to have the right individuals with the right talents in place to operationalize the GMAP.

● (1145)

Hon. Ron Cannan: Thanks.

You talked about diversification and broadening trade, and I couldn't agree with you more on the philosophy that a rising tide lifts all boats, both from emerging markets and from Canadian companies. One of our government's goals is to ensure that Canadian companies have the support to succeed abroad. We've heard from other witnesses that only 18% of Canadian businesses and SMEs are exporting, so we're trying to encourage more export opportunities.

Do you think using economic diplomacy as a key driver will help encourage opportunities for Canadian businesses to succeed abroad?

Dr. Ailish Campbell: I think another member of this committee said that it's a practical way of doing business; it's a pragmatic policy. I would have to say that I find the supposition that we would have a firewall between our political and economic diplomatic resources to be unsophisticated and ultimately would not deliver on Canadian interests.

I also think the idea that firms don't care about human rights in the countries that they operate in is also startlingly naive. Firms believe in human rights, because not only is it the right thing to do, but they are also obliged to by domestic and international laws. They have employees that are also fully embedded in those communities as business leaders. Those who run operations in emerging markets live in the very markets in which they are operating, so they care as citizens if not participatory members of society. I think the naive division between political and economic policy is no longer realistic, if it ever was.

Having spent 10 years in the public service, and it was my great honour, at one point, to be a public servant in the Department of Foreign Affairs, I don't know a single Canadian ambassador who didn't understand both his or her political mandate as well as the economic interest that he or she may have the opportunity to deliver on.

I don't think there's a single Canadian firm that would question, for example, that there's such a thing as a national interest and a Canadian public interest, and that certain values we all hold as Canadians are above and beyond and far more important than the interests of any one firm. There isn't a single CEO in our organization that would question that principle and that would not endorse, for example, the Canadian diplomatic community's acting on important human rights issues as well as the basic and important developmental needs that my esteemed fellow witness has pointed out, for example, in sanitation, maternal health, or education. These are not mutually exclusive goals, and I reject wholeheartedly the thought that our diplomatic assets, our ambassadors, are not sophisticated enough to understand at what point they have to act on these various interests.

The Chair: Your time has gone, and I don't think you can do justice to your question or the answer in 10 seconds.

Hon. Ron Cannan: I want to thank Dr. Campbell for that succinct answer and also for her service. I know she worked for Industry Canada and is a great asset to Canada and will continue to do great work.

Thank you.

The Chair: Thank you very much.

Madam Liu, go ahead.

Ms. Laurin Liu (Rivière-des-Mille-Îles, NDP): Thank you to our witnesses for their articulate testimony. Both of you also testified during our study on Honduras and Canada. Concerning the previous point on human rights, I think it's true that no company goes into a country wanting to necessarily violate human rights, but in a country like Honduras where there's no strong judicial system, I think there are problems in Canada's signing trade deals with these types of countries.

Mr. Heidrich, I'd like to go back to a question that my colleague asked Ms. Campbell and give you a crack at it, concerning the line found in the GMAP, "to modernize existing FTAs to maximize the benefits to Canadian workers, exporters, businesses and investors."

In your view, Mr. Heidrich, do you believe that there is enough evidence to show a causal link between FTAs and wealth creation and productivity gain or employment?

● (1150)

Mr. Pablo Heidrich: No, there is no causal relationship between signing FTAs or even bilateral investment treaties and getting increases in your country's productivity or competitiveness or number of jobs or average real wages. It depends on what you do with the rest of your policy toolbox.

If you have the ability and the know-how to have effective policies to supplement an FTA or a BIT, then you might get those results. I think FTAs and BITs are instruments of policy that provide opportunities for those things to happen, but they are not sufficient elements or sufficient conditions for that to happen.

For example, you mentioned the case of Honduras. I very much disagree that Honduras will have the public policy capacity to benefit in a substantial manner.

What happens is, if you sign an FTA between country A and B, and A has a very capable toolbox of policy-makers and so on, it may benefit very much from the FTA, and country B may not because it doesn't have them. But FTA is sort of the easy part, or the BIT is sort of the easy part of it.

Ms. Laurin Liu: Thanks.

I also read with a lot of interest your article, "Trade Policy of Trading Places", which came out on December 19. In the article you mentioned, "If Canada wants a more balanced and sustainable path of growth through exports, it should be concentrating on promoting struggling—yet important—sectors...". Then you go on to list a few sectors such as pulp and paper, auto parts, and telecommunications technology.

Could you expand on why this is important and the ways in which Canada could encourage these sectors?

Mr. Pablo Heidrich: One of the reasons Canadian exports overall have not increased as much as those of other countries is that our basket of tradable goods has changed substantially in the last 14 or 15 years. We have become much more an exporter of natural resources, and much less an exporter of manufactured goods. That has to do with increasing investments and expansion of the oil sands, and also the mining industry and potash. It also has to do with the overall increase in the value of the Canadian dollar, and the heightened level of competition from other countries, particularly from China, but also from other east Asian countries, and also from some Latin American countries, which are direct competitors with Canada inter-market. That has reduced Canadian exports of manufactured goods in real terms.

Ms. Laurin Liu: You also mentioned in the same article that Canada's main exports sell themselves. Could you expand on that point?

Mr. Pablo Heidrich: Sorry, could you say that again?

Ms. Laurin Liu: You also mentioned in the same article that Canada's main exports, namely natural resources, sell themselves.

Mr. Pablo Heidrich: Exactly, yes. This point is that most of Canada's exports are natural resources, and natural resources for the most part do not need much of a trade promotion diplomacy. People buy oil because they need oil. Most countries in the world don't have tariffs on oil, or silver, or gold, or uranium, but they do have them on textiles, on technology goods, and on engineering services, which are things that Canada also exports and could export more of. That would change the Canadian economy and make it more sustainable and more equitable.

Ms. Laurin Liu: I just have a quick question for Ms. Campbell, if —

The Chair: Sorry, your time has gone. You have four seconds and I know you can't do a question and answer in four seconds.

Mr. Shory, you have the floor, sir.

Mr. Devinder Shory (Calgary Northeast, CPC): Thank you to the witnesses.

Ms. Campbell, I hear you loud and clear, and to an extent I agree with you when you talk about the importance and strength of having a stable and strong relationship with the United States, and also focusing on diversifying our trade relations to other emerging markets quickly as well. In my view, no matter how diversified we become, the United States will still remain our largest trading partner. Being in the vicinity it's very important to have a good relationship with our neighbour as far as trade is concerned.

I also was looking at the Canadian Chamber of Commerce's recent report that you mentioned, "Turning it Around: How to Restore Canada's Trade Success". I was reading the introduction which talked about barriers and how Canada needs to take measures to improve its productivity and transportation infrastructure, and how Canada also needs to open new markets with free trade agreements. My colleague, Mr. Cannan, mentioned our ambitious pro-trade agenda where we already have negotiated or concluded agreements with 38 new markets, so that answers that question.

The report also has many recommendations for improvements under four themes. I was attracted by the fourth theme, which talks about incorporating the private sector into Canada's international development strategies. By the way, on that issue, I was just reading that this morning, Minister Fast , when speaking to the Canadian Chamber of Commerce, has named the advisory panel to help update global commerce strategies.

Also, in the past I've been in consultation with stakeholders, including the private sector, which has been very active in my view.

I want to read from one of the press releases by your organization this past November:

> By identifying economic diplomacy as a key to advancing Canadian commercial interests, the federal government is ensuring Canadian companies have the support to succeed abroad.

Why is economic diplomacy so important for Canadian businesses? How do businesses put it to good use? Of course, I imagine that it goes part of the way in creating opportunities for businesses. What should businesses, the private sector, be doing to take advantage of the opportunities created by the global market action plan? Again, the Government of Canada is signing and concluding agreements—

● (1155)

The Chair: You've gone three minutes on a question. I'll give you two minutes on an answer.

Mr. Devinder Shory: I have only five?

The Chair: Yes.

Dr. Ailish Campbell: I would say that the economic diplomacy theme requires the business strategies of our Canadian firms, of all sizes, to be oriented towards growth markets.

I know members of this committee travel widely in Canada in your constituencies and through your committee work. I would urge you to have one simple question that you ask all firms that you meet, which is, "What is your plan to go into new markets?" A supplementary question might be, "What are the tools that the government needs to help you with that plan?" If the business doesn't have a plan, that's a management failure. But if it does have a plan then, in Canada today, the financial tools of our incredibly solid banking system are there.

We're already an incredibly open market, and I'd like to see it become more so. I'd ask them, for example, do they have the talent they need? Is there a specific talent that they need to partner with local educational institutions to develop? Do they need to find that talent and either connect to it digitally, bring it in on a temporary basis, or partner with it to build a facility in another market?

Basically, we have been impressing upon our firms—and, in fact, they're market leaders—to have a strategy for Asia. More specifically, does China figure in their plans, given that it's a market of a billion people? And India, for example, because it's such a large growth market...but this is a country that's been rated, perhaps, as ranking 120 out of 150 countries as the most difficult place to do business. It doesn't benefit from the same, I would say, rule of law, lack of corruption, and more straightforward ways of doing business that Canada does. In that sense, our diplomatic assets are essential to help Canadian firms navigate the complexity of these markets, particularly the bureaucratic elements of importing and exporting to these markets.

Thank you.

The Chair: Very good.

I want to thank the witnesses for coming forward. You're always well briefed and very informative to the committee when you come. Accept our thanks on behalf of the committee.

With that, we'll suspend as we set up our next panel.

● (1155)

(Pause)

● (1200)

The Chair: We'll call the meeting back to order.

We have our second panel with us.

We have in the room with us, from the Aerospace Industries Association of Canada, Mr. Quick, president and CEO.

By video conference we have Duncan Cameron from Quebec. I would just say to you, Mr. Cameron, I apologize for having to cancel last Thursday's meeting. I understand you drove down from Quebec City. I hope the drive was good, but I do apologize on behalf of the committee for not being able to facilitate you at that time.

Just to check, is our sound coming through okay?

Dr. Duncan Cameron (As an Individual): Very fine, thank you.

The Chair: Okay, you can hear us, and we can hear you, so we will proceed.

We'll start with Mr. Quick. The floor is yours.

Mr. Jim Quick (President and Chief Executive Officer, Aerospace Industries Association of Canada): Thank you, Mr. Chairman, and honourable members.

The Canadian aerospace industry is the fifth largest aerospace industry in the world. It's made up of over 700 Canadian companies coming from every province and every region of the country. We are responsible for employing roughly 170,000 Canadians. Our industry generates $42 billion in annual revenues and we contribute about $27 billion a year to our GDP.

Aerospace is a very global industry. Of the aerospace revenue, 80% comes from exported products that are destined for locations across the globe, from the United States, to Europe, to China, Russia, the Middle East, and Latin America, to give a few examples. Out of those exports, 60% go directly into the global supply chain.

In 2012, the Government of Canada asked the Honourable David Emerson, the former industry and international trade minister, to lead a review of all government programs and policies related to aerospace aimed at increasing Canadian global competitiveness, which included several recommendations related to international trade.

The global markets action plan, or GMAP, which was introduced in 2013, contains direct responses to Mr. Emerson's recommendations. Every section of GMAP contains elements that will help enhance our industry's international business development. What I'd like to do today is briefly highlight some of the key elements of GMAP and explain what these initiatives mean in the context of the Canadian aerospace industry and our global market access and business development strategy.

Canadian aerospace markets can be divided into two categories: established markets, such as the United States and European Union, and emerging markets, like Asia Pacific, Latin America, the Middle East, and North Africa.

As emerging markets continue to grow, we expect that demand for aircraft will exceed domestic supply. As a result, we believe that public policy should focus on viewing emerging markets as a net opportunity rather than a threat to Canadian aerospace manufacturing

. AIAC's market access strategy combines a commitment to continuing the strong business relationships we have with developed nations over the past decades with the establishment of global aerospace partners, with a strong focus on capitalizing on the many new opportunities that exist in emerging markets around the globe. The balance between established and emerging markets aligns very closely with the priorities set out in GMAP. That's the industry priorities, I should mention. In fact, many of the key markets identified in GMAP are also priority markets for the Canadian aerospace industry, including markets like China, India, Brazil, Mexico, UAE, Russia, the United States, France, Germany, the U.K., and Japan.

In one of the key recommendations of his report to government, Mr. Emerson noted that it is a common business practice for foreign diplomats and senior political officials to aggressively promote their countries' industrial capabilities and interests as part of diplomatic negotiations and relationships. David wrote, "...governments have taken notice of Canada's relatively passive approach and have sometimes interpreted it as a lack of enthusiasm for, and commitment to, Canadian products."

We are very pleased that Mr. Emerson's recommendation to strengthen Canada's approach to economic diplomacy was included in GMAP. We are confident that this critical change in the approach in the way we do business diplomatically will be of direct benefit to Canadian aerospace and, ultimately, our ability to drive revenues, employment, and contribution to the Canadian economy. Canada has significantly upped its game in this regard, and we must continue to emphasize these kinds of measures to be successful globally.

Another key component recognized in GMAP is the trade commissioner service. AIAC and our members are primary users of the trade commissioner service, and we have developed an incredibly close relationship with trade commissioners all around the world as part of our international business development activities. Trade commissioners are a vital on-the-ground resource for our members who are looking to expand their global presence or navigate the details of doing business in foreign countries. In addition, the TCS has worked very closely with AIAC to facilitate industrial participation in targeted trade missions and key industrial trade shows, including bringing foreign delegations to our own aerospace summit here in Ottawa.

As a long-time supporter and beneficiary of the trade commissioner service, we commend the government for including the trade commissioner service in GMAP. We can say with absolute certainty that when it comes to Canadian international business, the trade commissioner service is one of the most essential tools that we have in our tool box. Particularly the commitment in GMAP to focus on the trade commissioner service in key sectors in key strategies, including aerospace, will only help them be more effective in executing their mandates going forward.

● (1205)

GMAP's commitment to attracting foreign direct investment, FDI, is also critical to Canadian aerospace. FDI offers our industry an opportunity to fill the gap that currently exists between our own supply chain, the large OEMs, and smaller companies that manufacture parts and systems. As we move forward, it will be very important to ensure we attract investment to Canada in such a way that we are augmenting existing Canadian supply chain capability.

Economic diplomacy also means promoting our innovation capacities and capabilities. Canada leads the globe in the aerospace industry in several key niche areas, including business jets, engines, landing gear, and simulation, just to name a few. Almost all of those are tied closely to our ability to innovate. In fact no other industry in Canada invests more in R and D than aerospace does. Twenty per cent of all of our activity and $1.6 billion of our activity in 2012 was in R and D.

Innovation is essential to our competitive advantage, especially when competing with emerging players who don't have the same innovation capacity and heritage. Thanks to GMAP, we are already seeing our doors open on this front. This fall the Canadian aerospace companies will be able to participate in the EU's Horizon 2020 initiative, a significant opportunity for our companies to develop new research and technology development in partnership with the EU.

GMAP also prioritizes trade and trade-related agreements, another focus of the Emerson report. As Mr. Emerson noted, for an industry heavily reliant on exporting products at competitive rates, multilateral and bilateral agreements that support free trade and access to priority markets are absolutely critical.

The recently concluded Canada-Korea free trade agreement is an excellent case in point. When Korea signed the FTAs with the United States and the European Union, Canadian aerospace companies were disadvantaged. We saw our exports to Korea drop by 80%, from $180 million to roughly $35 million in 2012. Our agreement with Korea eliminates the current tariffs up to 8%, creating a level playing field for our companies. As a result, we are confident we will be able to make up our lost market share and increase our presence in Korea and the Asia Pacific more broadly.

As innovation leaders who employ tens of thousands of Canadians in highly skilled, highly paid jobs and contribute billions to economic development each year, we believe we are in a critical sector for the Canadian economy. We were very pleased to be recognized as such as part of GMAP.

Major global integrated industries, such as aerospace, with a significant stake in international market access and trade issues will be at our most competitive when industry and government work closely together to develop targeted strategies that help us use our competitive edge over our competitors.

Ultimately the long-term success of Canadian aerospace is linked with Canada's trade and market access policies. As you've heard, the priorities outlined in GMAP are closely aligned with those of the aerospace industry's overall market access and development strategy. In particular, they reflect the key recommendations outlined in Mr. Emerson's report on competitiveness for the global aerospace industry.

The report makes it clear it is possible for government and industry to be closely aligned when it comes to creating opportunities for Canadian businesses to thrive. We believe GMAP demonstrates this kind of collaboration and the success that can result from it.

● (1210)

The Chair: Thank you very much.

We'll now move to Mr. Cameron. Mr. Cameron, you come from an academic perspective. The floor is yours, sir.

Dr. Duncan Cameron: Thank you very much.

It's a great honour for me to present to a House of Commons committee. In fact, there's really no greater honour for a citizen than to have the chance to speak to our representatives.

My observations here are based on Canadian economic history. I think I share an interest with the rest of the people in the room for creating a better quality of life in Canada: good jobs, sustainable growth, and shared prosperity.

For reasons I hope to make clear, I'm out of sympathy with Canadian trade policy and have been for about 30 years, for reasons that are similar to those that led the late associate deputy minister of international trade, Minister Mitchell Sharp, who was my boss when I joined the Department of Finance in 1966, to oppose the Canada-U.S. agreement. For the same reasons that led him to oppose the Canada-U.S. agreement, I also opposed it. My preferred approach is multilateral trade, sectoral-based. I have problems with a trade policy that is industry and trade association driven, and I also have trouble with bilateralism.

I want to make three brief points: first of all, that trade policy needs to follow economic policy and needs to follow the kind of industrial policy that David Emerson was talking about in his report, not drive it; second, that trade policy is fundamentally about investment—Canadian investment and Canadian industry—and not about exports; and third, that bilateral trade negotiations are costly because we have to give up more in head-to-head negotiations than in multilateral negotiations, and in multilateral negotiations we get the benefits of what anybody else manages to negotiate.

My first point is really something that was clear to me when we negotiated NAFTA. I was in Mexico about three times to talk with the Mexicans. For a company to be successful in Mexico or anyplace else, it needs a desirable product. It needs a client. It needs financing. It needs infrastructure to deliver its goods on time. As important as trade strategy might be, it can't do any of these things.

Trade agreements do not create the conditions for good business-government relations. The former chief economist, Dan Ciuriak, from international trade, has talked about the “sunk costs” that are required to trade and how steep these are for many small and medium-sized businesses. Exchange rate fluctuations create great risks and perhaps temporary opportunities.

Successful economic policy requires companies that normally have a strong presence in the home market, with the possible exception of the entertainment industry, where you start abroad and then become successful at home. Trading companies are companies that have a strong research and development base, domestic manufacturing, superior transportation facilities, green production practices, safe working conditions, and good relations with their trade unions. Those kinds of companies should be the objective of Canadian economic policy. With those companies, we have a chance to be successful internationally.

My second point is that it's commonly said that exports create prosperity, which is true. But if that's true, does that mean imports destroy prosperity? My reading of the global markets document is that it has much in common with the doctrine known as mercantilism. Mercantilism said that if you have a strong presence internationally, you can accumulate what at the time was gold and now would be profits from exports, and that's what equals prosperity.

Now, Canada has profitable corporations. In fact, the retained earnings—the cash on hand, the “dead money”, as Mark Carney called it—now exceed the national debt in Canada. I'm not sure how that benefits Canadians directly.

When I look at exports, what I conclude is that in fact we export in order to import. We can build television sets here, or we can grow wheat and buy television sets with the proceeds. So why would we trade at all unless we gained value from imports? Canada became a very rich country by exporting goods with a low labour content, such as wheat and oil, and importing goods with a high labour content, like consumer electronics. We've paid a price for this, in that our unemployment rate has persistently been higher than it probably should have been, and certainly was, compared to the United States.

● (1215)

Moreover, if we become very export orientated, we become very vulnerable to downturns in the export market. If you go back, from the time of the fur trade, every successive staples product that Canada has exported—and we've become very profitable in doing that—has culminated in some kind of a major downturn. The most dramatic was the 1930s, when we lost our world market for wheat. There were 50% of the people in Saskatchewan who lost their employment prospects, and farmers started the On to Ottawa Trek.

The basis of exports is investment, and quite often in Canada we've had large foreign investments, like in bitumen today. Those foreign investments have to be serviced by sales abroad, which require pipelines, facilities, and strong markets. If those markets, for whatever reason, dry up, then it becomes impossible to service the costs of those investments. The entire industry gets into deep trouble, and the entire Canadian economy gets into deep trouble.

To build an economy around growing exports as a share of GDP is to make yourself increasingly vulnerable to world economic conditions.

All the members of this committee will be familiar with the Canadian current account deficit, which turned negative in 2008. It was about $60 billion last year and the year before, and has totalled about $275 billion for the last five years. It is our deficits and services and investment income, of about $25 billion each, that explains this, and this issue needs to be addressed in the trade strategy document. How do we deal with our current account deficit?

What we are doing now is allowing the Canadian dollar to sink, which will help to balance the external accounts. Of course, it decreases the Canadian standard of living at the same time. Canadian resource exporters will get more in Canadian dollars for their foreign currency sales at the same price, but also mergers and acquisitions—*Maclean's* magazine was talking about it this morning—will go up as well. People in Hamilton will remember when U.S. Steel bought up Stelco, it promised to maintain 3,000 jobs, and then it shut down the steelmaking operations. Now it looks like they're going to wind up the economy.

We have problems that are linked to foreign investment when it comes to the export sector, and in fact when it comes to the domestic economy. We've entered a world of footloose corporations. They are eager to seek out the lowest possible cost for labour, and to adopt measures such as importing temporary workers, or depressing wages through cuts to employment Insurance, or, as was done in the 1995 budget, eliminating the Canada assistance plan and therefore federal dollars going into welfare. Those measures may serve to reduce Canadian wages, but they don't necessarily make the Canadian economy stronger or create more for exporters.

The bilateral treaties that Canada signed with the U.S. provided American companies with what they were seeking in protecting overseas investment, opening up services, trade, protecting intellectual property rights, and gaining the right to sue Canadian governments. I'm not so sure that Canada has done that well. We still have the same protectionist legislation. We gave up a lot of strategic tools for upgrading and processing raw materials. We gave up government procurement. We gave up export taxes. We gave up sector-specific programs, other than in national security or, ironically, energy.

I read Jean Chrétien's memoirs, and he talked about the low-cost industrial strategy of tourism. Well, our free trade partners now require American citizens to return to the United States carrying a U. S. passport, and that has hit the Canadian tourism industry—those foreign exchange earnings from tourism—quite badly. I live in Quebec City. The American tourist hotel, Hôtel Loews Le Concorde, is closed, and Quebec City is a world-class tourism destination.

With regard to bottlenecks, trade treaties don't build you a bridge to Detroit, and they don't build you a Keystone XL pipeline, it seems, either, so I'm going to argue that trade policy has to be based on a strategy of ensuring investment in Canada. Canadian investment, for most world product mandates, has worked for the aerospace industry, as David Emerson pointed out in his report; they don't seem to have worked as well in other sectors, which is too bad.

● (1220)

Finally, if you'll allow me to indulge, I just want to talk a minute about multilateral trade agreements, which Canada really invented in the 1930s prior to the Second World War, in the Ottawa Agreements.

The failure of the International Trade Organization to get through Congress meant that we ended up with the General Agreement on Tariffs and Trade, and after the Second World War, industrial tariffs were in the 50% range. We negotiated those down to a much lower —less than 10%—range when we were into the bilateral negotiations. In those negotiations, because Canada had 80% of its exports going to the United States, and it was taking about 60%—and now 50%—of its imports from the U.S., when we sat down to negotiate, most of our concessions were made to the United States, and we had to make major ones in order to increase our market share in the United States.

Then the Americans, 20%—and now 15%—of whose market came to Canada, had to sit down, negotiate, and give concessions on 85% of their domestic market to other countries. Under the most favoured nation policy, Canada got every one of those concessions, irrespective of the amount we had to pay to get concessions on our bilateral.

I would just conclude by saying that the benefits of multilateral trade in negotiating with other countries are considerable, and that should be the priority for Canada's trade policy.

Thank you very much.

● (1225)

The Chair: Thank you very much.

We'll now move to questions and answers.

We'll start with Madam Liu.

Ms. Laurin Liu: Thanks to both of our witnesses.

Thank you, Mr. Quick, for coming into committee. I know you come in quite often, so thank you for that.

Thank you, Mr. Cameron, for your articulate testimony.

I'd like to start off with Mr. Quick.

Last week we heard from Ms. Joy Nott of the Canadian Association of Importers and Exporters, who talked to us about the complexity of supply chain integration. Considering that close to 60% of Canada's aerospace product exports are intermediate outputs supplying global supply chain activities, and you mentioned this in your presentation as well, how can the government facilitate this sector's performance on value chains?

Mr. Jim Quick: In my view, they're doing it by responding to David Emerson.

One of David's recommendations was to create a national supply chain initiative. The government is working with us right now to work out what the final details of that national initiative will look like.

This is really designed towards having small and medium-sized businesses being mentored by larger businesses, to get them ready for the global supply chain. This is probably the single biggest initiative we can undertake to help small and medium-sized enterprises in Canada become global supply chain ready.

Ms. Laurin Liu: Does the GMAP address this issue? In what other ways is the GMAP addressing international trade issues related to the aerospace sector?

Mr. Jim Quick: When you look at the different elements of the GMAP, things like free trade agreements do have a positive impact on small and medium-sized enterprises. They open up a market for them that they traditionally would not have. I think that would be one of the direct things.

The emphasis on economic diplomacy will help small and medium-sized enterprises. We see world leaders across the globe going with their industry into other markets and sealing deals on aircraft and aircraft products, and this will be a great help.

The planned trade commissioner service will be a tremendous help to small and medium-sized enterprises. Our industry works very closely with the trade commissioner service, and we're probably one of the largest users of it. Companies come back to me all the time saying that they have a new partnership agreement as a direct result of what they've been able to do through trade commissioners.

Ms. Laurin Liu: Thanks. I know there's a lot more to say on that topic, but unfortunately my time is limited, and I want to move to Duncan Cameron.

We've heard a lot from witnesses about what economic diplomacy means. This, notably, as you mentioned, is something that's been criticized, and is an issue that many critics of GMAP have had. Could you give us your understanding of what economic diplomacy means and what it means for Canadians?

Dr. Duncan Cameron: First of all, the trade commissioner service is a very valued and independent operation, but it needs to be seen in conjunction with the work of our Canadian embassies abroad, which includes political reporting. Our political analysts are very important. If we have mining operations in countries that are dangerous for the Canadians working there, or if we have mining companies that are planning on investment in a country that is politically unstable, we need specialists who can talk about human rights violations in that country and who can assess for the Canadian government what the actions of Canadian companies are abroad.

Economic diplomacy is just one aspect of what we expect. We have immigration people who look at potential immigrants to Canada. We have development assistance people, people whose primary interest is increasing the capacity of countries to reduce poverty and to meet basic needs for education, health care, water, and so on. We've had programs of Canadians going abroad and of students from other countries coming to Canada. These require specialist people, specialists in their national development. It would be a huge mistake to throw away our political specialists, our immigration specialists, and our international development specialists and say that the only purpose of Canadian embassies abroad is to promote Canadian business. That's simply much too narrow and it's wrong, simply.

● (1230)

Ms. Laurin Liu: In one of your articles that came out on December 3, 2013, you say on the same topic, “Canadian embassies will now become a branch of Canadian industry”. Then you go on to say, “The issue of how 'Canadian' are foreign-owned firms which dominate some of these sectors...”—where Canadian firms are said to be world leaders—“and how much foreign firms intend to go abroad for Canada, create jobs here, and remit profits here, is ignored.”

Could you expand on that idea of what Canada stands to benefit?

Dr. Duncan Cameron: When Canada signs a foreign trade agreement, what we're essentially doing is we're giving foreign companies and competitors for Canadian companies rights in the Canadian marketplace. We're saying to them, “You can come to Canada and be treated like a Canadian company. You can have access to the same benefits that Canadian taxpayers are providing Canadian companies.” If they come in and end up in the retail sector destroying Canadian small businesses and small towns because it's a Costco or a Walmart or something, well, we're paying for that through those trade agreements where we've given those rights away. We haven't provided to our Canadian companies the kind of support they need to be able to compete in their own market.

I watched Jean Chrétien do these Captain Canada tours around the world. What he was really doing was he was attempting to create Canadian economic activity outside of Canada, exporting Canadian capital and exporting potentially Canadian jobs into other countries. That's what those countries are doing when we sign foreign trade agreements with them: they're looking for investment rights in Canada; they're looking to have their intellectual property rights protected; they're looking to have privileged access to the Canadian market. When we signed a bilateral agreement with the U.S., they wanted better access to our market than the Europeans got or the Japanese got.

This is a very dangerous game when you have a population of 30 million.

It's not a game that you can win.

Ms. Laurin Liu: Thanks. You also mentioned the issue of—

The Chair: I'm sorry, I thought I indicated to you that your time was gone.

Ms. Laurin Liu: All right, thank you.

The Chair: Mr. Hoback, the floor is yours.

Mr. Randy Hoback (Prince Albert, CPC): Thank you, witnesses, for being here this morning. It's great to talk to you. It's always good to have debate with people who look at things in a different light. It's always interesting to try to understand where they're coming from. I try to take a broad approach in how I look at things.

Mr. Duncan, you talked about the difference between multilateral and bilateral trade agreements.

I come from the agriculture sector. I come from Saskatchewan. One of the problems we've had with multilateral agreements, of course, has been the supply management sector and how, as soon as we enter any multilateral agreement, that always comes onto the table; whereas in the bilateral agreements that we've been doing around the world with Minister Ritz and Minister Fast, we've actually been able to get great market access for our beef sector, great market access for our canola, for our grains and oilseed producers, without doing any type of compromise on our supply management sector.

How can you square that round peg in such a way to say that we shouldn't do bilaterals when in fact, if we had not done bilaterals, we would not have gained that market access for the canola or beef sectors, and would have actually had a situation where the Americans would be beating us to those markets?

Dr. Duncan Cameron: Thank you very much for that very well-thought-out question.

My father was born in Biggar, Saskatchewan, so I have a lot of affinity with Saskatchewan farmers. At the moment I'm in Quebec City, and when I go to avenue Cartier to do my shopping, I find a wonderful selection of Quebec cheese. Some of the Quebec cheese producers are not nearly as happy about the kind of access we're going to get to other markets and not quite as happy about the competition that we're going to face in our own market.

I believe that in the agricultural sector, we have to operate on a sectoral basis. But we had great success as part of the Karen group in providing for concerted measures to restrain what would be used to promote exports of grains worldwide.

The United States runs a cheap food policy. What it does is it then subsidizes its exports into markets in which we were competing with them. It makes it very difficult for us to do that. In fact, the way we competed was we went into their market, because we could compete in the U.S. market. We were having trouble against them in third markets.

I think having a sectoral basis, talking to the Europeans who have their common agricultural policy but who wants to produce good quality food on a sustainable basis, having those discussions with other agricultural companies is what we should be doing.

● (1235)

Mr. Randy Hoback: I would argue that point is—

Dr. Duncan Cameron: Then do it multilaterally—

Mr. Randy Hoback: I guess I'll just stop you right there because I only have—

Dr. Duncan Cameron: —and not have to trade agricultural gains against—

Mr. Randy Hoback: I'm sorry, I only have a few minutes, Mr. Duncan.

The argument I make back is because of bilateral agreements, we've been able to do exactly what you said. We've been able to be more sector by sector in our approach to doing things.

The other question that you talked about is the collapsing of markets that we do business in. A good example would be in 2008, when the U.S. market collapsed for a variety of goods that Canadians shipped into the U.S. Now the answer to that was, of course, to look for other markets. At the time, we hadn't done a lot of bilaterals. We had put all our faith into the multilateral World Trade Organization-type talks. The results of that were basically nothing. They became so cumbersome and awkward that they couldn't produce results.

When you looked at what happened with the U.S. economy and how things had gone sour in 2008 and 2009 with the global recession, our Canadian businesses were saying, "Where are you, government? Why haven't you done more FTAs into Asia? Why haven't you done more FTAs into Europe? What have you done to give us this market access so we can ship our products to a wider range of customers, so we don't have to be solely reliant on one customer, that being the U.S.?"

How do we respond to that?

Dr. Duncan Cameron: If you go back to the 1982 recession, that's when the Canadian business community panicked and said that the world trading system was no longer going to provide us with a platform in which to do business, and we absolutely had to go into a bilateral agreement with the United States. We did that, and we gave up quite a bit of ground on services, intellectual property—

Mr. Randy Hoback: Sir, if you talk to any economist or anyone who would go back and analyze our FTA with the U.S., they would say the results have been nothing but spectacular for Canada, and with NAFTA it would be even more so. My colleague just said "come to the Okanagan and have some wines".

I guess it's maybe a different philosophy, but I look at it and say the overall good of Canada has definitely increased by having these FTAs than not having them. Would you not agree with me on that?

Dr. Duncan Cameron: No, I wouldn't agree, and if you let me finish.... In 1988, once we had locked ourselves in with the U.S., we committed ourselves to jointly negotiating multilaterally with them. We gave up on multilateral negotiations. We became an adjunct to the United States.

What we should have been doing is working with countries like India and China, and other emerging nations such as Brazil, and working out a system that would allow countries who were recipients of foreign investment to have rules that protected their ability to manage that investment, as opposed to being with the Americans and trying to open doors to new foreign investments, when that wasn't what we were doing.

I think we made a fundamental shift in our attitude and the way in which we dealt with international trade at that point. Once the bilateralism goes on, of course, then the Americans turn around and we don't just have an agreement with them. They start negotiating with Japan, with everybody else, and then of course each time we get the door slammed in our face.

Mr. Randy Hoback: Sir, that's what we've done.

We've done FTAs with a lot of the TPP partners that we have in place right now. We've done agreements into Central and South America, Peru and Chile, two very well-known emerging markets.

Actually, it's embarrassing. When you go to Chile, I think they had something like 54 bilateral trade agreements and we had eight, if we look back about three years ago. You look at the growth of their economy versus the growth of the Canadian economy, and where they're heading to.... I'm not saying that's an example to follow, but I just find it really puzzling for people to say we have to keep looking internally when we're an exporting nation. We rely on exporting to do what we have to do to give the quality of life that our kids want to have and that we want to have.

If we're going to say that we're not going to export, what kind of quality of life do you really want to see for your kids and for your grandkids here in Canada? If we're not selling to the Chinese, Japanese, Americans, Mexicans, or around the world, if we're not doing that and not doing that on a level playing field created by a bilateral trade agreement, then what are we really accomplishing at the end of the day?

Dr. Duncan Cameron: Well, I'm certainly not here to argue against trade. I'm in favour of trade and trade agreements. I just don't think bilateral agreements provide a level playing field. Multilateral agreements provide a level playing field; everybody's on the same level. If a country wants to protect its shoe industry under multilateral agreements, it can protect its shoe industry. That costs the citizens of its own nation for not being able to have access to lower-cost shoes, but that's a decision we make as a nation. When we go into a bilateral agreement, we have to give up the shoe industry in order to get access in, say, canola. It may be good for canola, but it's not good for the shoe industry.

Try to buy a pair of Canadian shoes.

The Chair: Thank you. That's my sense as well.

Mr. Pacetti, the floor is yours.

Mr. Massimo Pacetti: Mr. Chair, you could have cut their seven minutes and agreed to disagree at the beginning.

● (1240)

The Chair: Let's see where you go.

Mr. Massimo Pacetti: I'm more balanced. You know that.

Thank you to the witnesses for coming today.

Mr. Quick, I'm going to have a crack at you with my first question. You were here in the room. Ms. Campbell said that for any company that's going to be in free trade, the question we should be asking is what their plan is.

What plan do your member companies have when it comes to exporting?

Mr. Jim Quick: Well, we not only have individual member plans, but we also have an industry plan. We have a market access, market development, strategy that looks at how we're going to deal with existing mature markets and continue to have the market share that we require. Then we look at emerging markets and we say, “Where are those emerging aerospace markets, and how do we become part of that market?” It's about supply chain development. It's about business-to-business activity within that individual jurisdiction.

As I said to you in my comments, the reason we like GMAP is that a lot of the emerging markets that the strategy identifies are those that we as an industry have identified. We have an industry plan, but individual companies also have their plans.

Mr. Massimo Pacetti: What happens if one of your member companies does not agree with the industry plan? Does that happen?

Mr. Jim Quick: No, not really. We develop a plan based on the greater good of the whole of the Canadian industry. There may be a company in British Columbia or Manitoba that has an interest in Latin America. Somebody in Montreal doesn't have that interest in Latin America, but they have their interest somewhere else. I would say that 99 out of 100 chances are that their somewhere else is also in our plan.

Mr. Massimo Pacetti: That leads me to my next question. You represent different-sized companies, I'd imagine, from—

Mr. Jim Quick: Yes, I do.

Mr. Massimo Pacetti: —Bombardier, which would probably be the biggest one, to some of the smaller companies providing the services to companies like Bombardier. I know there's a whole gamut. You have regional interests also, companies from different regions of the country that you represent.

How do each of these utilize the resources the government has to offer? You spoke highly of the trade commissioners, but are there are others that you use? How does a small company use a trade commissioner, versus the way a company like Bombardier uses a trade commissioner?

Let's start with that.

Mr. Jim Quick: Actually, sometimes they'll use it in the same way, which is, “Can you help us connect? Here's our capacity and here are our capabilities. Is there somebody in that jurisdiction that needs that capacity?”

Mr. Massimo Pacetti: Would a company like Bombardier not have a person in that area?

Mr. Jim Quick: Yes, they would have staff who would work specifically in those areas, but probably their main point of contact, or a contact, would be through a trade commissioner.

Mr. Massimo Pacetti: A smaller company would contact a trade commissioner and say, “We want to get into this bigger market.”

Mr. Jim Quick: Absolutely. Normally a small company would call me and say, “Jim, I have an interest in whatever country. Can you help me connect with somebody?” Our first step would be... trade commissioner.

Mr. Massimo Pacetti: Thank you.

I want to get two questions in for Mr. Cameron.

On the first one, you're pretty clear on being opposed to bilaterals, but you're in favour of multilaterals. When we're talking about Canada negotiating within the TPP, would you be in favour of that?

Dr. Duncan Cameron: Well, my great preference is through universal multilateral organizations such as the World Trade Organization. Now, I think the World Trade Organization has its defects. I think it has reflected too much the interests of the western industrialized countries and has not reflected the interests of the poorer countries.

The Trans-Pacific Partnership was a political initiative of the Obama administration. They really want to pivot away from Europe and do some kind of encircling of China, or develop some privileged commercial relations with countries other than China. They're trying to ensure that China does not use its Asian base to become a world hegemonic power. It's a political discussion more than a trade discussion, I think.

Mr. Massimo Pacetti: From your viewpoint, has an organization like the WTO been successful in what it's done up until now? Isn't it too large? Isn't it overly complex? Isn't that a problem right now?

Dr. Duncan Cameron: When we negotiated in 1988, the great benefit to Canada from the bilateral agreement with the United States was going to be dispute panels, dispute resolutions. That was the Canadian lawyer enabling legislation. That meant that any Canadian company had to have a law firm in Washington working on its behalf. A law firm in Canada had to pay for all these disputes if they were challenged by American companies, which love to sue Canadian companies when they are successful. We got involved in all this.

At the WTO it's all free. There are no lawyers involved. It's civil servants who do the trade adjusting, and the companies rely on the trade commissioner service to help them out rather than having to pay.

If you have a smaller Canadian company that's phenomenally successful and it is actioned by a European company, the company can go to the WTO and be represented by Canada, and it doesn't have to pay ruinous fees in order to settle out of court.

● (1245)

The Chair: Thank you very much.

Mr. Hiebert, the floor is yours.

Mr. Russ Hiebert (South Surrey—White Rock—Cloverdale, CPC): Mr. Quick, we had testimony earlier today about Canadian trade to other countries in comparison to the U.S. and the European Union. We were given numbers as they relate to our foreign trade since 2006.

Can you tell us how exports have been in the aerospace industry since 2006? How do they compare to your competitors from the EU and the United States?

Mr. Jim Quick: Our exports are growing.

In terms of the United States, we still export about 50% of what we produce into the United States. About 25% goes into Europe. That number has been relatively static.

Where we're seeing big increases in exportability, it is in emerging markets like Asia, the Middle East, and Latin and South America. For example, our exports into China have increased by about 238% over the last five years.

Mr. Russ Hiebert: How does your trade compare to your competitors, is what I'm asking.

Mr. Jim Quick: It compares well with our competitors, but it depends on the jurisdiction you're talking about.

When you talk about mature jurisdictions like the EU and the United States, we certainly do compare well. When you talk about emerging economies and new entries like Russia and China, and the like, they're increasing theirs substantially more than we are because they're new. The other thing they're doing is putting a tremendous amount of state and country money into the development of their aerospace industries. They're seeing an increase in their exports to a higher degree than we are, but it doesn't mean that we're in any less of a position.

Mr. Russ Hiebert: You mentioned in your testimony that trade with Korea dropped dramatically after the U.S.-Korea free trade agreement. Can you explain what it was precisely that explained that drop? Was it simply a reduction in tariffs that made the U.S. more competitive? What was it?

Mr. Jim Quick: You enter into bilateral agreements for two reasons, really. One is if there is somebody who currently has an agreement, then you're levelling the playing field for yourself. The second reason is if somebody doesn't have an agreement there, you're getting yourself an advantage.

What we saw when the EU and the United States signed their free trade agreement, our exports did drop, and we suspect they went directly to the EU and the United States because they get preferential treatment into that marketplace.

What our signing the free trade agreement did was level the playing field for us, so now we have opportunity. We fully expect that over the next several years we'll not only make that up, but we should see about a 30% growth.

Mr. Russ Hiebert: Okay.

I have just a few minutes.

Mr. Quick and Mr. Cameron, would you comment briefly—perhaps in a few seconds—are you in favour of economic diplomacy using our embassies and consulates to do business, or, like one of the other witnesses we had today, are you skeptical of this approach?

Mr. Jim Quick: We're absolutely in favour.

Mr. Russ Hiebert: Mr. Cameron.

Dr. Duncan Cameron: Well, I think it's a real shame that the Canadian government has decided to sell off its beautiful properties in Rome and in Paris that are in fact essential if you're trying to do business on a large scale. If you have Bombardier coming to Paris, you should be able to have the French President visit you in the wonderful first-class residence. It's the same thing in Italy. It's a huge mistake for economic diplomacy to sell off those assets.

● (1250)

Mr. Russ Hiebert: Apart from real estate though, do you like the merger or the mixing of business and politics, or are you not in favour of that?

Dr. Duncan Cameron: I think the mixture of exports and industry is better than the mix that was decided upon by the Liberals when they merged foreign trade and external affairs. I prefer the arrangement of industry with commerce, which it was for many years. I think that's a better merger.

Mr. Russ Hiebert: Mr. Cameron, I'm going to draw you back to an article you wrote about 10 years ago. It's called "All Debt Is Not Made Equal". You make some comments in there that I find quite interesting. You refer to foreign owners and foreign investors as "absentee landlords". You're quite negative about the prospect of foreign companies owning assets in Canada. It makes me wonder how you feel about Canadian companies owning assets in other jurisdictions. Are your views reciprocal?

Dr. Duncan Cameron: I worry about it. I worry about the behaviour of some of our mining companies abroad, for instance, and the kind of labour relations practices they've been carrying out.

Mr. Russ Hiebert: Apart from labour relations, is it appropriate for Canadian companies to own assets in other countries and reap the profits from those other countries?

Dr. Duncan Cameron: If they are respecting the laws of the other countries and participating as good citizens, of course we'd favour that. What concerns me is Ford Canada, which developed an export market in Cuba and then was told by the U.S. Department of State that it could no longer export to Cuba. It's the extraterritoriality of American trade law as it applies to American companies in Canada that is the problem. The problem is not Canadian foreign investment abroad, unless the Canadian government is going to start ordering our companies around. The problem does arise in Canada, and has arisen with American-owned companies, in which their export capacity has been limited by the American legislation.

Mr. Russ Hiebert: Are you still opposed to all foreign investment in Canada because of this absentee landlord comparison?

Dr. Duncan Cameron: I'm skeptical of foreign ownership—not investment—ownership. When a company such as U.S. Steel buys Stelco, becomes the owner, closes the factory, and puts 3,000 families into the street—no more work. It goes against the obligations it signed with the Conservative government. That's what I'm concerned about.

Mr. Russ Hiebert: I'm close to being out of time, but in this article you—

The Chair: You are out of time.

Mr. Russ Hiebert: —equate foreign investment with foreign ownership. You don't distinguish them; you say they're the same. Are you opposed to foreign investment as foreign ownership?

Dr. Duncan Cameron: I distinguish between foreign investment and foreign ownership. I worked in the Department of Finance. We make those kinds of distinctions.

The Chair: That's very good. Thank you very much.

Mr. Donnelly, we will split the time we have left, so we'll go about three and half minutes each. Go ahead.

Mr. Fin Donnelly: Thanks, Mr. Chair.

Mr. Duncan, a November 2013 Bank of Montreal note prepared by chief economist Doug Porter demonstrated a pretty stark reality for exports in Canada. In his words "there is energy (doing just fine) and there is everything else (doing anything but fine)".

The note shows that in 2013 energy exports saw a $63.6-billion surplus while the basket of all other goods in Canada saw a deficit of $72.9 billion. Worse, this huge gap has been growing since 2004.

What do you believe the Canadian government needs to do to address this significant imbalance in exports and generate a diversified and balanced economy beyond just the energy sector?

Dr. Duncan Cameron: Canada needs to develop industrial strategies that allow Canadian small and medium business to grow. It needs to have access to serious moneys so they can do research and development. It needs to have access to green policies.

What's important in B.C. is I remember the pulp and paper industry went into Europe. The Europeans said our paper is made by these processes which are not green enough. The Canadian industry went with the U.S. industry. We tried to get the Europeans to change their policy to allow our production, which was not green production...to allow those products in. We failed. Why didn't we have a program that allowed us to transition to green so we could get into that market? Green was the future.

We need policies to help companies transition into green. We need a better transport policy than we have. Look at our situation with our exports to the U.S. Look at what's going on right now with not being able to get our grain to market. Look at what happened in Lac-Mégantic with our deregulated train system.

We have serious transportation problems within Canada. We have problems with access to research and development, and we have trouble with assisting companies to move to green standards, the highest standards in the world, which is the kind all our companies should aspire to.

● (1255)

Mr. Fin Donnelly: I have just a short amount of time to ask you my last question.

In your opening remarks, you talked about sunk costs.

In an article in December 2013 regarding the GMAP, you talked about that as well. For countries trying to enter new markets abroad, you state:

> Do not expect to be told where the serious money that needs to be invested in order to break into new markets abroad is going to come from. These "sunk costs"...can take years to recoup, and many companies give up and go home when the returns do not arrive in a short-term frame.

Can you just talk a little bit about sunk costs in the time remaining? You talk about three-quarters of a million per firm. Can you talk about that?

Dr. Duncan Cameron: Well, if we want to go seriously into the Middle East, where there's a lot of oil money and there's a lot of markets, the first thing we have to have is an Arabic capacity. If you're a small manufacturer with 10 people operating in Burnaby, B. C., and you want to go to Egypt or you want to go to Bahrain, or some of these other markets, you have to have language capacities and that's expensive. You have to hire staff, or you have to translate the material. You have to be prepared to access those markets, and that's not easy. You also have to have a travel budget. You have to be able to go and visit these countries, and that's expensive.

The Chair: Thank you very much.

Our time has gone for that segment.

Mr. O'Toole, you have the last three and a half minutes.

Mr. Erin O'Toole: Thank you, Mr. Chair.

Thanks to both our witnesses.

Mr. Quick, I've had the good pleasure as Parliamentary Secretary to the Minister of International Trade to meet with a number of your member companies from across the country, who seem quite keen on the new markets being opened up and the strategy of the global markets action plan, so thank you.

In the short time I have, Mr. Cameron, I have a couple of questions for you.

You certainly have a detailed biography here and I notice in your references to the early 1980s your writing of *The Other Macdonald Report* and a variety of these things. Would it be unfair to characterize you as opposed to trade generally?

Dr. Duncan Cameron: Yes.

Mr. Erin O'Toole: It seems that, beginning with the U.S. FTA deal, which actually was the Macdonald commission report , the real one, not the alternative one, through to GMAP, you don't want Canada to enter into free trade agreements, or you think there should be an industrial sector approach, sort of a 1950s construct for industrial development.

Dr. Duncan Cameron: Well, let's put it this way, Canada does not actually have a free trade agreement with the United States. We still are up against all the protectionist legislation that they can throw at us.

I did an evaluation—it was published in 1993—of the Canada-U. S. trade agreement. It showed that Canada had lost in fact access to the U.S. market, our ability to sell in the U.S. market had declined, and our access to our own market had declined. The U.S. had lost share of its own market. The only place in the world that was growing share was in Canada.

The energy provisions allowed Canadians to subsidize the promotion of industry in energy. We've done that. The result is we've sold off most of our easy-to-reach oil and gas. We have these huge sunk costs in the bitumen production in my native Alberta, and much of those are now stranded assets and we're unlikely to see them in fact be realized. We're looking at an impending industrial disaster, as well as an ecological disaster, from entering into what is essentially an energy agreement with the United States.

For the same amount of money, we could have promoted certain sectors in Canada. We had a very strong presence in CorelDRAW and other industries in Ottawa that were allowed to go under. Nortel, BlackBerry, these companies get up and going, and without the kind of support that other countries give their champions, they end up disappearing, which is a shame.

● (1300)

Mr. Erin O'Toole: Do you think there should be more public ownership? Is that what you're advocating, that the federal government take stakes in these private enterprises?

Dr. Duncan Cameron: I think there should be different types of social ownership. Co-ops work, crown corporations.... I'm quite happy to look at my electricity bill when I'm in Quebec City or in Vancouver with public hydro. When it was deregulated in Ontario, I wouldn't want to be trying to heat a house in Ontario these days under those circumstances. Power was the watchword of Ontario Hydro, was a very positive thing. I like the kind of radio I get from Radio-Canada, it's better than anything I get on commercial radio.

Mr. Erin O'Toole: But you have choice. There are alternative offerings as well.

Dr. Duncan Cameron: Absolutely, and one of the things I didn't like about the Canada-U.S. trade agreement is that—

The Chair: Thank you very much. Our time has gone.

I want to thank both witnesses for coming forward. I believe both of you were scheduled for last week. I'm sorry, Mr. Quick, that it didn't work out, but we are pleased that you could make it today. Thank you.

That takes us to the end of our time.

We will adjourn our meeting.

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

SPEAKER'S PERMISSION

Also available on the Parliament of Canada Web Site at the following address: http://www.parl.gc.ca

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

PERMISSION DU PRÉSIDENT

Aussi disponible sur le site Web du Parlement du Canada à l'adresse suivante : http://www.parl.gc.ca