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Chair

The Honourable Mark Eyking

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● (1535)

[*English*]

The Chair (Hon. Mark Eyking (Sydney—Victoria, Lib.)): Good afternoon, everyone. Welcome to cold Ottawa. I welcome the witnesses that we have here today. As you know, our committee is doing a study on the priorities of Canadian stakeholders having an interest in bilateral and trilateral trade within North America. Of course, we're talking about our two present trading partners in NAFTA, the United States and Mexico.

Our committee started this study a couple of months ago. We've already visited the western United States. We were in the states of Washington, California, and Colorado. In a couple of weeks, we're going to be travelling through the Midwest and down, then finishing up in Washington.

As many of you know here, it's a big trading bloc we have with our North American counterparts. We want to see it continue to grow and expand because it's good for jobs, not only in Canada, but in the United States and Mexico.

I think we have five witnesses here on deck. If this is your first time as a witness to a committee, we would like you to do your submissions within five minutes. Keep in mind not to go too quickly because the translators have to translate it. Then we'll open up the dialogue with members of Parliament.

Again, thank you for coming. We'll start off right away. By video conference, we have Sandra Marsden, president of the Canadian Sugar Institute.

Go ahead, Sandra.

Ms. Sandra Marsden (President, Canadian Sugar Institute): I appreciate the opportunity to appear before the committee today as you consider priorities for the North American trading relationship.

I'd like to speak to the critical importance of NAFTA to maintain and grow export opportunities supporting the growth in Canadian investment and jobs in the sugar and further processing food sectors.

The institute represents Canadian refined sugar producers on nutrition and international trade affairs. We have three cane sugar refineries—in Vancouver, Toronto, and Montreal—and a sugar-beet processing plant in Taber, Alberta. Also, there are two further processing facilities in Ontario that produce products such as iced tea mixes, sweetened cocoa mixes, and so on.

The Canadian sugar industry is an integral part of Canada's food-processing value chain. Our industry depends on food processors for 80% of sugar sales, and food processors in turn depend on Canada's local supply of high-quality, competitively priced refined sugar. Canada's sugar is an input to about 30% of food processing. This includes a wide range of products such as confectionery, mixes and doughs, cereals, baked goods, jams, and so on. In fact, major sugar-using processors account for approximately $18 billion in revenues, $6 billion in exports, and 62,000 Canadian jobs.

The reason that access to Canadian sugar supports food processing in Canada is that the economics of our industry is driven by world market forces. Unlike the United States, Canada's sugar market does not benefit from price supports and high tariffs and quota restrictions. Canada's operations are globally efficient and competitive but are underutilized, given the U.S. and globally restrictive trade policies. Canadian sugar and processed foods depend on export markets. The U.S. is by far the most important market, representing 93% of sugar-containing food product exports. In fact, about 40% of Canada's refined sugar is exported in food products to the United States. Any disruption to this trade and the supply chain makes our industry and our food-processing customers vulnerable. We know this because we've suffered from a long history of U.S. trade actions that have narrowed our trade opportunities. The combined impact of U.S. actions starting in 1994 has resulted in a loss of about 165,000 tonnes of sugar production, representing about 13% of our production.

For the past 20 years, Canada's refined sugar access to the United States has been limited to a small, 10,300-tonne quota for beet sugar, representing less than 0.1% of the U.S. 11-million tonne market. The only opportunity to increase those exports is under emergency shortages.

Sugar-containing products having more than 10% sugar are also restricted by fixed and inflexible quotas. Key restrictions include zero volume or small volume quotas, reclassification of freely traded products into quotas, restrictive rules of origin, as well as end-use restrictions that do not allow any further processing in the United States.

While Canada continues to face these quota restrictions, Mexico's access to the United States was liberalized under NAFTA. As a result, quota limitations are having a more significant negative impact on Canada than in the past, given Mexico's duty-free access for these products to the United States. For example, one impact of this trade imbalance has been the shift of some Canadian confectionery production out of Canada, and the sourcing of intermediate inputs from Mexico. These developments have had a significant negative impact on Canada's overall net trade in processed foods.

Two-way trade in sugar-containing food products with the United States amounted to $10.5 billion in 2016. While Canada maintained a trade surplus of $950 million, this is well below the peak of $1.2 billion over a decade ago. Canada has a trade deficit with Mexico in these products, which worsened to $155 million in 2016. This is extremely important to our industry because this trade loss has resulted in declining capacity utilization, which creates higher input costs for our food-processing customers.

We see the renegotiation or the likely renegotiation of NAFTA as a critical opportunity to modernize trade in sugar and sugar-containing products, to improve capacity utilization and efficiencies in Canada's sugar sector, and as a critical factor supporting the future of food processing in Canada. Canada is the logical supplier of high-quality sugar and sugar-containing products along the Canada-U.S. border, and has an established track record of exporting in a commercially meaningful and responsible, fairly traded manner.

An improved trade balance within NAFTA will help restore value chains where Canadian sugar provides a competitive advantage for the production of intermediate and finished food products. Ultimately, this will help counter the decline in Canada's net trade in processed foods, and enhance investment and jobs in this important manufacturing sector.

● (1540)

Thank you.

The Chair: Thank you.

We're going to move to the Canadian Centre for Policy Alternatives, with Mr. Sinclair.

Go ahead, sir, you have the floor.

Mr. Scott Sinclair (Senior Research Fellow, Canadian Centre for Policy Alternatives): Thank you for the opportunity to be part of your study on North American trade relations.

The Canadian Centre for Policy Alternatives is an independent, non-partisan research institute with over three decades of experience analyzing Canadian trade and investment treaties.

The Trump administration is demanding a new framework for North American trade. Despite an imminent NAFTA renegotiation, the specific goals the U.S. will pursue are still unclear. One belief that seems to unite the nationalist and globalist factions in the new administration is that by throwing its weight around, the U.S. can force big concessions from Canada and Mexico. While this is a difficult situation, Canada is not defenceless.

The Canada-U.S. trading relationship is balanced and mutually beneficial, which many Americans recognize. It is helpful to reinforce that message, as our governments have been doing. Yet the anxiety about trade and globalization that Donald Trump exploited to win the White House runs deep and goes beyond his core supporters. Canada's negotiating positions need to reflect that reality. When President Trump talks about favouring trade deals that support American workers, he provides such an opening.

There are many ways to provide a better deal for workers in all three countries. Canada could call President Trump's bluff by championing a fairer distribution of the benefits of trade. An obvious first step is to include strong, fully enforceable labour standards in any deal. Mexican workers, whose real wages have languished under NAFTA and are rarely free to join independent unions, would be the primary beneficiaries, but rising wages and improved working conditions in Mexico and many southern U.S. states would also benefit workers in the rest of North America.

The Trump administration also wants to strengthen NAFTA's rules of origin. Although there is plenty of scope for abuse, higher North American content rules could benefit North American manufacturing workers by discouraging the use of high levels of offshore content.

Canada has had a negative experience under NAFTA's investor-state dispute settlement system and should not hesitate to push to eliminate it. We are the most sued party, and this trend is getting worse. Bad rulings such as in the recent Bilcon case have a chilling effect on legitimate public policy, such as rigorous environmental assessments. Meanwhile, the U.S. has never lost a case.

The Trump administration intends to bolster Buy American purchasing policies that could side-swipe Canadian suppliers. Canada's standard response, to seek an exemption or waiver, has fallen short before and will likely fare worse today. It's time to consider a new approach.

Canada could instead offer reciprocal buy North American policies for new public infrastructure spending. If this is rebuffed, Canada should maximize national economic spinoffs on its own planned public investments through buy Canadian policies.

There are lines that Canada should not cross. With U.S. industries teeing up a long list of trade remedy challenges against Canadian products, Canada can hardly give in to U.S. demands to eliminate or weaken NAFTA's chapter 19 binational review process. If anything, from a Canadian perspective it needs to be strengthened. Nor can Canada afford to give in to President Trump's scapegoating of Canadian dairy farmers. Without supply management, our dairy farmers would be put in the same predicament as their U.S. counterparts, who suffer from the effects of overproduction and farm gate prices that fall below production costs.

Commerce Secretary Wilbur Ross recently said that Canada has adopted an anti-patent position, particularly in pharmaceuticals. This is both false and worrisome. Fully aligning our system of patent protection for medicines with the U.S. model would be very expensive for Canadian consumers and harmful to our health care system.

To close, in general, Canada's immediate priority should be maintaining its tariff-free access to the U.S. market, but it is not too early to be thinking about the end game and potential exit strategies. Reverting to WTO-bound tariff rates would be disruptive, but not catastrophic.

● (1545)

If the Trump administration were to make good on its threat to terminate NAFTA, Canadian exporters could face an additional $3.5 billion to $5 billion U.S. in duties. If an “America first” NAFTA is worse than the multilateral alternative, Canada should naturally choose the latter.

NAFTA renegotiation will be difficult and unpredictable. Canada needs to be prepared to stand up to any bullying, and to consider its options if U.S. negotiating demands become too unreasonable, costly, or harmful to Canadian interests.

Thank you.

The Chair: Thank you, Mr. Sinclair.

We're going to go to Canadian Manufacturers & Exporters. We have Mr. Wilson.

Go ahead, sir. You have the floor.

Mr. Mathew Wilson (Senior Vice-President, Canadian Manufacturers & Exporters): Thank you very much, Mr. Chair.

Good afternoon, members of the committee.

Thank you for inviting CME here to speak on behalf of Canada's 90,000 manufacturers and exporters and our association's 2,500 direct members to discuss Canada's trade with our NAFTA partners. NAFTA is the most critical trade relationship that exists for Canadian industry, and we are here today to show our support for the government's efforts to maintain that relationship and to find ways to modernize and strengthen it, where possible.

Canadian Manufacturers & Exporters is Canada's largest industry and trade association, with offices across the country. It is the chair of the Canadian Manufacturing Coalition, which represents 55 sectoral manufacturing associations. More than 85% of our members are small and medium-sized enterprises representing every industrial sector, every export sector, and all regions of the country.

Manufacturing is the single largest business sector in Canada and across the NAFTA region. In Canada, manufacturing sales surpassed $600 billion in 2016 for the third consecutive year, directly accounting for 11% of Canada's total economic output, while employing over 1.7 million Canadians directly in highly productive, value-added, high-paying jobs.

With the base in the NAFTA region, manufacturers are also directly responsible for most of Canada's exports. In 2015 and 2016, manufactured goods exports reached nearly $350 billion each year, an all-time record high, and accounted for almost 70% of total Canadian exports, with nearly 80% of these exports going to our NAFTA partners.

Much of this trade is due to the deep integration of manufacturing operations across the NAFTA region, and in particular between Canada and the U.S. This integration has created a unique relationship for our countries globally. We do not simply trade goods with each other; we build things together, we innovate together, and we compete with the world together.

NAFTA, in most ways, is a model for which all trade agreements should be judged. It has helped increase the standard of living of all participants. It has strengthened industry by combining the talents and expertise of each market, creating bigger markets at home and strengthening our combined competitiveness globally. No other trade agreement that Canada has can compare with the historical, current, or future importance for our economy and our citizens.

At the same time, it does not mean that the agreement should not or could not be improved. Over the nearly 25 years since it was negotiated and came into force, the world around us has changed remarkably. Things that we take for granted today were barely even on our collective radars at the time. The Internet and e-commerce, smart phones, and connected devices are just a few of the technologies that have changed the way we live and work.

The world around us and our global competitors have also changed. China, for example, had a GDP of only about $440 million in 1993. Today it is a $12-trillion economy.

The world of manufacturing has also changed. No longer is it simply about taking raw materials and turning them into a consumer product. Today the lines between manufacturing, technology, and services have blurred, and companies are focused on creating solutions for the lowest cost with the greatest customer value.

CME has worked constructively with the federal government for years on avenues to improve and strengthen the existing NAFTA framework to reflect these changing realities. Efforts such as the border action plans of the 2000s, and the Regulatory Cooperation Council and the beyond the border agreements of the 2010s were aimed directly at improving the NAFTA manufacturing platform without opening up the agreement, because that was seen as politically impossible.

Now, opening the agreement is a political reality, and we should look for ways to cement improvements that support the economic base of NAFTA. To help prioritize, CME is surveying our members to identify priorities for NAFTA modernization and improvement. While our survey is still ongoing, I can give you an overview of the responses as they currently stand.

As a starting point, and most primarily, the overwhelming priority is for Canada to maintain market access across the NAFTA region. While companies want improvement, they are also very concerned about renegotiation that leads to worse economic outcomes through more restrictions, barriers, protectionism on imports and exports of people, goods, or services.

On specific measures for improvement, the priorities mainly stem from the deep level of integration and the volume and value of the trade. Improved customs processes to speed border transactions and eliminating uncertainty through reduced red tape for both people and goods rank as top priorities. Following that, companies are looking to maintain effective dispute settlement processes, improved regulatory co-operation and alignment, and coordinated action on dumping of goods from other markets, and trade policy more generally.

Many of these priorities have already been included in the existing Canada-Europe comprehensive free trade agreement, as well as having been negotiated in the TPP; and we believe they could create a framework for a modernized NAFTA.

At the same time, the relationship between Canada, the U.S., and Mexico is fundamentally different from those represented in those other trade agreements. We believe that if Canada can come to an agreement on these priority areas with other largely new trading partners, we should be looking to go beyond these commitments with our NAFTA partners.

● (1550)

As mentioned earlier, we don't simply trade goods with them, but rather we build goods together by leveraging the 25-year-old NAFTA platform. This negotiation should be the time to create a new phase of NAFTA, and cement in place and go beyond, where possible, the direction started under the recent RCC and beyond the border agreements, where Canada, the U.S., and possibly Mexico, are regulating security on the perimeter together, and restrictions on the internal economy are limited as much as possible.

Thank you again for inviting us to participate in your study. I look forward to questions and discussion.

The Chair: Thank you, Mr. Wilson.

We're going to go over to the Ford Motor Company of Canada, and we have Ms. Hughes.

Go ahead, you have the floor.

Ms. Caroline Hughes (Vice-President, Government Relations, Ford Motor Company of Canada Limited): Thank you for the opportunity to provide Ford of Canada's views on the renegotiation of the North American Free Trade Agreement.

The Ford Motor Company is a global automotive and mobility company with about 202,000 employees in 62 plants worldwide. As Canada's longest-established automaker, Ford has employed thousands of Canadians since 1904 in high-quality advanced manufacturing jobs that have helped to build and sustain Canada's middle class. Today in Canada, Ford employs over 8,300 men and women in three vehicle assembly and engine manufacturing plants, three R and D centres, and two parts and distribution centres. Ford's network of 428 dealers supports more than 19,000 employees and communities across Canada. In addition, Ford purchases over $5 billion annually from Canadian parts suppliers to support both our Canadian and global footprint.

Since 2000, Ford has invested over $12 billion in our Canadian operations, including $700 million in Oakville, to produce vehicles in Canada for global markets like China, South America, and now Europe. Last year, in 2016, Ford exported over 18,000 Oakville-built Edges to Europe, including right-hand drive and diesel versions.

Earlier this year, we were proud to announce an additional investment of $1.2 billion to secure a new engine program for our Windsor operations, and to create Ford's first-ever Canadian product development centre, the connectivity and innovation centre, here in Ottawa, in fact, with 300 software and hardware engineers pursuing R and D in connected vehicle technologies.

Needless to say, Canada is a very important market for Ford, and we are proud that Ford has been the number one brand in Canada for eight years.

Trade is fundamental to our business. Each year, on a global basis, Ford exports over 40% of the vehicles that we build worldwide. In Canada, trade policy is even more fundamental to the success of our operations, since 100% of the engines and 90% of the vehicles that Ford builds in Canada are exported.

In the last decade, Ford has increasingly diversified our exports from Canada to countries outside North America. Last year, in fact—

The Chair: Excuse me. I would remind you to just slow down a bit. I don't mind, witnesses, if you go over by half a minute or so. It's better to slow down so we can get the translation.

Go ahead, Ms. Hughes.

Ms. Caroline Hughes: Thanks.

Last year, 16% of Ford's Canadian vehicle production was exported outside of NAFTA. That said, the U.S. market and NAFTA remain the single biggest and most important market for Canadian-produced vehicles and engines. All of Ford's Canadian engine production and 74% of Ford's Canadian vehicle production is exported to the U.S. and Mexico.

Ford has been and continues to be a very strong supporter of the North American Free Trade Agreement. In fact, it was the auto sector and the 1965 Canada-U.S. Auto Pact that became the basis for the Canada-U.S. Free Trade Agreement and then for the North American Free Trade Agreement.

NAFTA has created one of the most highly integrated and competitive automotive sectors in the world, including one of the most competitive and efficient global supply chains. Canada is a small vehicle market by global standards and Canada's integration into the larger NAFTA region has created economies of scale that have allowed Canada and the NAFTA region to competitively produce vehicles for export to other regions around the world. While Ford continues to support NAFTA, we recognize that as 25-year-old agreement there are opportunities to modernize the agreement.

That is why Ford is working with all three NAFTA governments to ensure the modernization of NAFTA preserves and enhances the globally competitive integration of the North American auto industry while also incorporating important advances to create a modern 21st century agreement that sets the standard that all future trade agreements should be measured by.

Specifically, Ford recommends modernizing NAFTA by adding strong and enforceable currency manipulation disciplines and by achieving acceptance of U.S. automotive safety standards across the region. In addition, Ford also supports modernizing NAFTA by streamlining customs procedures to make business more efficient, and by adopting high standard labour and environmental provisions and improving border infrastructure.

While continuing to support trade within the region, the modernization of NAFTA should also encourage trade diversification outside of the region by ensuring that North American vehicles can compete in global markets around the world. This is why it's critically important to ensure that both currency manipulation and an acceptance of U.S. vehicle standards are included in the modernization. These two issues are the most significant non-tariff barriers that vehicles produced in Canada or in North America face in global markets.

To date, Canada's auto sector and Canadians have benefited from Canada's unfettered access to the U.S. auto market as a result of NAFTA. When Canada concludes CETA, Canada's auto sector will be positioned with duty-free access to North America and to the EU as well, two of the largest and most important vehicle markets in the world.

Looking forward, Ford will continue to support Canada's efforts to establish new free trade agreements with countries like India and Brazil. These markets offer additional opportunities to increase Canadian vehicle exports.

Ford will also continue to speak out against markets that remain closed to Canadian vehicle exports, markets like South Korea and Japan. Closed markets can only be opened by achieving the right terms in trade agreements that eliminate all barriers, including currency manipulation.

Throughout our history, Ford of Canada has played an active and constructive role in articulating the trade policy issues that need to be addressed in trade agreements in order to support Canada's auto sector. We look forward to continuing to play this role as we talk about modernizing NAFTA.

Thank you.

● (1555)

The Chair: Thank you, Ms. Hughes.

We'll move over to General Motors of Canada and hear from Mr. Paterson.

Mr. David Paterson (Vice-President, Corporate and Environmental Affairs, General Motors of Canada Limited): Thank you, Mr. Chair, and the members of the committee, for this chance to add a few words to those of my friends, Caroline and Mathew, and my colleagues as well, on behalf of General Motors Canada.

As a quick reminder, GM Canada has world-class assembly plants in St. Catharines, Ingersoll, and Oshawa, Ontario, where we make engines, transmissions, cars, crossovers and, soon, trucks. Our business directly employs about 10,000 people in Canada and we generate many thousands of related jobs in our supply chain, in customer care, and in dealerships coast to coast.

Most recently, we have increased our R and D and our engineering work in Canada for key future automotive technologies to a total of about 1,000 engineering positions who are working in areas like active safety and autonomous vehicle development software, and we're doing that in Oshawa, Markham, Kitchener, Waterloo, Toronto, and Kapuskasing.

NAFTA, of course, is the framework that enables GM and the broader North American automotive industry to be the manufacturing engine of our economy. NAFTA's automotive chapter sets out the trade rules for the deeply integrated and highly efficient auto supply chain between Canada, the United States, and Mexico. That's a unique aspect of our industry that really must be understood and protected in these negotiations.

My advice to the committee, put simply, is that we can and should modernize NAFTA in a way that strengthens our competitiveness as a global trading bloc and at the same time we must take extreme care to “do no harm” to the integrated NAFTA auto supply chain, which is extraordinarily beneficial and important to Canada's economy.

NAFTA enables automotive parts, materials, and finished vehicles to cross our borders duty free and just in time for the benefit of our customers. Famously, auto parts and materials of our tier one and tier two customers may cross borders six or seven times as they are built up into components, ready for final assembly.

At GM Canada we export a little more than 90% of the vehicles that we make, primarily en route to dealers and customers all across the United States, which, of course, is a market 10 times the size of ours. At the same time, we import almost 90% of the vehicles that our dealers sell to Canadians. Our auto trade with the U.S. is balanced, it's duty free, and it's very beneficial to our economy and for consumers.

While our vehicle trade is balanced, Canada imports significantly more auto parts and materials from the United States than we're able to source locally or elsewhere. This trade in auto parts benefits both Canada and the United States. It contributes to Canada's competitiveness, while supporting U.S. manufacturing jobs, especially in the Great Lakes states.

Canada is the number one customer for the U.S. and much of that business is in auto parts, so it's a good thing to remind our U.S. colleagues. Oshawa, for example, receives about 80 trucks a day that go across the border and about 50% or more of our suppliers' individuals parts come from the United States.

In this complex and mutually beneficial trading relationship, there are some things we must take care to maintain and protect and there are some things that we believe can be modernized and improved. Under the category of “do no harm”, we must set out to reduce, not add, red tape. A lot of bureaucracy is still required in tracing auto parts as they move across borders in NAFTA today. We would prefer to see tracing eliminated.

NAFTA's rules of origin for qualified duty-free automotive trade within North America are already the highest of any U.S. agreement. These should not be increased if we are to maintain our global competitive stance. And we cannot just look inward in considering NAFTA. Canada, the U.S., and Mexico together are a competitive bloc in the global auto business. We must enhance, not compromise, that competitiveness.

Under the category of modernization, GM Canada supports the recommendations recently put forward by the American Automotive Policy Council, AAPC, and those include that we should build upon the progress made through the RCC and others to align our vehicle technical standards within NAFTA, while insisting that countries outside NAFTA recognize and accept our technical standards.

North American product is globally competitive, but we must insist that others tear down their non-tariff barriers to our exports. If we want to continue enjoying the economic benefits of our North American auto sector, the global auto trade cannot be a one-way street into our market.

Modernizing also means continuing to improve our border infrastructure as we are doing with the Gordie Howe bridge in Windsor and continuing to streamline our customs procedures for goods and for people.

● (1600)

The AAPC has also called for adding enforceable currency manipulation disciplines that Caroline mentioned, so that countries outside of NAFTA do not take advantage of our market by artificially reducing their currencies.

To sum up, we build things together. In this deeply integrated North American auto sector, GM is at the forefront of Canadian jobs, exports, and innovation. There's a great deal at stake as we open NAFTA negotiations. We should start by ensuring we do no harm to our integrated supply chain, and then we can modernize our auto trade in NAFTA by cutting red tape, aligning on standards, improving the movement of goods and people across borders, and by strengthening our global competitiveness as a global trading bloc.

The Chair: Thank you, Mr. Paterson. As I alluded to, we are going to go to Detroit, Michigan and Illinois, so we'll be seeing some of your counterparts down there.

Mr. David Paterson: Good.

The Chair: That will help keep the bond going.

We're going to move over now to the Pacific NorthWest Economic Region. It's great to see you here. We met with your group when we were in Seattle. It was very informative. We had a good reception, and it was an eye-opener for a lot of things that your group put forward to us.

Welcome, and the floor is yours, sir.

Mr. Matt Morrison (Executive Director, Pacific NorthWest Economic Region (PNWER)): Thank you, Mr. Chairman, and thank you, members of the committee. It was great to see you in Seattle.

PNWER is a unique organization that was formed in statute by Alaska, Washington, Oregon, Idaho, Montana and then B.C., Alberta, Saskatchewan, Northwest Territories, and Yukon. It's 28 years old. We have 22 different working groups in all of the key industry sectors in the region. As I like to say, our economic watersheds flow north and south out there.

We have focused on NAFTA, and looked at the benefits of NAFTA for 20 years. This is a very interesting time. I have to applaud you for a team Canada approach. That's the right approach by working on consistent messaging.

In November we set up a NAFTA modernization task force. We've been working with the international trade offices of all the states and provinces, as well as private sector representatives in looking at what this well-developed region on the northern border in the U.S. could say to both Ottawa and D.C. in terms of NAFTA.

In this process of meeting regularly since January, we've developed a pretty in-depth survey that we've sent out to 10,000 of our members, and are encouraging other organizations to use as well to bring back some data. This is the first time in the U.S.—and I'm an American—we've used the TPA 2015 Act, which really states once this 90-day period begins, Congress, the Speaker, and the President of the Senate will select special congressional advisory committees in the Senate and the House.

We're focusing on who would we want on those congressional advisory committees. They are formed out of the ways and means in the House and the finance committee in the Senate. We're meeting with our congressional champions, and letting them know that we are preparing data and analysis. We really want to have an opportunity to present that to these committees once they're formed.

It's very important for Canada. You've been great at developing data on how foreign direct investment from Canada is impacting specific states, but we need to hone that down to specific congressional districts, because our system is not like yours. We have a fiefdom of 535 kings out there, and it's all about their district.

I'm very encouraged, meeting with John Manley's group, the Business Council of Canada, because they're taking a specific targeted approach to 80 congressional districts, and trying to really look at how many jobs in these districts are related to Canadian investment or partnerships.

We have to get Americans talking to their congressmen; not in Washington, D.C., that never works. You've been to Washington, you get 10 minutes if you're lucky. We need town hall meetings and letters to the editor from simple people saying, “Hey, my job is really on the line here. Don't screw up. The relationship with Canada is really important.”

The congressional research service is very well-respected in Congress. It just came out with its report on NAFTA. I sent it to your committee, but maybe not in time. This went to every congressman, and I was so dismayed. It is six weeks old, but the report says:

> The net overall effect of NAFTA on the U.S. economy appears to have been relatively modest, primarily because trade with Canada and Mexico accounts for a small percentage of U.S. GDP

● (1605)

This is what stuff is going out there. We have to overcome that with real people telling real stories about why this is important. Anyway, it's worth reviewing this report because they have a lot of credibility. I mean, it's not the full story.

I think the targeted data is really important. Skirmishes around the edges of NAFTA, the dairy.... that's less than a half of a percent of our trade. I worry that this is a process that could take 24 to 36 months depending on all of this. These are not easy things.

I want to get the big picture out as to why this is important to all three countries and try not to get lost in the peripherals. We'll always have irritants, but we always work through them, and we have mechanisms to do that.

I think we need to work on consistent messaging and really have people work together with strategic partnerships. It's a great opportunity for us to engage our strategic partnerships across North America.

I will say that we need to emphasize our collaborative manufacturing platforms, as has been mentioned by all the folks here at the table. We can and should modernize, but do no harm, and really get the message out from an American perspective. We don't know where the administration is going exactly. Anyway, my organizations are making a lot of inroads into the administration in every way we can think of to be a vehicle to really let them know how important this relationship is and not to screw it up.

● (1610)

The Chair: Thank you very much, Mr. Morrison, and hopefully we can keep drawing from you. You're such an ally, and you're giving us such good information and advice here. It's a big task we're undertaking. Your comments about getting right to the individuals who are being affected on both sides of the border are key for us. I hope we can keep relying on you to give us some advice. We hope there are others in your position across the United States who have the same perspective and represent the same kinds of groups, and that's who we're going to.

As soon as that committee is struck, the committee that you're talking about in the United States, it would be good for us to know who's on there because maybe we can bump into them when we're in Washington and reflect the great trading relationship we have.

Thank you to all the witnesses for your presentations.

We're going to open it up to dialogue with the MPs. First, we have Mr. Hoback.

Go ahead, sir.

Mr. Randy Hoback (Prince Albert, CPC): Thank you, Chair.

First of all, Chair, I want to highlight that there are a couple of guests in the room here. We have Mike Cuffe. He's a state legislator from Montana who's part of PNWER, and Larry Doke, an MLA from Saskatchewan.

Mike is someone who is stopping the spread of zebra mussels west, working across the border to make sure that we don't see that infestation move into the western U.S. or western Canada, and there's an example of how we work together and how we get good results.

Mike, thank you for your work on that.

I noticed there are surveys in the works. Mathew, you said you have a survey, and Matt, did you say you had a survey? Can we get you to table those surveys when they're completed? I think they would be helpful for this committee to look at. I'm kind of curious about what your members are going to be saying.

Mr. Mathew Wilson: Yes.

Mr. Randy Hoback: It's been a crazy while since the inauguration. I think in the last 10 weeks I've been home five days because of this file. I've been out talking to a lot of people across Canada and the U.S., and there's a lot of fear.

Maybe I'll start with you, Mathew. What's happening in the investment side of the business community here in Canada and even with your colleagues in the U.S.? What are they telling you as far as we don't know where things are sitting right now? What's that doing to projects? Are they on hold? Just give us a glimpse of what's happening there.

Mr. Mathew Wilson: Sure. I think it will be a fairly short answer. David and Caroline from General Motors and Ford just talked a little bit about specifically their companies, and they're making investment decisions. I think in the small and mid-size companies, though, there's just a lot of uncertainty right now. The companies I'm talking to have just huge uncertainty. It has nothing to do with anything this government's doing in Canada; it's just generally there's been economic uncertainty going around the world for quite some time now, and this just adds to it.

If you look at investment decisions that are going on in Canada across all business lines and especially manufacturing, the investment isn't happening to the level we need for economic growth. We're hoping to see that trend reverse. These discussions on NAFTA, especially when so much of our business is reliant on the NAFTA region, don't help that investment, for sure.

Mr. Randy Hoback: There is NAFTA, and then there is the border adjustment tax. I think both of those come into play in creating that environment.

One of the concerns I have is that we hear this talk about what one country can get from another country. It really concerns me, because this is not the platform that we necessarily want to start an agreement on. It should be one of what we can do as a bloc to move forward, to be as competitive as possible as a bloc in selling our goods outside our bloc.

What advice would you give us to get the conversation changed in that manner?

Mr. Morrison, maybe I'll start with you. What do we need to do? I know we've made lots of visits to Washington D.C, but I think this committee is probably one of the first committees to actually go outside of Washington to talk to other folks. Is that the right angle, or is there any other advice you would give us on helping to change that channel to get it to be a discussion on what we need to do as a bloc?

● (1615)

Mr. Matt Morrison: That's a great point, Randy.

It's good to remember that the U.S. is not the enemy. We're your market.

Within the U.S., this whole thing is really about China, so we can all get behind blaming China.

Keep in mind that this relationship is on firm footing. We're going to have these skirmishes for the next 18 months, and it's going to be tough, but we should remember that we have a foundation that's long and deep, and the people we are talking to are really our best friends and allies. I think having that as a basis is really important.

Mr. Randy Hoback: You mentioned the focus on China, and I've heard that as well. We're also talking about looking at the possibility of having some sort of agreement with China.

What would be the implications of trying to do that at the same time as NAFTA? What would be the result of that information? Is it well known down there that we are actually talking to China?

Mr. Matt Morrison: I'm not sure how to answer that.

It's something that you would have to take into consideration, how that might play out. The uncertainty we're facing is the difficulty. Hopefully we'll get this thing wrapped up as soon as we can.

On the other hand, you have to do what you have to do.

Mr. Randy Hoback: Okay.

The Chair: You have 10 seconds, so I don't want you to throw a question in there and then have to cut off the witness.

Mr. Randy Hoback: I guess I'm done, then.

The Chair: We're going to move over to the Liberals now. Ms. Ludwig, you have the floor.

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

I am going to take a launch off Mr. Hoback's questions.

In terms of not talking about countries in division but countries in partnership, we know that certainly we have similarities, with the United States in particular, but we also have differences, and I think that we need to be cognizant of that as well.

The last day and a half I've been attending the Can/Am Trade Border Alliance conference. It's a great testament to all the work that has been done between Canada and the U.S. on forging greater alliances and deepening the integration chain between our two countries. The Can/Am BTA is 25 years old, just like NAFTA.

My first question is for Mr. Wilson.

With NAFTA being 25 years old, we have a North American integrated supply chain. Where are the opportunities for greater integration, not isolation policies, in terms of the North American supply chain, which we have done so well on for the last number of years?

Mr. Mathew Wilson: Generally speaking, they are pretty much in every sector. We heard from the auto folks here that there are still growth opportunities there. When we survey our members, generally, about where the growth opportunities are for them, they always look at the U.S. as the primary market.

Most Canadian companies still don't export. In fact, the vast majority, some 90%, don't export out of Canada, so there is still a huge opportunity, especially for small and mid-size companies, to export and grow in those areas.

Among the specific sectors, automotive is the biggest integrated platform. There are always going to be new opportunities, and that will continue as long as it maintains the footprint, especially if we can do the things that David and Caroline were talking about here in terms of growing North America as a global platform. Instead of looking at ourselves as just a regional bloc to trade among ourselves, we can really leverage it for global platforms. There is a huge opportunity for global growth for Canadian companies.

Another sector that I would primarily look at would be agrifood. We export almost no food out of Canada. Whether it's for manufacturing or whether it's finished goods, we still export very little of what's actually produced here. At CME, when we're looking at new market opportunities, we see that agrifood is the one sector that we perform very poorly on internationally, and we see a real opportunity in the U.S. and beyond.

Ms. Karen Ludwig: Okay, thank you.

My next question is regarding technology. The Canada Border Services Agency and the CBP in the U.S. are certainly working towards greater integration in terms of our customs.

I represent a riding with five border crossings to the United States. One of the things that we have often faced over the years was the bottleneck, the border wait times. I would like to hear from you, as panellists, in terms of the opportunities for eManifest, so that the pre-clearance is actually done on this side; what that might mean to border wait times; the transparency, in terms of the direction of technology; and how we can improve our supply chain.

● (1620)

Mr. Mathew Wilson: I'm happy to start.

This has been going on for years, decades in fact, and it's long overdue. In fact, Canada's lack of investment in its own technology in the government is part of the reason it has taken so long. Certainly, the industry sector as a whole, the people doing the trading have long supported this. Companies like GM and Ford long ago eliminated their own paper-based processes and are using almost all electronic tracking. They're also on a system called customs self assessment, which eliminates pretty much all border reporting. It is a fantastic program.

The question I have—and certainly Matt would know about this—goes back to the border accords of the 2000s, beyond the border, and things like that. The idea of those was to eliminate border processing, not just to make it electronic.

What's the point in tracking this stuff? We're not shipping stuff to unknown entities. We're shipping stuff between Ford in Ontario and Ford in Michigan, or GM here and GM in Mexico. We know who they're coming from and who they're going to. What's the value of it at all?

We understand security and everything else, and the need to do that stuff, but to me, that is what it always comes back to. If we do a proper job on the perimeter, and we're securing the perimeter the way we're supposed to, then report everything after the fact. The border, frankly, is just a nuisance for most people and companies.

I guess what we're hoping for, through this NAFTA renegotiation, is that we go further than we have in the past and that we get the opportunity to cement some of the things that have occurred. Just saying “Well, let's make it electronic” doesn't eliminate the burden. We need to start eliminating burdens, not just make them electronic.

Ms. Karen Ludwig: Are there comments from the other panellists as well?

The Chair: It's going to have to be a very short comment.

Ms. Caroline Hughes: I just want to endorse what Mathew said. The borders are critically important, not just the streamlined procedures, but also the infrastructure. As an example, last Thursday night, May 4, I travelled from Windsor to Sarnia. The quickest way is through the United States, and the Blue Water Bridge was lined up with trucks at midnight, right over the bridge. There was no other traffic on the bridge. You need the resources at the bridge as well.

We need to keep in mind that a vehicle built in North America can cross the border seven times. Every single time it goes through the border, it's hitting those traffic jams and requiring those manifests. It puts us at a competitive disadvantage to vehicles that are built outside of the region and shipped in, which only cross the border once. We're facing seven times that inefficiency.

The Chair: Thank you.

We're going to move over to an MP who knows all about making vehicles.

From the NDP, Ms. Ramsey, you have the floor.

Ms. Tracey Ramsey (Essex, NDP): I don't know where to start. As an auto worker, a former Ford employee, someone who lives on a border riding, someone who comes from labour, I could ask you questions all day, so let's get to it.

First, I really want to talk to Mr. Sinclair, because you touched on something that I think is incredibly important. We've heard a lot of “do no harm,” the thought that we don't want to do any harm. We understand the importance of these integrated chains and the reality of how many jobs in North America depend on trade with the U.S.

I think that's well understood, but what's not understood is how having the environmental and labour chapters sitting outside of the agreement has weakened the agreement. You spoke a little bit about that. I believe that we have to leverage our strengths and we have to actually look for better, look for improvements. That's across the board. People want improvements and modernization.

I wonder if you could speak to the ways you think the labour and environmental chapters, or rather the side letters, could be brought into the agreement, and what that strength would achieve.

Mr. Scott Sinclair: I think, in a 21st-century trade agreement, it's absolutely crucial that those matters be in the main text of the agreement, and that they be fully enforceable. I think it's crucial, as everyone on this panel has said so far, to emphasize the commonalities, the co-operative spirit, the importance of integrated supply chains, and so on and so forth. I also think that parliamentarians have to give at least some thought to what underlies the Trump phenomenon.

● (1625)

Ms. Tracey Ramsey: It's something we heard when we travelled to the States. A lot of working people clearly feel left out of NAFTA. We have lost that GM facility in Windsor, and it's heartbreaking to see that razed. At the same time we see the strength of labour and your companies coming together to bring new work, to bring jobs to Canada.

I think there is an underlying current of people who felt left out because they have lost jobs to Mexico because things have happened. We hear that in the U.S., and we hear that here.

I want to talk about our auto sector. Obviously, auto is incredibly important to Windsor-Essex, and it's important that we protect our domestic manufacturing sectors, including sugar. I'm sorry to leave you out of the conversation, but it is important as well.

I want to talk about the regional value contents and the rules of origin requirements. Can you tell us how this will impact on your operations here in Canada?

Mr. David Paterson: Currently under NAFTA, the required regional rule of origin is the highest of any agreement that the United States has signed. We would not want to add additional red tape and requirements at a national level or the like. We would like to continue to build on the effectiveness of NAFTA.

To the points you raised about investment, I think it's important we keep in mind that NAFTA's the framework under which we trade. Every day I fight for investment to come here to Canada. We do that together with Unifor together with our municipalities, and we do it with the people around the table.

If I look back over the last 10 years, Canada has done more to help us to build an investment base here by aligning our standards with the United States and by improving our border crossings than I could have imagined 10 years ago.

I look at the last short period of time, and I see some advancement in the auto innovation fund that was long needed and made a huge difference.

These are all things that are really important for us to continue to win investments, but that's what we do every day.

One of the things I mentioned is we purchase more parts from the United States than in Canada. We would prefer to buy our parts in Canada. Why? Because we have to buy American parts with these little Canadian dollars so it's much more expensive. It's a concern to us that we've seen a lot of the parts business moving south.

A flip side in this discussion is it's good to remind our colleagues in the United States that every time we make a purchase of those U. S. parts, a job is involved in that as well, and many American jobs are related to this trade relationship in producing vehicles on both sides of the border.

It's in our mutual interest to build on this. Can we improve upon it? Absolutely. Should we look at labour and environmental agreements within the agreement? Absolutely.

The Chair: Thank you. You're well over time, but those were good questions.

We're going to move to Mr. Fonseca.

Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.): I want to thank the manufacturers and the associations that support the manufacturers for all the jobs you have created, the risks you have taken. I feel it has been a partnership not only in terms of business but also with the government. We were there with the bailout when you needed the investment, and we came out more fruitfully on the other side so that has been very important.

Canadians have seen that and have understood the partnership and the friendship we have in people to people. We have families, tourism, etc. But the public opinion polls have looked at sentiments of how Canadians perceive the United States, and they are at their lowest levels to date, and these have been tracked since 1982.

They were saying it's partly because of all the negativity and everything we're hearing around trade and isolationism, etc., and looking again to open back up.

We've just signed and passed through Parliament what we feel is the most progressive trade agreement in Canada's history, and that is CETA, which we've done with the European Union.

I don't know how immersed you are in that agreement, but as we look to this tweaking or modernization or whatever with NAFTA, have you seen aspects of CETA that you would like to see in any kind of changes to NAFTA? I'll open that up to Mr. Sinclair.

● (1630)

Mr. Scott Sinclair: I think there are aspects of CETA that will be very difficult to get into NAFTA. I've been at the committee before, talking about CETA's investment court system. It was put on the table in TTIP and was rejected by the United States for a number of different reasons. I think there's an opportunity to take a much more assertive position on the investor-state dispute settlement. There are many, even in the Republican base, who are quite critical of it, the sovereigntist wing. I think there's an opportunity to curtail it substantially, if not to propose removing it.

I also think, for the record, that Canada needs to make some strong asks in this negotiation. It can't all be sitting back and trying to defend the status quo. I think taking a strong position on the investor-state dispute settlement makes sense. We were not meant to be the target of that, but we've turned out to be.

Mr. Peter Fonseca: Thank you.

Ms. Hughes.

Ms. Caroline Hughes: From Ford's perspective, CETA is an incredibly important deal. We have been very supportive of that deal. It helped us make the business case for Oakville, to put the global platform there, knowing we could export up to 40,000 units to the European Union. In 2016, in our first year, we exported just under 20,000 and we're growing that substantially, so CETA is incredibly important.

In contrasting CETA to NAFTA, I want to point out that the rule of origin in NAFTA is higher, at 62.5%. As my colleague Dave pointed out, it's one of the highest in the world. NAFTA has a more robust rule of origin. We also have to be careful because there will probably be some suggestion that we need to look at the rules of origin in NAFTA , or that something more needs to be done. As companies, especially in the auto industry, we've been integrated since 1965, so we've actually had 55 years of integration. We view Canada, the U.S., and more recently, Mexico as one single market. We need the flexibility to source parts and build vehicles where it makes the most sense for us, within a region, and then to take a regional approach as we look outwards. We need to think about the content rules being North American content rules as we turn to other trade agreements. We also have to recognize that 62.5% right now is incredibly robust and one of the highest in the world.

The Chair: That pretty well wraps your time up, Mr. Fonseca.

We're going to move to our second round with the Liberals.

Madam Lapointe, you have the floor.

[*Translation*]

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

I want to thank the witnesses for being here today.

You all understand French, of course.

Mr. Sinclair, you said earlier that if we go to the negotiating table for NAFTA, we should go with many asks and be very vocal. You spoke about the investment chapter.

What else should we renegotiate and take a strong position on?

[*English*]

Mr. Scott Sinclair: In my opening remarks I tried to highlight some of those. I think that strong enforceable labour standards go somewhat with—

[*Translation*]

Ms. Linda Lapointe: —labour mobility. CETA contains many references to labour mobility.

Have you looked at this aspect?

● (1635)

[*English*]

Mr. Scott Sinclair: Yes. I think it's a critical part of a modern trade agreement. I would like to see it much more strongly enforceable than it is in any of the existing agreements undertaken by Canada and the United States. There are many options. As you know, the NAFTA labour accord is basically a joke—it's almost atrophied. Unions and workers have to be able to bring disputes directly, and there has to be some sort of remedy. There are many options. There could be fines that could go into redressing the problem. It doesn't have to become a labour version of investor-state dispute settlement where lawyers are chasing fees. The money could go into actually redressing the problem.

I talked about procurement. I don't think that—

[*Translation*]

Ms. Linda Lapointe: Sorry for interrupting you, but I could easily ask another three questions. I'll move on to Mr. Wilson.

Mr. Wilson, you said earlier that we should make major improvements to the agreement, which dates back to 1994. The world has changed since 1994. We have cellphones, electronic commerce, and the Internet. Of course, there's also China.

In what area should we make improvements?

[*English*]

Mr. Mathew Wilson: That's a great question. There are a couple of specific areas. On procurement, and I'll pick up on Mr. Sinclair's point, this has been one of the biggest struggles for a lot of integrated industries, to be able to sell into government procurement markets in Canada and the U.S., and now even trying to get the extension of those into the private sector. We saw with the Keystone XL, for example, where they tried to extend it into that and may succeed, but I doubt they will.

Certainly, CME has been a long time advocate for some type of buy North America model that recognizes the integration in procurement. If the focus is China, let's make the focus China, because that's what we keep being told it is. I don't know if that's true or not, but that's what we keep hearing. Let's not make Canada the focus in these things.

There are other areas we mentioned. Border simplification has to be looked at. This is the number one issue, whether it's infrastructure or whether it's just the red tape and regulation. We need to do something. We need to look at what Europe did, frankly. European countries went to the common market in part to combat the strength of the U.S., in order to create their own economic sphere that could compete economically with the U.S. NAFTA was in part a response to that, yet we've never moved the rules beyond what it originally was set up for 25 or even 30 years ago, and in some places with the auto sector, even longer.

We need to be looking at the rules that govern trade to eliminate as much of that red tape as possible. These are serious asks that we need to be going to the U.S. with, that will benefit Canadians and their industries at the same time, but we shouldn't be afraid to make those demands, to make it better, to make it stronger for our economies.

[*Translation*]

Ms. Linda Lapointe: When you say “regulation”, do you mean the harmonization of rules?

Is there much of a difference?

I want to talk about red tape with Mr. Paterson. My constituency is Rivière-des-Mille-Îles. The Boisbriand General Motors was in my constituency. People have often said that the Boisbriand plant closed mainly as a result of NAFTA.

How could eliminating red tape help keep jobs here, in Canada?

[*English*]

Mr. David Paterson: To help keep jobs in Canada, in the auto sector, we have to recognize that the auto sector hasn't stood still in terms of technology either. Every year we get about 5% more productive, just in the automation of our systems, and we are intensely competitive with my colleague next to me. I'll remind her that we outsold her in Canada for the last couple of months, but technology is a very important thing that we need to focus on.

I spent a full day at the Université de Montréal and McGill University, and we are investing in all kinds of high technology software. In Canada, we have unique strengths in this area, with artificial intelligence at the Université de Montréal, and we shouldn't forget this. The automotive sector is going to be one of the largest platforms in the world for new technology. We need to grow the jobs in that area as well as the traditional jobs that we've had.

If we focus only on the traditional jobs, we will not grow. If we look at where the future is going, and we think about things like intellectual property, the movement of people, liberating the technology and the intelligence in our university systems to better commercialize products in Canada, and grow Canadian start-up companies, then we're going to actually grow, and Quebec is going to be a hot spot for that.

● (1640)

[*Translation*]

Ms. Linda Lapointe: Thank you.

[*English*]

The Chair: Thank you.

I caution the witnesses. It's hard enough to keep political parties from taking shots at each other, so don't go down that road. Sometimes we lose, but anyway, we'll move on.

Hon. Gerry Ritz (Battlefords—Lloydminster, CPC): I feel right at home, myself.

The Chair: We're going to move over to the Conservatives, Mr. Van Kesteren.

Mr. Dave Van Kesteren (Chatham-Kent—Leamington, CPC): Thank you all for being here. It's always great to hear from you.

I don't really know where to go, but I think I want to follow on what you're saying, David. As you know, we took a trip to the west coast, where it became painfully obvious just how important technology was. If you think back to the 20th century, to the Carnegies, the Chryslers, the Fords, these were people who produced goods. Today's billionaires produce that. There really is no good.... And Mr. Morrison, you mentioned that we have to get the Chinese.... Listen, we set them up. If we really want to be honest, we took our manufacturers over there and introduced them to the Chinese. They had a fifty-fifty deal—I think it was 49-51—and that's where our manufacturing went. We just sold our manufacturing, quite frankly. I want to touch on this.

Take Tesla, for instance. I forget what they get subsidized, but it's thousands of dollars, $15,000 for an electric car. This is what you're competing with as Ford Motor, as General Motors, as Chrysler, and as manufacturers, too. We're competing in a world that's changing rapidly. The only thing I see that we can do is to offer manufacturers...because there's no reason for Ford or Chrysler or General Motors to stay in Canada, other than if it makes economic sense. It's not because they think we're wonderful, and this is a Canadian.... It's not a Canadian company.

How do you see that challenge in your day-to-day operations where you're competing with investment that goes to stuff that really produces nothing, and trying to maintain your growth in the new world we're living in? Can you comment on that?

Mr. David Paterson: I can start off on that, because it's a great question, and if I put on my hat.... I'm the past chair of the Canadian Chamber of Commerce, and one of the areas we've looked at quite intently is intellectual property.

As you say, right now the world's economy is based on intangible goods. Most of the world's wealth today is generated by intangible goods. They cross borders electronically, and the value of those goods comes from the inventiveness and creativity that we have. We have no shortage of that inventiveness and creativity here in Canada.

I had the great honour to work at BlackBerry for a number of years, where we took a new technology and changed the world for a period of time. You get disrupted, and things change. We have to understand that we can't look strictly backwards, in the rear-view mirror, in terms of the type of industry we have. We need to be competitive in new areas. We have incredible strengths coast to coast in Canada in these areas, and I think we're starting to harness them. That is a valid area to think about in NAFTA and it's a valid area to think about as a point of public policy in Canada, to make sure we're properly leveraging it so that not only could little Canadian companies get bought by multinationals, but they would also grow up and become strong domestic champions.

I'll just finish by saying that in setting up all the technology we have here in Canada, we really believe.... One of the reasons we're here is to share intellectual property and co-develop intellectual property with Canadian companies, because they're that good. That's an opportunity too, because frankly we're a massive customer, and if you sell 10 million widgets to us, that's pretty good.

Mr. Dave Van Kesteren: Those centres of excellence are so critical in maintaining our position.

Mr. David Paterson: We have some natural ones, and we're augmenting those, too—whether we call them clusters or what have you. They are important. But we should understand what we have and make sure we compete at a global level of competitiveness and not just prop up things that are also-rans.

Mr. Dave Van Kesteren: Caroline, did you want to jump in on that?

Ms. Caroline Hughes: Absolutely, centres of excellence are incredibly important. I think, though, that one of the pieces of good news is that while in the electronic and information era things move over the Internet, people have to physically move through means such as cars. Vehicles for mobility purposes will be around for a long time. They will become more advanced and include more technology.

Our plants are also advanced manufacturing plants where despite the huge investments, we're getting productivity gains so that you're seeing fewer people needed per unit of production. That all keeps us on the leading edge of technology. The R and D goes hand in hand with the production. All I can say is that we have to encourage the R and D where it makes sense, but we also have to look at things like the automotive innovation fund and the change from a loan to a cash grant was incredibly important to help keep Canada competitive.

● (1645)

The Chair: Thank you.

Mr. Morrison, if you have a quick comment, go ahead.

Mr. Matt Morrison: We need to have the ability to collaboratively link these centres of excellence. The future is all going to be collaborative design innovation. That again is a North American platform, I believe.

The Chair: Thank you.

I'd like to welcome Mr. Oliver, who is from Oakville, another big car-producing area.

I hear you're going to share some time with Mr. Peterson.

Go ahead, Mr. Peterson.

Mr. Kyle Peterson (Newmarket—Aurora, Lib.): I'd like to make a brief comment.

Mr. Morrison, you alluded to members of Congress and senators as being 535 people with their own fiefdoms. It's not that different from what it is for us as members of Parliament here. At the end of the day, we have to represent the interests of our constituents.

I can tell you that in my riding thousands of jobs rely on NAFTA. In fact, thousands of jobs rely on the auto sector. Magna International is in my riding, and I know that there are about 7,000 direct jobs just from that employer, so we as well are all quite aware of who the job producers are in our ridings. It's important for all elected officials.

Because of that, I have the pleasure of being on our party's auto caucus. With that segue, I'll introduce John Oliver, the chair of our auto caucus. He's sitting in on this committee today. He's also the member of Parliament for Oakville, so he's obviously quite familiar with the automotive world. I'll give the rest of my time to Mr. Oliver.

Mr. John Oliver (Oakville, Lib.): Thanks very much, Kyle.

Thank you, Chair, for letting me attend the meeting.

Thank you very much for the excellent presentations. There were really good thoughts around modernizing and NAFTA.

We're focusing right now on NAFTA, and Canadians are seized with this negotiation that is coming up, but before NAFTA, there's another big change coming. It's about the competitiveness of Canadian firms.

With the corporate tax changes planned in the U.S., particularly for U.S. subsidiaries that are based in Canada, Caroline and David, do you see any risk to your competitiveness here coming out of those corporate tax changes? I think it's important for the committee to understand that.

Ms. Caroline Hughes: We need to see what the proposed changes are before we can answer that in detail. Today, however, Canada's tax rate is 25% and the U.S. tax rate is 35%. Canada's rate is clearly lower and provides an advantage. Depending on what the U.S. does, especially if they no longer tax worldwide profits and they lower their rate, it could have a significant competitive impact. We need to be nimble to be able to evaluate this and react to it.

Mr. David Paterson: I can add to that, just to put a finer point on it. Effectively, some of the proposals—there's more than one in the United States—would fund a tax cut in the United States through a border adjustment tax, which could place a tax of anywhere up to 20% on everything that we send into the United States and back seven times. That would be a very severe constraint to the ability to win new investment for anything in Canada that depends on the United States market. If you put on a 20% cost, you don't have a margin left.

It would be something that one hopes is not contemplated. I think it would be something that is also problematic in the United States in various ways, let alone trying to understand how it would ever be calculated in the kind of integrated business that we're in.

It's challenging, but one hopes that this moves forward without that aspect.

Mr. John Oliver: I've also heard that there's a potential for higher corporate taxes on earnings of Canadian-based firms or firms outside the U.S.—this is potentially—than what would be taxed for those firms based in the U.S. Given that this is about tax policy in the U.S. and how it affects businesses, is there a place for Canada to intervene in that, other than just...? For NAFTA, there's a clear moment of intervention. Is there a point where Canada could influence the U.S. corporate tax?

● (1650)

Mr. David Paterson: Very quickly—and it's to Matt's point—I know, for example, that Perrin Beatty from the Chamber of Commerce has been visiting in various states with Congress people across the United States to explain this point.

One of the things about that sort of scary scenario I have is that it's a direct addition to anything that an American consumer buys. At your Walmart store or anywhere you're purchasing, you're talking about potentially increasing those costs as they flow through to U.S. consumers.

I think the answer is that we need to talk about it. We need to have facts, and we need to share them in a credible kind of way and I think a confident way. I'm pleased to see that it's what Canada has been doing.

Mr. John Oliver: Good.

I have another question. Both of you had five or six good pieces of advice on how to modernize NAFTA and what needs to change. In terms of the actual process of negotiating NAFTA, do you have any advice to the committee that they could pass through to government on how to structure that negotiation? I guess I'm leading you as to whether you see a need for an auto table in behind the scenes?

The Chair: Sorry, Mr. Oliver, this is going to have to be one person with a very quick answer. Go ahead, please.

Ms. Caroline Hughes: Yes, an auto table would be an excellent idea.

The Chair: Before we move to the Conservatives, I don't usually ask questions but I have a question for Ms. Marsden. Recently, I read an article in *The Economist* about the sugar industry in Europe, which said, I think, that 75% of Europeans used to get their sugar from sugar cane, but now it's almost all going to the sugar beets and they are changing their subsidies and quotas.

But that's over there. When we were in Colorado, we had a conversation with an agriculture representative down there about subsidies. Of course, we threw back the sugar thing and how it's been difficult for our sugar beet industry in Canada because of what the United States....

If we're going to go back to the table, and everything might be on the table, how do you think we should approach the Americans on the so-called subsidies and a new deal on sugar? What would you like to see?

Ms. Sandra Marsden: It's complicated. The devil's in the detail, of course, but I think the TPP approach is something to look back at. We obtained a modest outcome. Of course, we won't see that, but it did address a number of the issues that I talked about. We have quota limitations that have not kept pace with the growth of the U.S. market. For example, they are very small in the case of beet sugar and also in the case of a number of food products.

Regarding rules of origin, Canada can't export products that contain, say, sweetened cocoa powder that has cane sugar under quota, because it doesn't meet their rule of origin due to the sugar. So there are competitive inputs that we can't supply or that our customers can't supply to their United States multinational location.

End-use restrictions are something we experienced in CETA. Canada negotiated some new access under CETA. We don't face those end-use restrictions, or we won't, when CETA is implemented.

For example, a Canadian producer of frozen pies can't send a pie to the United States and have it baked in-store. It's considered further processing. There are some really outdated restrictions that were based on concerns three decades ago, which just don't have a place.

There are a number of things we can achieve to the benefit of all trading partners.

The Chair: Thank you.

We're going to go to the Conservatives now. Mr. Ritz, you have the floor.

Hon. Gerry Ritz: Thank you, Mr. Chair, and thank you, ladies and gentlemen, for your presentations today.

We get a crack at rewriting this, and it's not a bad thing. There have been 11 different times that NAFTA's been tweaked, but this is going to be more than a tweak. I don't think that's a bad thing, in and of itself.

One of the first things President Trump did was give a list of 40 issues to Congress, saying let's look at these as we renegotiate. Both Mathew and Matt, you talked about a study you're doing. Is that something you're keeping in mind, saying these are the issues, and these would be our 40...?

Mr. Mathew Wilson: We actually took that list and asked people what their priorities were around those specifically, so that's exactly what we—

Hon. Gerry Ritz: So again, you're working from that list. You're not looking at it from the Canadian content side.

Mr. Mathew Wilson: We added a bit of Canadian flavour to it, just because we needed to. We also asked a bunch of open-ended questions around it, but we actually went to that original list in the leaked TPA document and asked, what are your priorities around each one of these? They were things like supply management, services, all those things. We've included those in our list, yes.

Hon. Gerry Ritz: Good, thank you.

The one thing government never does well is work at the speed of commerce. We have all these silos, and even when you talk about a whole-of-government approach, you can never get it done because the bridge from industry doesn't get to trade, doesn't get to ag, doesn't get to...you know. That's something that's always a constant fight.

When you are global in scope—whether you're based in Canada or based somewhere else and global in scope—you're always, as you said, David, arguing for investment here because this is your backyard. How do we address the inequities in taxation, regulatory burden, and red tape? Now we're looking at a border tax and a carbon tax, and by the time you add all this stuff up, you create these huge disparities. How do you take all of that into consideration when you look at making investments in this country or elsewhere?

Mr. David Paterson: You've outlined very well some of the key things we look into. In fact, hats off to the Ontario and federal governments, which have actually assigned someone to come to us and ask for our list, for the first time. There's a process we go through, and part of it involves our negotiations with labour, because that's a controlled cost we can come up with together.

● (1655)

Hon. Gerry Ritz: You're looking for that predictability and stability.

Mr. David Paterson: We look at all the policy aspects. Famously, we talk a lot about electricity costs right now in Ontario.

Hon. Gerry Ritz: Recycling....

Mr. David Paterson: On recycling, we can get a competitive advantage by being landfill-free here in Canada, and we do that. There are some advantages we can take from some of the environmental policy here, too. If we can align our efforts to reduce greenhouse gases, which we're darned good at, and save money by paying less in terms of inputs for energy, we can be more competitive.

We are constantly trying to find one inch more of competitiveness to be able to make the case that the next investment should come here to our plants, and it's the sum total of all those things: public policy, labour costs, and overall costs. Currency exchange is a big factor in it. Of course, it's the supply chain, its effectiveness. The innovation base of that supply chain is critical for the future, and then we just have to innovate.

Hon. Gerry Ritz: Sure.

Mr. Sinclair talked about there being labour standards in NAFTA, which are never measured up. Mexico keeps punting them down the road. Now they're talking about 2020. If there were chapters in their labour standards, environmental standards, regulatory standards, and monetary standards that actually had teeth in them, would that then set a stronger parameter for government to do what industry needs government to do, or is that getting too intrusive?

Ms. Caroline Hughes: No, in fact, that mirrors the recommendations that we have as an industry, and it mirrors the AAPC recommendations in the U.S. to the U.S. government.

Hon. Gerry Ritz: When we started the beyond the borders plan, the tough part was to get the Americans to pay attention. They used it as a backstop. It's basically a non-tariff trade barrier. They can pull out whatever they need and say, “No, not today.”

How do you end up with fair trade as well as free trade?

Ms. Caroline Hughes: One recommendation we are making specifically on fair trade versus free trade is to incorporate currency manipulation into NAFTA because, again, we're all looking to export from NAFTA outside the region. We see currency manipulation ongoing in key markets that are closed to our products, and that sets up a very unlevel playing field for our workers.

Hon. Gerry Ritz: The U.S. talked about hooking that into TPP. I saw an interview with Mike Froman the other day, and he said basically if you're tweaking NAFTA, TPP is the model; and you work to some of those standards. But, again, they didn't go as far as currency manipulation because nobody—Japan especially—would entertain it; and the Americans are some of the worst currency manipulators, without pointing fingers.

Ms. Caroline Hughes: Despite the fact that Japan has agreed to the IMF standards, and the leading economists have suggested a currency discipline based on a simple, three-part test based on IMF principles that all of the parties to TPP had agreed to outside.... But they don't want the teeth in the agreement.

Hon. Gerry Ritz: Yes, it wasn't in the agreement. It was attached to it.

Ms. Caroline Hughes: We're proposing putting teeth in the agreement, putting it in NAFTA, and making that the gold standard as we go forward to other trade agreements.

Hon. Gerry Ritz: Good.

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

Ms. Ramsey, you have three minutes. Go ahead.

Ms. Tracey Ramsey: Thank you.

I'm so happy to be able to ask you about the bridge. This is the elephant in the room down in Windsor-Essex. It's so incredibly important to our region. I attended the Great Lakes Economic Forum a couple of weeks ago. Everyone was talking about the bridge and what will happen with the new bridge project, but there are already 10,000 trucks going across the Ambassador Bridge every day. It's the largest trade point in North America, really.

My question is about that border. If anything happens to hinder the efficiency or the security of goods crossing there, can you speak to us about the impact it would have on jobs here in Canada?

● (1700)

Ms. Caroline Hughes: That's exactly the problem. We rely on the efficiency of the border. Again, our vehicles cross the border seven times from start to finish, and we're competing with the imported vehicles that are coming in on ships across one border. You can fit a lot more vehicles on one container versus the trucks that we use to carry our vehicles, so it exponentially becomes a disincentive to investing in Canada or a disincentive to producing in the NAFTA region.

Mr. Mathew Wilson: Here's a stat that I find interesting. When the Ambassador Bridge was first built Canada-U.S. trade was almost non-existent. Canada's total exports at the time the Ambassador Bridge was built were about equivalent to one week's worth of auto trade today.

If you put that in perspective we’re still shipping over that bridge, which was meant for global trade at the time, and what we ship today in a week just in one sector is the equivalent of what was shipped in a year then. At the Ambassador Bridge, two sectors make up about 95% of it, agriculture and automotive, so the infrastructure in Canada—and this goes back to RCC and beyond the border and beyond that—is woefully inadequate to deal with it. And we're not just talking about the Ambassador Bridge, which you're familiar with obviously, just one corridor.

I cross a lot, for example, personally going down through the Niagara way. The Peace Bridge has three lanes. It's backed up all the time, never mind a long weekend when everyone else is going. The trucks are backed up with them. The Blue Water is the only bridge we've really seen an expansion on at least in the Great Lakes area and recently. We need more trade infrastructure.

To the world too, we have very limited access whether it's east or west. Whether it's trucks and cars or whether it's even energy supply, we can't get our stuff to the world. We've really lacked in our investment in trade infrastructure for decades. This isn't a recent thing. This is a decades-old problem.

Ms. Tracey Ramsey: Have you already seen an impact, because I can tell you that my office receives phone calls weekly from businesses, from people who work across the border who live in my region? There has already been a change at the border. There is a lot of uncertainty about people being able to cross, about goods being able to cross, things being turned back or held up. Are you experiencing any of that just from what has happened?

The Chair: It's going to have to be a very quick answer.

Ms. Caroline Hughes: Yes, we have seen a thickening of the border both ways in terms of more frequent requests for letters and inconsistencies in terms of what we're being asked for, especially the people movement across the border.

The Chair: Thank you.

We're going to move over to the Liberals. They have the last slot here today.

Mr. Dhaliwal, you have the floor.

Mr. Sukh Dhaliwal (Surrey—Newton, Lib.): Thank you, Mr. Chair.

I'm the last province going that way. I'm from beautiful British Columbia. In February 2017 a CEO of the U.S. Chamber of Commerce said that withdrawing from NAFTA would be devastating for workers, businesses, and the economies of our countries. He also said that the jobs of 14 million Americans depend on the agreement as well.

How would the U.S. withdrawing from NAFTA affect the Canadian provinces and the U.S. states in the Pacific northwest? Also, what actions should the Government of Canada take to ensure the efficient implementation of the agreement?

Mr. Matt Morrison: That's one of the objectives of our survey and our modernization task force, to really determine what are the on-the-ground impacts of the current NAFTA.

We don't know what might be proposed so it's hard to know how that would change, but we certainly want to get as much data as we can and make sure the data gets to the right place.

I'm not totally sure about the intent of your question.

● (1705)

Mr. Sukh Dhaliwal: The intent is we just want to see... particularly because I come from British Columbia and I'm concerned about the states in the Pacific northwest. If we bring in the modernization or change NAFTA, get out of NAFTA, do you agree with that and what should we as a government do to make sure that we are able to achieve the best interests of the Pacific region?

Mr. Matt Morrison: I think there are already great relationships between B.C. and Washington, and this will continue. I think it's great that Bill Gates is very keenly interested in the innovation corridor between B.C. and Washington state. He has a great deal of interest personally in this relationship. The innovation corridor is really a big part, with Amazon, Microsoft, Google, and Facebook all opening offices in Vancouver but connecting to Seattle. That's the future.

We have to make sure that whatever agreement we have allows for the free mobility of those workers to attend meetings etc., because that's a big problem we face daily, for Canadian workers to be able to come down to Redmond, Washington, and meet with the corporate headquarters and so on. The professional list in NAFTA is so old, there was no Internet when it was made. We have to update that list. That's a huge area that I see needs to be in the modernized agreement.

Mr. Sukh Dhaliwal: Following up on Ms. Ramsey's conversation that we had on the bottleneck, I come from British Columbia myself. There is also a corridor there as well, the Pacific border upgrade. As far as I remember, it was the last Liberal government that committed money and the Conservatives followed that through. We committed the money. Anyway, it doesn't matter, that carried on. And now we've also committed $2 billion over the next 10 years.

I would like to hear your comments on how that will help. Is it enough, or do you need to see more done?

Anyone can answer.

Mr. Mathew Wilson: I'll start. I don't want to get into a political fight over who committed money. I think there's been—

The Chair: The Canadian taxpayer.

Mr. Sukh Dhaliwal: That's a good one.

Mr. Mathew Wilson: The Canadian taxpayer, that's a good one.

I don't know what the right number is, $2 billion, $5 billion, $10 billion, I don't know. My comment was more to the fact that we let this stuff drift for decades and we never paid attention to it.

Certainly in the auto sector, they were screaming for new crossings in southern Ontario. I know in tourism, in places in the east and west, they were screaming for it for years and nothing was done. It's something that was unfortunate that happened. I do think that over the last decade or 15 years there has been a renewed intention on it, certainly in the Windsor corridor, in southern Ontario, now out west and the Pacific northwest of the U.S. There has been more investment that has gone in.

Let's wait and see when those investments actually come into play, like the Ambassador Bridge replacement or doubling with the new Gordie Howe bridge, for example. We don't know what the impact of that is really going to be until it's actually operational. I can tell you, even the extension of the 401 has made a huge improvement going into Windsor. It's beautiful and very efficient. It has helped a lot, I know, moving trucks through.

Let's see what the infrastructure does, but let's not fall asleep at the switch again for a couple of generations. Let's make sure we stay on top of it. I guess that's the big message.

The Chair: Thank you, and that wraps up your time.

Mr. Sukh Dhaliwal: Thank you.

The Chair: I think all MPs had a chance to have dialogue and questions, really good questions here this afternoon and, of course, really good presentations from the witnesses. We really appreciate you coming.

I would also like to note, as you know, that our committee is switching gears quite a bit to different studies. A lot of witnesses who are here today have repeatedly come back and helped us out with our studies, so we really appreciate you coming back and helping us again. As you say, this whole process is going to take at least a year, probably, so our study will go right into the fall. We will probably give you some updates, or the final draft of our study.

Again, thank you very much for coming. We hope to see you again.

The meeting is adjourned.