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Vice-Chair

Mr. Randy Hoback

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● (1550)

[*English*]

The Vice-Chair (Mr. Randy Hoback (Prince Albert, CPC)): We'll begin this meeting, and we'll start off with the Canadian Association of Petroleum Producers.

Nick Schultz, you have the floor for five minutes.

Mr. Nick Schultz (Vice-President, Pipeline Regulation and General Counsel, Canadian Association of Petroleum Producers): Thank you, Mr. Chair and honourable members of the committee, for the opportunity to appear before you today. My name is Nick Schultz and I am vice-president of pipeline regulation for the Canadian Association of Petroleum Producers.

My association represents the upstream oil and gas industry in Canada, the folks who explore for and produce Canada's oil and natural gas. Our members produce about 80% of Canada's oil and natural gas in an industry that invests multiple billions of dollars every year into the Canadian economy.

Access to export markets for our products is vital to our industry and also vital to the Canadian economy, which benefits from the activity that our industry creates. Operation of free markets is a cornerstone principle for our association, and free market principles are the foundation for free trade. Fundamentally we are very much aligned with the operation of free markets and free trade agreements.

When it comes to energy, the energy chapter in NAFTA dates back to the original 1987 Canada-U.S. Free Trade Agreement. The foundation for that free trade agreement is a fact that is sometimes overlooked but is nonetheless important, and that is that both countries—Canada and the U.S.—had already moved to free market policies for energy markets in the mid-eighties, and the free trade agreement then built on that in respect of energy.

Today both countries still operate on the basis of market-oriented energy policies, and Mexico, which joined the free trade area in 1994, has recently significantly liberalized its energy markets responding to the incentive that NAFTA provided it. From our perspective, NAFTA has been beneficial to all three countries—Canada, the U.S., and Mexico. The expectation of mutual benefit that drives nations to enter into free trade agreements is the reality of free trade in respect of energy, and we would say, in general.

Since 1987, and since 1994, the economies of all three countries have become even more interconnected and even more integrated, so the logic of a North American free trade zone is even more compelling now than it was 30 or 35 years ago. Free trade has done exactly what one would expect with regard to energy. The energy pie has grown and all three partners to NAFTA have shared in that growth. We did provide to the clerk copies of my remarks, which have some data. I'm just skipping over that in the interest of time.

I would point out that U.S. oil production has grown dramatically in recent years and is back to 1970 levels, and U.S. natural gas production has also grown enormously in the last 10 years. Markets that Canadian oil and natural gas producers had served in the U.S. have been displaced by domestic production. In fact in Ontario and Quebec significant amounts of natural gas are being imported to supply Canadian consumers, so U.S. natural gas producers have benefited from the market access that has been created by free trade. As well, U.S. oil producers now are the dominant supplier to the eastern Canadian refineries that rely on imported crude oil. Again there has been a benefit there.

If we were to speak about the room for improvement, we would begin with what other witnesses have said to you, which is "do no harm". The free trade agreement has been beneficial, and while there is always room for improvement, the starting point should be "do no harm" and we should be sure to preserve basic building blocks of free trade agreements, such as national treatment and redress for individual investors.

I would note that in regard to the energy chapter, it is not the business community in any of the three countries that is seeking change.

● (1555)

From a Canadian perspective, any improvement would be around rules of origin. A very liquid natural gas market has evolved in North America in the last 30 years. One of the challenges of that liquidity is that it does not marry up easily with the complex rules of origin, so if we are to renegotiate, we need to address that issue.

The Vice-Chair (Mr. Randy Hoback): Thank you, Mr. Schultz.

Again, to the witnesses, as you see, people are wandering into the room. They're just coming out of the House of Commons. I just want to welcome you here. I didn't take the appropriate chance to do that.

We'll go on to our next witness from the Canadian Labour Congress, Angella MacEwen.

You have the floor for five minutes, Angella.

Ms. Angella MacEwen (Senior Economist, Canadian Labour Congress): Thank you very much.

Thank you for inviting me to be here on behalf of the Canadian Labour Congress. We represent 3.3 million members across Canada. We bring together Canada's national and international unions, along with provincial and territorial federations of labour, and 130 district labour councils whose members work in virtually all sectors of the Canadian economy, in all occupations, and in all parts of Canada.

As I always do, I have to say up front that the labour movement is keenly aware that trade is and always has been an important feature of the Canadian economy. Our jobs depend on trade. We understand that all governments will have an interest in fostering open trade.

We feel that the distributional impacts of trade and investment agreements have long been ignored. We're told, “Trade deals will have winners and losers, but don't worry; we'll compensate the losers.”

In my opinion, the failure to compensate those who have been negatively impacted by trade shocks has led to growing inequality, especially between regions, and a nationalist sentiment among those people who have been poorly affected. This has happened in many developed nations. It's not unique to Canada. In fact, Canada has been somewhat protected because of our strong social safety net.

More than 20 years after signing the North American trade agreement, the ways in which it has failed working Canadians are very clear. Canadians were told it would create good jobs, shared prosperity, and a better future for working people. Instead, it has undermined secure well-paid employment, and it has devastated manufacturing and processing industries and the communities that depend on them.

While there has been increased trade and economic growth, the benefit has gone to large corporations and investors, leaving workers behind. NAFTA doesn't just govern trade but empowers foreign investors to sue Canadian governments, threatening public services and limiting the ability of governments to regulate in the public interest. This so-called free trade agreement has not fostered fair or balanced trade, in our opinion, and one of the reasons for that is that trade agreements have left a gap. The governance gap in national legislation has become inadequate.

The lack of transparency and asymmetrical relationships in global supply chains, combined with a competition among low-income nations for foreign investment in jobs, actually undercuts the ability of free trade to be fair.

For example, only 1% of Mexican workers belong to a democratic union. Most workers in Mexico are covered by so-called protection contracts, which are agreements between the company and a company-approved union. Workers don't even have the right to see the collective agreement. If they try to vote out that union and vote in another union, at best they're ignored, and at worst their lives are in danger.

The solution to this, we feel, is to have a parallel approach and, along with trade agreements, focus on strengthening ILO conventions. Canada has just announced that we're going to ratify the core convention 98, which is the right to organize and bargain collectively. Neither Mexico nor the United States has ratified this agreement.

We've also pushed the Canadian government to ratify governance convention 81, which is the labour inspection convention. Neither Canada, the United States, nor Mexico has ratified it. This convention would help to ensure that the labour standards that we've agreed to in the core conventions have labour inspectors who can enforce and make sure that workers in all countries have access to their rights under those core conventions.

We would also encourage the government to look at due diligence for Canadian companies and funding agencies similar to legislation that was recently passed in France, to look at a framework for transnational bargaining to allow unions to represent workers in multiple countries, and to work within the ILO and OECD guidelines for multinational enterprises. We also encourage the government to work to strengthen Canada's national contact points.

We're glad to hear that the Canadian government has stated publicly that it's willing to walk away from a deal that's not in Canada's best interest. We think it's time to take a new approach to trade that puts the interests of working people and the environment first.

● (1600)

The Vice-Chair (Mr. Randy Hoback): Thank you, Angella, and you're well within your five minutes.

We'll move on to our next witness, Joseph Galimberti. The floor is yours for five minutes.

Mr. Joseph Galimberti (President, Canadian Steel Producers Association): Thank you very much.

Thank you to the committee for the opportunity to appear today on this important study. It is much appreciated.

The Canadian Steel Producers Association is the national voice of Canada's $14 billion primary steel production industry. Canadian steel producers are integral to the automotive, energy, construction, and other demanding supply chains in Canada. In that context, we seek to work with governments and industry partners to advance public policies that enable a globally competitive business environment.

Before I directly address the committee's fundamental question with regard to industry priorities, I'd like to first provide a little context to the mutually beneficial nature of our NAFTA relationship in steel, focusing principally on the relationship between Canada and the U.S.

Canada and the U.S. enjoy a balanced and complementary trade relationship in steel founded on fair market principles. In 2016, over 10 million tonnes of steel with a market value of over $8.8 billion U. S., was traded between our two countries. Canada shipped $4.4 billion U.S. to the United States, and the U.S. shipped $4.45 billion U.S. to Canada.

Steel continues to be a major export commodity from the U.S. into Canada. In 2016, 50% of U.S. steel exports came here, accounting for about 30% of our domestic market. Additionally, Canadian steel producers buy significant raw materials from the United States. To be specific, $1.5 billion U.S. worth of iron ore, bituminous coal, steel scrap, zinc, and other metals were purchased by companies for processing last year. Beyond the value of those commodities, significant economic activity is generated through the mining, recovery, and transportation of those raw materials. Several of our producers maintain facilities and employment in multiple NAFTA jurisdictions, and the shared profitability of those facilities supports investment across the various companies.

Since NAFTA entered into force, steel trade in products between NAFTA countries has increased by 117.2%. The vast majority of North American steel exports are made within the region: 97% of Canadian steel exports are to the United States and Mexico, 90% of U.S. steel exports to Canada and Mexico, and 76% of Mexican steel exports are to Canada and the U.S.

Recognizing the strategic value of steel production to the NAFTA region, in 2003 the NAFTA governments created the North American steel trade committee, which coordinates government and industry actions on joint enforcement and continued growth and prosperity in steel in the region. This brings both government and industry representatives together from the three countries to discuss policy priorities and competitiveness.

As this committee recently heard as part of its study on the Canadian steel industry's ability to compete, growth and excess capacity from jurisdictions where state control and ownership are prevalent is both unsustainable and irresponsible. NAFTA governments and industries share a fundamental belief that urgent and substantive multilateral action is required to address causes and consequences of global overcapacity, and that is why we continue to support the efforts of NAFTA governments through the G20 OECD global forum on steel overcapacity, sharing an expectation that there will eventually be a permanent reduction in overcapacity.

In defending against unfairly traded imports for the time being, we share the challenges of our counterparts in the U.S. and Mexico. These detrimental impacts are artificially suppressing our prices and harming North American workers. We work co-operatively to ensure polices and actions in all three NAFTA countries are closely aligned, and that we are responsibly defending the regions from unfair trade.

We generally view NAFTA as having been a successful agreement, though after 23 years we believe it could be modernized. To that end, we would point to the strengthening of rules of origin, promotion of trade enforcement co-operation and coordination, establishment of enforceable currency disciplines in the conduct of state-owned enterprises, the elimination of burdensome customs procedures, and upgrades to border infrastructure.

In closing, I note that before a formal NAFTA renegotiation takes place, it is critical that Canada secure national consideration in the Department of Commerce's ongoing section 232 national security investigation on the imports of steel, its process on the construction of pipelines using domestic steel and iron, and its ongoing process with regard to the enforcement of current “buy American” policies.

● (1605)

In each instance, the government should continue to rigorously defend the interests of Canadian steel producers and steelworkers to ensure no adverse or unintended consequences occur as a result of direct action taken by the U.S.

Without positive outcomes on these—

The Vice-Chair (Mr. Randy Hoback): Mr. Galimberti.

Mr. Joseph Galimberti: —three significant initiatives, any gains possibly associated with a NAFTA renegotiation quickly become moot.

In closing I would like to say that NAFTA has been a positive agreement for the North American steel industry and our customers. We collectively welcome the opportunity to work—

The Vice-Chair (Mr. Randy Hoback): I'm going to have to cut you off there. Sorry, we're 30 seconds over.

Mr. Joseph Galimberti: Okay. Yes.

The Vice-Chair (Mr. Randy Hoback): Thank you, Joseph.

We'll move on to our next witnesses from the Chemistry Industry Association of Canada, Bob Masterson and David Podruzny.

The floor is yours, gentlemen, for five minutes.

Mr. Bob Masterson (President and Chief Executive Officer, Chemistry Industry Association of Canada): Thank you, Mr. Vice-Chair. It is an honour to meet with this committee.

As you know, international trade has certainly moved to the forefront of both policy-makers' and the business community's minds.

Just for some background, the chemistry industry is a vital component of the Canadian economy. We're the fourth-largest manufacturing sector, with about $53 billion of annual shipments. Many of us don't give much thought to the role of chemicals in the economy, but more than 96% of all manufactured goods are touched by the business of chemistry, and that of course includes the key sectors of the Canadian economy: energy, transportation, agri-food, minerals, and mining, just to name a few.

In my brief time with you today, we have just three messages we want to share with you.

First, the global chemistry industry is a large, fast-growing industry that has deeply interconnected patterns of trade. Annually, global chemical trade is at about $5 trillion with growth rates far in excess of global GDP. We're looking for that number to reach $6 trillion by 2020. To put that number into context, Canada currently occupies about 2% of global production.

Three major trends that are driving that increase in chemistry demand are, of course, global population growth; the pursuit of quality of life, middle-class lifestyles by the growing populations in Asia; and the aggressive pursuit of more sustainable outcomes in terms of clean air, clean water, and clean energy by all citizens of the planet. This is the key. Those trends all together mean that you're looking at a chemistry industry that will nearly triple by 2050, which is not that far away.

Already today chemicals are amongst the highest traded commodities worldwide. About 40% of global chemical production is shipped internationally. It's clear that free and fair trade in chemicals will remain of vital importance for this industry to realize the contributions that are being demanded from it in the coming decades.

My second point—and I guess this perhaps echoes a bit of what was said by CAPP— is that the Canadian position within this highly integrated global sector is currently at an inflection point. Our sector is highly integrated with the global industry. We export about 40 billion dollars' worth of our products each year. That's second only to transportation of equipment in the manufacturing space.

On the other hand, we import about $50 billion. When we look at the United States, our trade is almost completely balanced, with about $30 billion of exports and $33 billion of imports. We can't take that balance for granted, however. In particular, the abundant availability of low-cost natural gas in recent years has meant that we have seen over 300 global-scale investments in the chemistry industry in the United States totalling about $250 billion of new plants and equipment. That certainly is going to put pressure on Canada's historical export share in that jurisdiction.

At the same time, we know the new administration in Washington has embarked on a very aggressive round of reforms in not only trade policy but also taxation policy and regulatory policy. We don't know—any of us here—the outcomes of any those specific initiatives, but what we do know is that the United States is determined to make a more competitive business climate for its manufacturing and private sector businesses in the coming years.

Taken together, and absent a coordinated, appropriate response from Canadian policy-makers, Canada will continue to struggle to attract its historical share of investment into the chemistry sector.

My third point is a bit more hopeful. There are opportunities to change the current pathway and to allow the chemistry sector to flourish and make important contributions to both the domestic economy and the global environment. We in Canada have an embarrassing richness of the lowest carbon chemical feedstocks on the planet. For Canada to seize the opportunity and to attract a fair share of the significant investments that are taking place in that sector, we need to focus on three priorities.

First, we have to prepare to negotiate a modernized NAFTA. You've received a copy of a tripartite statement that our association, along with our U.S. and Mexican counterparts, published in early March. To our knowledge, we're the only sector that has reached a consensus opinion across all three jurisdictions on our positions for NAFTA negotiations. We continue to delve into the details of what we're looking for.

In brief, NAFTA has allowed for duty-free trade of all chemical products, which has incentivized the growth of complex supply chains, helped lower the cost of chemical production, and strengthened the sector overall in the global marketplace.

We support the whole-of-government approach to NAFTA negotiations that the federal government has embarked upon and continue to offer our support through established channels. We do see an opportunity. NAFTA was developed in the early 1990s. There are aspects that can be negotiated and strengthened.

● (1610)

Certainly the first of those would be to maintain current tariff-free trade for qualified products, improve rules of origin requirements, facilitate customs, and enhance regulatory co-operation and harmonization among the jurisdictions.

I think I'm being told that's about it.

The Vice-Chair (Mr. Randy Hoback): Thank you, Mr. Masterson. I appreciate that.

We'll move on to the Council of the Great Lakes.

Mark Fisher, you have the floor for five minutes.

Mr. Mark Fisher (President and Chief Executive Officer, Council of the Great Lakes Region): Thanks, Vice-Chairs Hoback and Ramsey and honourable members. Thank you for the opportunity to appear before you today.

As Vice-Chair Hoback mentioned, I'm CEO of the Council of the Great Lakes Region. We were established in 2013 as a binational non-profit working with government, business, the private sector, and non-profit associations to deepen the U.S.-Canada relationship, and also to find new ways of harnessing the region's economic strengths. My remarks today will focus on three elements: the importance of a strong North American economy, the significance of the Canada-U.S. economic partnership, and the critical role that cross-border economies like that of the Great Lakes region have in strengthening their competitiveness and long-term prosperity. I hope they are helpful as you deliberate on Canada's trade and investment relationships with the United States and Mexico.

Let me say first that North American trade and investment, cemented in NAFTA, are a work in progress politically and economically. From a macroeconomic perspective, NAFTA has been very beneficial to all three countries. In fact, as you've probably heard over the last couple of weeks, overall merchandise trade among Canada, the U.S., and Mexico has more than tripled since 1993.

Taking a deeper look, during this time U.S.-Mexico trade grew substantially according to the U.S. congressional research service. U. S. goods exports, for example, increased from $40.6 billion in 1993 to over $230 billion in 2016, an increase of 455%, whereas U.S. goods imports from Mexico increased from $40 billion in 1993 to $290 billion in 2016, an increase of 637%. As a result, there is a modest trade deficit that exists between the U.S. and Mexico, roughly $63 billion. Conversely, the U.S. congressional research service, in a recent NAFTA study, showed that in 2016 the U.S. had a services trade surplus of roughly $10 billion with Mexico.

The growth in merchandise trade between Canada and the United States, however, has been more subdued. U.S. exports to Canada are up 165% from 1993 levels, growing from $100 billion in 1993 to $270 billion in 2016, while U.S. imports from Canada are up 150% from 1993 levels, growing from $110 billion in 1993 to $278 billion in 2016. As you will notice, a modest trade deficit between the U.S. and Canada exists, which is principally due to fluctuating energy prices and again, like Mexico, based on USTR figures, the U.S. has a services trade surplus with Canada, which, in 2016, was approximately $25 billion.

Finally, with respect to Canada and Mexico, even though bilateral trade is growing, the flow of trade is seriously imbalanced. In 2016, Canada imported roughly 33 billion dollars' worth of goods from Mexico, while Mexico imported only roughly $8 billion in goods from Canada. Taken together, this snapshot of continental and bilateral trade shows why NAFTA is such a complicated story. On the one hand, NAFTA accelerated market liberalization, private sector modernization, and public sector reform in Mexico. On the other hand, NAFTA stretched commerce and supply chains from the north to the south, redirecting factory jobs and investment.

In many respects, ever since NAFTA was enacted, the continent has been operating at two speeds, largely in Mexico's favour. The latter shouldn't come as a surprise to anyone, and seeing Mexico succeed has short- and long-term economic benefits: better workplaces and wages, better education, better government, and better security.

However, ask a factory worker in Ontario, Quebec, Wisconsin, or Ohio, and they will tell you that adjusting to NAFTA and Mexico's rise has been tough. A lot people feel left out in today's climate of borderless trade, investment, and mobility, and a growing number of people are feeling left behind as the digital or knowledge economy takes hold. That's what I'm hearing and seeing across the binational Great Lakes region, which spans two provinces and eight states, and which is home to 107 million Canadians and Americans. With economic output estimated at $6 trillion in 2016, the region accounts for 30% of combined Canadian and U.S. economic activity. If it were a country, this region would equate to the third-largest economy in the world, behind the U.S. and China.

When you look at NAFTA modernization, you can probably gather that it's a frightening prospect but also a significant opportunity for the Great Lakes region. If we can't find a way in these negotiations to optimize our cross-border supply chains and transportation networks, we will lose an important opportunity to enhance our shared competitiveness. If we can't find ways within these negotiations to share traditional and low-carbon energy resources, we will lose an opportunity to provide affordable energy choices to fuel our homes, businesses, and industries.

President Trump won largely because of unexpected support in these three Great Lakes states—Wisconsin, Pennsylvania, and Michigan—where many voters turned to him because they were disillusioned by job losses in manufacturing. But these states, and the other five that make up our shared economic region, also rely on Canada to support roughly 2.2 million good-paying jobs.

● (1615)

President Trump is a deal maker. He and those around him understand the political and economic importance of the Great Lakes and other cross-border regions like it. Let's use this knowledge and these relationships to rebuild NAFTA from the ground up.

Thank you.

The Vice-Chair (Mr. Randy Hoback): Thank you, Mr. Fisher.

Thank you, witnesses, for your testimony.

We'll go to our questioning, and we'll start off with Mr. Ritz from the Conservative Party.

You have five minutes, Mr. Ritz.

Hon. Gerry Ritz (Battlefords—Lloydminster, CPC): Thank you, Mr. Chair.

Thank you, ladies and gentlemen, for your presentations today. It's one of those daunting tasks that we can't shirk or shy away from.

Bob, I'll start with you. You mentioned that you and your counterparts in the U.S. and Mexico put together a statement basically saying how good this is moving forward. Did you reach out to them? How did you make that happen?

Mr. Bob Masterson: Our industry is highly interconnected. It's a global industry—similar companies in all jurisdictions—so it was relatively easy. We're in regular contact, I would say daily contact, with our counterparts in those jurisdictions.

We facilitated the availability of Canada's trade councillors to meet privately with our counterparts in the U.S. to get their perspectives: why would they have the same position we do? It's been relatively easy. What's good for them has been good for us and vice versa.

Hon. Gerry Ritz: Right, and that's good.

Mr. Bob Masterson: Again, it's a message of a completely—

Hon. Gerry Ritz: It's a great message to take to the political leadership.

Mr. Bob Masterson: —integrated, complex supply chain. If you try to take that apart now, it will disadvantage all of North America.

Hon. Gerry Ritz: Yes, and that's typical.

The reason I wanted to start with you is that it's foundational. It's typical of a lot of the industries we're talking about across the spectrum, from agriculture right through to CAPP, actually.

When you see a success story like that, are you then driven to do the same thing? Or maybe you've already started. There's strength in that, of course.

Mr. Joseph Galimberti: Yes.

From a steel industry perspective, I think we're actually quite close to a joint statement on shared negotiation priorities.

Very similar to Bob, we're—

Hon. Gerry Ritz: One of the issues that Trump has highlighted, too, is steel.

Mr. Joseph Galimberti: There is a significant focus in the U.S. administration on dumped and subsidized steel products from Asia. Our challenge as Canadians going forward is to acknowledge that. We work with them very closely on these issues. We do not want to be caught up in the unintended or collateral damage of the Trump administration taking the action he's promised to address those dumped steel products.

● (1620)

Hon. Gerry Ritz: It's not a case of not making eye contact with the teacher because you didn't do your homework. In this case, we're going to have to face him down and make our case.

Mr. Joseph Galimberti: Yes. We have a great story to tell about integration.

Hon. Gerry Ritz: Exactly.

It's so important that we don't get behind the U.S. and Mexico when it comes to regulations, red tape, taxation, all these different things. How do we get that message out?

Geopolitically, you can't have a strong integrated NAFTA system going head to head with China, India, and the emerging economies until you come to terms with the streamlining of regulations, red tape, and taxation. Trump going with a border tax, and us having a carbon tax that nobody else has, will put everybody at a disadvantage.

How do we start to smooth out some of those bumps, using NAFTA as the vehicle to do it?

Mr. Bob Masterson: There are some examples of things we've already done. The regulatory co-operation council, for one, has been very good. That's a great example.

It doesn't mean that Canada has to follow the U.S. lead. With the chemicals work that's been done under RCC, as that work sped up, the U.S. passed its only piece of major bipartisan legislation last year, which was the reform of the Toxic Substances Control Act. Voila, it looks very close to what Canada put in place more than 20 years ago.

We led the way. Through that regulatory co-operation, they followed suit. Now we're drilling down into details where we can discover and share deficiencies, share our science, and reach conclusions on toxicity substances, etc. There's a lot of good news about the co-operation. We can extend that. It doesn't mean that we have to water down what we do and follow the lead of the Americans. We have the capacity to lead.

On your second point, though, about competitiveness, it's something we worry about very much. I mentioned that the U.S. chemistry industry alone has seen over $250 billion of new investment. Canada historically has a 10% share of that. We should have seen 30 new projects valued at $25 billion. We've seen about three or four projects valued at $2 billion. We've seen 1%, so already we're not competitive when it comes to attracting investment.

Hon. Gerry Ritz: Once that slippage starts, there's no way to—

Mr. Bob Masterson: I think the message we have is that we reserve the right, just like in health care, to pursue whatever policy choices we want.

Hon. Gerry Ritz: Sure.

Mr. Bob Masterson: We want to address carbon. We will address carbon, but make no mistake, it will impact competitiveness. If that's the case, what are we doing to maintain the competitive position while we're focused on a carbon policy?

The notion that departments of environment nationally and provincially can somehow re-engineer our economy solo is hard to believe. If it is indeed a cross-cutting horizontal policy issue, then it will require a whole-of-government approach, and we're not seeing that.

Hon. Gerry Ritz: And buy-in from industry to make it work.

Mr. Bob Masterson: Yes.

Hon. Gerry Ritz: Thank you.

The Vice-Chair (Mr. Randy Hoback): We'll move on to Ms. Ramsey. You have the floor for five minutes.

Ms. Tracey Ramsey (Essex, NDP): Thank you so much.

Thank you to all the presenters—

The Vice-Chair (Mr. Randy Hoback): I'm sorry. I was mistaken.

I'll come back to you.

Ms. Tracey Ramsey: I was ready. I can take 10 minutes.

The Vice-Chair (Mr. Randy Hoback): I'm sure you can and would.

Sukh, you have the floor for five minutes.

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

Welcome to all the witnesses.

Mr. Schultz, Canada ranks in the top 10 in the world of energy products. The global demand is increasing and so is the standard of living across the world, as economies are progressing. British Columbia is number two in the amount of natural gas produced in Canadian provinces.

Right now we rely mostly on the U.S. Were we to renegotiate NAFTA, how would that affect British Columbia and Canada?

Also, what priorities will change when it comes to reliance on the U.S.?

Mr. Nick Schultz: We wouldn't see a renegotiation of NAFTA as altering the basic market structure, assuming we come out of it with essentially a free market policy for energy, as we did in 1988. The decisions of where product will go will be driven by relative market opportunities, relative competitiveness.

Coming to the issue of British Columbia's natural gas, a huge resource there is looking for markets. We know that the markets in North America are not going to support the growth that people would like to see. We will be looking offshore. Essentially the resource will drive the search for the markets. In the case of North America, free market policies are supporting that.

The barriers to getting to market have a lot to do in Canada with the complexity of the regulatory process and the timeline it takes. Some market opportunities have been lost because of the length of time it's taken to move things along. When those windows close internationally, they don't open again for a while. The International Energy Agency doesn't expect the next wave of LNG projects to occur until the mid-2020s, so it's possible we're going to see a slow movement forward in Canada. We would certainly hope to see projects continuing to move, but some opportunities have probably already been lost.

● (1625)

Mr. Sukh Dhaliwal: What are those barriers, and what can be done, in your opinion?

Mr. Nick Schultz: We need to find a way to address the issues that are causing the process to bog down, which relate to an approach to aboriginal engagement that will be more satisfactory for all concerned than perhaps we have now. Of course, we always need to address the environment as we go through that. Reports have recently been tabled from two reviews that will probably make the process more rather than less complex at the federal level.

We need to find a way to make the process move more efficiently, but also preserve the effectiveness of the process.

Mr. Sukh Dhaliwal: Thank you.

Ms. MacEwen, you mentioned that you believe in open trade, and free trade helps us grow. All those factors that you mentioned that should be part of renegotiating NAFTA, do you see them negatively affecting economic prosperity and economic development?

Ms. Angella MacEwen: No.

If you're talking to an economist, the reason free trade works and the idea with NAFTA is that it was supposed to raise wages in Mexico. Then it would increase internal demand in Mexico, and that would bring Mexico up to our standards. That hasn't happened because of a failure to enforce labour rights. Wages have stagnated in Mexico.

I believe this would be a path to shared prosperity. We would end up with better economic outcomes because you don't get the rising inequality, or the exploitation of the environment and workers.

Mr. Sukh Dhaliwal: Good. Thank you.

The Vice-Chair (Mr. Randy Hoback): We'll move on to Ms. Ramsey.

You officially now have the floor for five minutes.

Ms. Tracey Ramsey: I thank my colleague because his question was going the same way that I wanted. You talked about the impact of trade shocks on working people in North America. The labour community raised the alarm 25 years ago around serious issues of having the labour chapter and the environment chapter sit outside of the agreement. Some of those things have come to pass. I think that Mr. Fisher spoke about that, about how working people have felt left out of trade, and they certainly have lost a lot of jobs in North America to trade going to Mexico or to the southern U.S. from Canada.

What I want to ask about are those trade shocks, the CLC's perspective on the impact of NAFTA on working people in all of North America, and what you think could be done to strengthen or modify NAFTA for working people.

Ms. Angella MacEwen: First of all, I think we need to improve the labour chapter. NAFTA was one of the first times that we had that kind of labour agreement alongside an agreement, and the labour unions in the United States pushed for this. Since then, they've kept pushing to improve agreements, and the best labour chapter so far, I think, would be a combination of CETA's and TPP's, where you're referring directly to the ILO agenda for decent work, where you're referring to the core conventions, and where you have an enforcement mechanism.

That would involve strengthening Canada's national contact point. Right now the contact point can offer good offices if there's a complaint against a specific company, but they can't make them come and have talks. They can't mediate a situation, so you don't get problems resolved right away. You have to go through this eight-year process. The only time a labour chapter has had any effectiveness— well it doesn't, basically. There was a case in Guatemala where it took eight years, and there wasn't a really strong outcome there. The labour chapter itself is not enough, but it would be great to bring it into the agreement to give it some teeth and to refer to the ILO mechanisms that are available.

Then I think we need to have legislation around due diligence for corporations for multinational enterprises. That goes beyond just a corporate social responsibility statement. Global supply chains are difficult to follow, and we get crises like Rana Plaza in Bangladesh where people don't even know who they're outsourcing to necessarily. The people at this end don't know what the exploitation is at that end. They need to be able to follow global supply chains, have it become normal that they have responsibility for that whole supply chain, and they can't ignore the negative consequences of global supply chains.

● (1630)

Ms. Tracey Ramsey: Thank you.

My next question is to Mr. Fisher. It was wonderful to attend the Great Lakes economic forum a few weeks ago in Detroit. It really highlighted, I think, what you shared with us. The economic impact of that region is $6 trillion. We have the west coast and the east coast, but the heart of the country really is an economic powerhouse.

I want to talk to you a bit about something that was focused on at that conference. This is the health of the Great Lakes. We talk about this shared space that we have, air and water between the U.S. and Canada more specifically, and we talk about the concerns of businesses on those lakes and the responsibility that they have. I think of Sterling Fuels in Windsor right now where there are numerous worker safety violations and a threat of fuel being spilled into the Great Lakes, and I think of the DGR. This is something that we're facing in both of our countries.

My question to you is about what can be done to improve NAFTA for the Great Lakes region both environmentally and economically.

Mr. Mark Fisher: It's a good question. I think when you look at the Great Lakes region, obviously it has a long-standing history of co-operation when it comes to the environment, dating back to 1909 with the Boundary Waters Treaty, the creation of the International Joint Commission, and more recently on the time scale, the creation of the Great Lakes Water Quality Agreement in the 1970s.

We have, I think, a good benchmark of co-operation, and we have come a long way in terms of how we look at the Great Lakes from an economic standpoint and from an environmental protection sustainability standpoint. There are some good lessons that we can take from that collaboration in this region for how we might want to look at reforming the commission for environmental co-operation, and really trying to look at how we come together as three countries to determine the state of the environment across all three countries and do that in a meaningful way.

I've been in and around this space for a long time—

The Vice-Chair (Mr. Randy Hoback): I'll have to stop it there.

Mr. Mark Fisher: Thank you.

The Vice-Chair (Mr. Randy Hoback): We'll move to Ms. Lapointe.

Sorry, Tracey.

[*Translation*]

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

My thanks to the witnesses for joining us today.

I have a question for you, Mr. Schultz. I listened carefully to what you were saying earlier.

You say that petroleum products are very integrated. According to one of your reports, 99% of Canada's petroleum products go to the United States.

A little earlier, you also said that oil goes to the United States for all refineries in the east. The United States sends their oil eastward.

Is that to the eastern United States or to eastern Canada?

[*English*]

Mr. Nick Schultz: I was referring to the eastern Canadian refineries that are not connected to the pipeline system.

[*Translation*]

Ms. Linda Lapointe: So you were referring to the ones in Quebec, Ontario, and New Brunswick.

[*English*]

Mr. Nick Schultz: That's correct.

[*Translation*]

Ms. Linda Lapointe: Okay.

Does Quebec import oil from the United States or elsewhere for its refineries?

[*English*]

Mr. Nick Schultz: The majority of crude oil imports into eastern Canada are now coming from the United States. They used to be from offshore, from a variety of countries including Saudi Arabia, Nigeria, and so on. There are still imports from all of those offshore countries, but the proportion has changed, and now the United States is the major supplier.

A few years ago the United States exported no crude oil to Canada, so that's a new market for American producers. I mentioned it as an example of how access to markets benefits all three countries in NAFTA. For people in Quebec and New Brunswick, that means that much of the gasoline they're putting in their cars comes from the United States but some of it is also coming from Saudi Arabia, Nigeria, and other places.

● (1635)

[*Translation*]

Ms. Linda Lapointe: Thank you.

You all talked about rules of origin and they seem quite difficult. How can things be improved?

[*English*]

Mr. Nick Schultz: We've been looking at this issue for our industry for some time. We did make some proposals to U.S. customs, but they have to work within the framework of the rules that are there and they weren't able to accommodate our changes. We do have some ideas for a more generic approach to dealing with our particular industry but also some specific ideas for rules that relate to transformation of products, so that when you mix two products together, you move them into a different tariff category. That would apply to movement of heavy oil from the oil sands, if you add light oil to it to make it lighter so it moves in the pipelines.

[*Translation*]

Ms. Linda Lapointe: Thank you.

My next question goes to Mr. Fisher.

Earlier, you said that we have a significant trade deficit with Mexico. We import many more products from them than we export to them. In you opinion, how could we change NAFTA in order to reduce that trade deficit?

[*English*]

Mr. Mark Fisher: That's a good question.

I think the first thing we need to do as Canadian policy-makers is to accept that Mexico is an important and growing economy. In the years to come, it's going to be even better positioned to be a world leader in terms of global trade. I think we need to be very much present in Mexico from a trade and investment standpoint, perhaps more than we have been during the time of NAFTA. I don't think we're there as much as we should be.

Certainly the reform agenda you've seen under President Peña Nieto has offered Canada an opportunity to be involved in the reform of not only the energy sector but also the financial services sector. There are incredible opportunities to—I don't want to say —“Canadianize” the reforms we're seeing in Mexico, but there's a great opportunity to do just that and to be more present in Mexico.

[*Translation*]

Ms. Linda Lapointe: Thank you.

You also said that there are some cross-border issues and that the borders have to be modernized

You do not have a lot of time for your answer.

[*English*]

Mr. Mark Fisher: I think when we look at border management generally in the Great Lakes region, we still see areas, whether regulatory co-operation or customs co-operation, in which we're not doing as much as we could be. On the regulatory side, the more we align and eliminate duplicative regulations, the more we create clarity for businesses on both sides of the border and the more we speed up business across the border.

Again, on more of the customs facilitation side, it's a matter of recognizing that there's a security element to customs facilitation as well as a trade facilitation component, and of making sure that we have the systems in place that can do both.

[*Translation*]

Ms. Linda Lapointe: Thank you very much.

[*English*]

The Vice-Chair (Mr. Randy Hoback): I'll have to stop you there.

We're going into our second round. Ms. Ludwig has the floor.

Ms. Karen Ludwig (New Brunswick Southwest, Lib.): Thank you, Chair.

Thanks to all of you for your presentations.

I'm going to start my questions with you, Mr. Fisher. Just this past weekend, I held my 17th town hall. At my town halls, I'm now attracting Americans who want to learn more about the goings-on in regard to trade in particular. Some of those who attended were quite surprised to hear about how integrated our supply chains are and to hear that any disruption could mean job losses on both sides of the border.

I want to start with this quote:

> Some of its harshest critics concede that NAFTA should not be held entirely responsible for the recent loss of U.S. industrial jobs. According to Scott of the Economic Policy Institute, “Over the past two decades, currency manipulation by about 20 countries, led by China, has inflated U.S. trade deficits, which [in combination with the lingering effects of the Great Recession] is largely responsible for the loss of more than five million U.S....jobs.”

How is the overall impact of NAFTA measured, since trade and investment trends are influenced by numerous other economic variables, such as economic growth, inflation, and currency fluctuations and manipulation?

● (1640)

Mr. Mark Fisher: Yes, and in a very simple response, I think the U.S. congressional service would agree with you wholeheartedly. In its report from February 2017, it said right up front that it's very hard to determine exactly what effect NAFTA has had on job creation, because of all those other variables.

I think it's a very good point. We just don't know how many jobs have been created as a result of NAFTA. I think it is fair to say, though, that there is a positive net effect, but is it 1.5 million jobs or is it nine million jobs? If you speak to the U.S. Department of Commerce, they'll say that trade with Canada supports directly roughly 1.5 million jobs. If you speak to officials at International Trade, they'll say that Canadian exports to the United States support nine million jobs.

There's a fundamental difference between how we view trade and job creation, not only with NAFTA but more broadly with trade agreements around the world.

Ms. Karen Ludwig: Thank you.

I definitely gather from this panel, for the most part, and from other panels before you, that any disruption to our integrated supply chain could put at risk jobs on both sides, and, in fact, at all three borders of our countries.

What are the opportunities for greater integration of our supply chain among all three nations—not greater isolation and protectionist policies—so that we are a stronger trading region, not a weaker trading region? Also, if there were the destruction of NAFTA as it sits right now, what would the impact be on trade and opportunities in regard to the influence from other countries coming in, such as China?

Would anyone care to start?

Mr. Joseph Galimberti: I'll take the first shot at it.

From a steel perspective, I'll start with your second question first. One of the greatest defences that we have against unfair trade from China or other developing nations is the ability to serve customers appropriately and quickly with just-in-time product that goes across the border numerous times and has value added to it. Our supply chain is very tight. You don't need to maintain stock. We can customize. This is one of the great defences that we have.

I spoke very briefly in my remarks about strengthening the rules of origin. Specifically, from a steel perspective, that would apply to manufactured goods containing steel. There would be opportunity there if you were to adjust the rules of origin to move to a “melted and poured” standard, where the steel was actually produced in Canada, in the United States, or in Mexico. You would grow employment that way.

Right now, you can bring in steel from Korea, for instance, and apply a tariff shift to it, and it becomes sort of NAFTA-compliant. When you move away from that, you strengthen the rules of origin, and you have an opportunity to create jobs and economic activity.

Ms. Karen Ludwig: Thank you.

Mr. David Podruzny (Vice-President, Business and Economics, Chemistry Industry Association of Canada): To take one example, the market is finding some great ways to do further integration. Where once upon a time we would look at raw materials from Canada going down into the United States to be converted, we now have companies that are building pipelines to bring natural gas liquids up into Canada to convert into high-value petrochemicals and then to ship those finished products at 10 and 20 times the value back down into the United States. The companies are finding good ways. Products that might have otherwise been flared as being in the way are now being used to make high-value products.

The integration goes on. We're now looking at some big investments to produce a grade of plastics that will be converted into lightweight auto parts and will have a significant impact in reducing greenhouse gas emissions. I see the opportunity for integration and greater net value on both sides of the border—

The Vice-Chair (Mr. Randy Hoback): Thank you.

We'll move on to Dave Van Kesteren.

Mr. Dave Van Kesteren (Chatham-Kent—Leamington, CPC): Thank you, Chair.

Thank you all for coming. It's a fascinating discussion.

Mr. Fisher, are you an American or...?

Mr. Mark Fisher: I'm Canadian.

Mr. Dave Van Kesteren: You're Canadian, okay. I have to ask you this question. I wasn't able to attend the bridge consultation, but there was a briefing as to how the Gordie Howe international bridge was coming along. Of course, if we're going to have this trade—and we all know in the auto industry it goes back and forth a number of times—how's that coming on the American side? What's your analysis?

Mr. Mark Fisher: It's coming along, but it's moving slow. My understanding with the president and CEO of the Windsor-Detroit Bridge Authority is that they're in the process of moving forward with their RFPs. I think there are still outstanding questions about financing for the customs plaza on the U.S. side. All of those things are moving forward in due course and I think at a quicker pace than they were five or six years ago. It is moving forward, and we need that capacity in the region.

The Ambassador Bridge is responsible for roughly a quarter of all trade across the Canada-U.S. border, so we need that additional capacity and additional redundancy in moving goods if this region is going to grow.

● (1645)

Mr. Dave Van Kesteren: We're hearing rumours that there is a deliberate movement to stall this thing with—

Hon. Gerry Ritz: Manuel Moroun.

Mr. Dave Van Kesteren: —the owner of the Ambassador Bridge holding some property and such. Yes. Is there a willingness on the American side...?

It's the fear of a lot of us that the worst-case scenario would be that Trump suddenly sees this as an opportunity to bring a lot of this industrial movement, especially in the auto industry, to the American side. Is that something that's concerning you as well?

Mr. Mark Fisher: I don't necessarily see it that way. The bridge was identified as a priority when the Prime Minister and the President met back in February. You have a Republican governor in Governor Snyder who's very supportive of the project and has been working hand-in-glove with the Canadian government and the Ontario government to move this project forward.

When I look at the wins and losses for the Moroun family in court, he has seen more losses than wins. I know the process is just going to have to work itself out. I see there are more people in favour of the project moving forward than not. It's a big infrastructure project that aligns with the President's infrastructure agenda as well.

Mr. Dave Van Kesteren: We had a fascinating discussion about a year ago in my office, and you were giving me some of the exciting new movements in the chemistry industry and some of the new things that were taking place.

Maybe you could just tell this committee, what's stalling the Canadian side? You mentioned that there was much more investment on the American side, so what's the problem on this side?

Mr. Bob Masterson: Minister Morneau has convened an economic advisory council to try to get to the question of why Canada is lagging in global foreign direct investment and why we are at below 2% in economic growth. It's a very complicated story. I think the simple message is that we simply don't try enough. When we look at our competitors in the United States.... Let me go back to where we are with free trade.

By and large, I think most Canadians understand that firms operating in Canada have to compete for global market share. We know we have to trade our way to prosperity, and we can't get there by just ourselves consuming. We accept that. What we haven't understood in Canada that other jurisdictions have is that we also have to compete for investment share.

Mr. Dave Van Kesteren: We have more trade agreements than the Americans. We've done that. I know the former government certainly opened up those avenues.

Mr. Bob Masterson: Yes.

Mr. Dave Van Kesteren: A lot of these companies we're talking about aren't Canadian companies. They're American companies. Why are they not investing in Canada?

Mr. Bob Masterson: We do not have the competitive landscape for investment. We don't have the conditions to attract global investment. There are many things that aren't working in our favour.

Mr. Dave Van Kesteren: Give me some examples.

Mr. Bob Masterson: Today, in the U.S. Senate there was a bill introduced that would provide significant federal support to create the infrastructure in Pennsylvania to store the natural gas liquids that are abundantly available to facilitate the processing of that industry, so you have a partnership approach. It's not just financial. There's a true partnership approach to try to intentionally develop the chemistry sector in states like Pennsylvania, Louisiana, and Texas.

Here, to be honest, it's more of a laissez-faire approach. If the investment comes, fine; if it doesn't, fine. That will hurt us in the long term if we don't get more aggressive and try to figure out what we need to do to recruit that investment. I think today's introduction of Bill C-49 takes a number of important steps that will improve transportation competitiveness in Canada. That's a good step in the right direction. Many of our investing companies tell us the cost of transportation in Canada is the second most important factor they look at when deciding whether to invest.

The Vice-Chair (Mr. Randy Hoback): Thank you, Mr. Van Kesteren.

We'll move on to Mr. Peterson.

Mr. Kyle Peterson (Newmarket—Aurora, Lib.): Thanks, Mr. Chair.

I'll compliment you on the masterful job you're doing on chairing this meeting.

The Vice-Chair (Mr. Randy Hoback): You only get five minutes, though.

Some hon. members: Oh, oh!

Mr. Kyle Peterson: Thank you, everyone, for being here today to discuss this important topic.

I want to get right to the relationship between the U.S. and us, especially when it comes to trade balances, whether they're trade, investment, or services.

Joseph, the steel industry is roughly in balance, isn't it, give or take 10% either way?

● (1650)

Mr. Joseph Galimberti: It's pretty much an exact balance. It's 4.4% going from us to the United States, and 4.45% coming back.

Mr. Kyle Peterson: Yes, so that's pretty good. Obviously, maintaining the strong relationship, I think it would be fair to say, would be important to your industry.

We've also heard from your industry on another study we're doing that deals with the dumping of steel into the Canadian economy, of course, but it's really the North American economy. Do you see the relationship in NAFTA between Canada, the U.S., and Mexico to some extent, as a way of perhaps defending against that dumping?

Is there a way we can work together towards the common goal of doing what we can to make sure projects in North American are made with North American steel?

Mr. Joseph Galimberti: Yes. I think it's essential. We've known for some time that steel dumping is the primary trade irritant of the United States. The last administration was very keen on it, and during the campaign, both sides raised it often.

I believe we offer a shared defence in NAFTA. We have done things like establish the trilateral customs steel enforcement dialogue to make sure that circumvented and subsidized steel is not coming into Canada and going into the United States, and to make sure that we're sharing information.

There is also our ability to manufacture here in North America and to meet the needs of our customers. Frankly, we feel very strongly that North American steel is of a higher quality. Our advanced manufacturing is of an excellent standard. We feel that's the basis on which we're most effective in competing. Partnership with the United States from that perspective is essential.

Mr. Kyle Peterson: Is it fair to say that NAFTA can be more than just a trade agreement, that it can also be a way of dealing with international trade irritants if we work together as opposed to separately?

Mr. Joseph Galimberti: Yes, absolutely. I think it's certainly a shared defence. Look at things we're doing as a NAFTA bloc internationally, like our participation, which I mentioned, in the G20 forum on global overcapacity. That is an area where the NAFTA governments have really driven the agenda on overcapacity, and I think we have used our combined influence for the good. Ultimately we're hoping for a positive outcome.

The answer is yes, certainly domestically and certainly in terms of NAFTA, but projecting that influence as a NAFTA bloc is also crucial.

Mr. Kyle Peterson: Thank you for that.

I just want to move to Bob, to talk about the chemistry industry for a little while.

I think you mentioned that it's a $53-billion industry. Is that the Canadian, or is that the...?

Mr. Bob Masterson: The Canadian industry, yes.

Mr. Kyle Peterson: Good stuff.

How intertwined is the chemistry industry in North America? How essential is NAFTA to the success of your industry?

Mr. Bob Masterson: It is entirely essential. Again, 75% of everything we produce in Canada is exported down to the United States, $30 billion-plus, and then we bring $33 billion up.

Dave talked about this back and forth. It's much like the auto sector. Raw materials come up. We semi-process them and partially upgrade them. They are turned into a product that goes to somebody else who turns it into another product, and ultimately you have a dashboard in a car or a rubber tire. We have a rubber plant in Sarnia. It's a highly-integrated, complex supply chain. To dismantle that would be very difficult.

I would just add one comment on what you just talked about with the NAFTA bloc. I think that in the chemistry sector we don't look at it that way. We look at the global environment, and we are very keen that Canada pursue rules-based fair trade that's mutually beneficial with those jurisdictions we may have concerns with now. We think there are significant opportunities for Canada, especially given some of the threats we're seeing south of the border, to look for a mutual trade advantage with China and other Asian nations.

Mr. Kyle Peterson: Thank you.

Mr. Schultz, the vast majority of what we sell goes to the States, 99% or something like that. Is that what I heard you say?

Mr. Nick Schultz: That's correct.

Mr. Kyle Peterson: But there is some value added. Do we import some value-added exports from the U.S. as well?

Mr. Nick Schultz: The refined products go back and forth, and some of those manifest themselves through the petrochemical industry.

Mr. Kyle Peterson: Right, so there is potentially more than one border crossing before it gets to the final consumer.

Mr. Nick Schultz: Yes, if you follow it in that way, absolutely, yes.

Mr. Kyle Peterson: Okay. Thank you very much for that.

I think I'm out of time.

The Vice-Chair (Mr. Randy Hoback): Thank you, Mr. Peterson.

I'm going to take the next few minutes, as the chair, in the Conservative Party slot. I just have a few questions.

I'll start with Angella. You talked about the disruption and loss of jobs because of trade, and the impact that's had on different sectors. Have you done any studies that compare that with technology change versus trade and how that looks?

● (1655)

Ms. Angella MacEwen: There was a recent study by the IMF. It was in the news. The headline was that it wasn't trade, it was automation, but if you read the study, you'll see that the researchers found it's actually really difficult to disentangle the effects of automation and trade, because where investment goes is partly driven by trade flows and where the cheap labour is and all of that stuff, so it's all very integrated.

The Vice-Chair (Mr. Randy Hoback): Is it fair to say that since automation makes you more competitive in the global marketplace, if a company didn't have automation, in theory, there's the possibility of that company not existing there?

Ms. Angella MacEwen: Exactly, if you had one without the other, you wouldn't know what the counterfactual is.

The Vice-Chair (Mr. Randy Hoback): Do you think there needs to be more attention payed to that aspect of automation? High-tech sectors are making disruptive changes in a lot of sectors around the economy, and it's happening faster. It used to take 10 years to see a new product come in and replace something old. Now it's done in a year or two, and you see all of a sudden a whole sector displaced. What advice do you have—

Ms. Angella MacEwen: Right. The research shows that people, communities, or countries that respond successfully to both kinds of shocks have similar programs. They have a social safety net. They have bridging to retirement. They have active labour market policies. They have unemployment insurance that actually works for workers; it's not just a short-term solution, and then your whole community is closed because the coal plant is done and you can't sell your house because it's not worth anything.

Having a broad range of supports for workers who are negatively impacted by either kind of shock is important.

The Vice-Chair (Mr. Randy Hoback): Would it be fair to say, if you look at our views on trade, that Canadians are very pro-trade people? We understand it. We get it, but then we also have unemployment insurance. We have those safety nets that you talked about.

Ms. Angella MacEwen: You don't have the active labour market policies. If you look at what Canada spends on active labour market, it's nothing compared with what—

The Vice-Chair (Mr. Randy Hoback): If you compare it to what the U.S. has for—

Ms. Angella MacEwen: We spend less than the U.S. on active labour market.

The Vice-Chair (Mr. Randy Hoback): Okay, but even what the U.S. has for unemployment insurance, for health care, those types of things—

Ms. Angella MacEwen: We have health care and that has helped us to respond better to those shocks.

The Vice-Chair (Mr. Randy Hoback): Is there anything in the trade agreements that doesn't allow the unions to expand into the U. S.? If the Canadian Labour Congress were to say, “Why don't we try to organize some workers in New York State, or down in Washington, or look at taking our union and making it more international?” are there any restrictions in the trade agreement that prevent you from doing that, or is it basically a goodwill gesture that we won't step on their ground as long as they don't step on ours?

Ms. Angella MacEwen: We do have international unions that are mostly cross-border between Canada and the United States, and they co-operate a fair amount. They've been working together again to spread this message about how integrated the labour markets are.

One of the important things that we could do in NAFTA is to improve the labour mobility. There are electricians who live in Windsor or nurses who live in Windsor who work across the border, so giving them the opportunity to do that in a way that makes sense would be good for both economies, because sometimes there are contracts and they need lots of electricians on the Windsor side, and sometimes they need lots on the American side. There are attempts at that.

I also think there are international rules about cross-border bargaining that we could work on that are separate from NAFTA.

The Vice-Chair (Mr. Randy Hoback): Okay, that would be separate from NAFTA in a side agreement.

David, you're nodding your head. I think everybody in this room would say labour mobility is something we'd all like to see addressed, so that's something we'd put on the list and to make sure that's put in there.

Mr. David Podruzny: I'd like to take it even one step further—to have the ability to move people around in the services that support manufacturing trade or goods trade, and be able to provide after-sales service. The one thing NAFTA could see some improvement on is on the people side, on their movement. We have global experts who move around the world much more easily between Egypt and New Zealand than between Canada and the U.S.

The Vice-Chair (Mr. Randy Hoback): Or even from Ontario to Quebec.... I get your point.

Mr. David Podruzny: We have some things we can do to improve things so that the services associated with goods, which are becoming more and more a component of trade, are looked after. That's a modernization aspect of this agreement that would benefit all three countries.

The Vice-Chair (Mr. Randy Hoback): Joseph, when I was down in the U.S. with one of my colleagues from Sault Ste. Marie, he talked about how their steel plant used U.S. ore, U.S. coal, and that basically everything was from the U.S., but it wasn't qualifying under buy American. How do you guys work with the Americans on that type of situation to say, “Wait a minute. This isn't Canadian steel. It's actually U.S. steel”?

Have you any suggestions on how to tackle that?

Mr. Joseph Galimberti: There's $1.5 billion in raw materials coming into Canada supporting transportation networks in places like the Great Lakes. Buy American is a very difficult nut to crack. The Americans get full access to our infrastructure program. We can't access theirs. We've been at it for a long time.

● (1700)

The Vice-Chair (Mr. Randy Hoback): Okay. I'm going to have to cut myself off. I'm over.

We'll move on to Ms. Ramsey. You have three minutes.

Ms. Tracey Ramsey: Thank you.

I think that labour mobility is something that we can all agree to, certainly down in Windsor. I'm on the border in Essex. We understand that very keenly. Every week I have businesses calling me that can't get people across the border, that are unable to have skilled people go across. We also have a lot of academics who are not crossing the border because of the bans and things that have taken place in the U.S. There's that kind of chill existing.

Mark, in this interim period, where we're waiting to see what happens in the next Tweet or announcement from the States, there's this chill that's happened around businesses and investment. Can you speak to that in the Great Lakes region and the impact that you've seen?

Mr. Mark Fisher: I haven't seen an immediate impact. The economy is moving along. I think there are two perspectives in the short term. One is making sure that we do no harm. If we're going to reopen NAFTA, let's really try to look at what we can do on the ground in terms of some of those cross-border supply chains, the labour mobility, the infrastructure, the things that will really underpin the strength of the economy going forward.

Ms. Tracey Ramsey: Thank you.

My last question is to Mr. Galimberti. It's about the presidential executive order on buy American with U.S. procurement. Someone mentioned the infrastructure in the U.S. Of course, we have our own infrastructure plans here in Canada, but I want to ask you how Canadian businesses in the steel sector would be affected by that executive order.

Mr. Joseph Galimberti: There are actually three ongoing investigations at the Department of Commerce triggered by various executive orders. There's the one on pipelines that we know about, which would essentially be an extension of buy American policies to private sector projects on pipelines specifically. That would be of significant concern, for instance, to one of our member producers, Evraz, in Regina, that makes large-diameter line pipe. That would be significantly problematic were Canada to not receive a national exemption.

The buy American investigation, or the process there in the commerce department, is about finding loopholes and closing loopholes in existing buy American policies, making sure that there are no inappropriate exemptions. We really need to see how that one plays out. Any extension to buy American is going to be de facto negative for the Canadian steel industry. On what kinds of exemptions they're after targeting, we're not really sure how we'd be implicated yet.

Then there is the third Department of Commerce investigation on section 232 as it relates to national security. That is another one where it is critically important that Canada be nationally exempted from whatever policy step the U.S. is considering. That investigation is being done on the basis of illegal or dumped and subsidized imports damaging the national security of the United States. We would make the case, given our mutually beneficial, balanced trade relationship, that Canada has ample reason for an extension.

The Vice-Chair (Mr. Randy Hoback): Thank you.

We'll move on to Bryan.

Welcome to the committee. You have five minutes.

Mr. Bryan May (Cambridge, Lib.): Thank you very much, Mr. Chair.

I also want to thank committee members for allowing me to contribute today. I am just a visitor today.

We've elaborated on my question a bit, and I want to allow the witnesses to elaborate maybe a little. As we know, on January 24, 2017, the new President of the United States signed the executive order, “Buy American, Hire American”. We understand that the intention of that executive order is to improve production in the United States. You've talked a little about what the impact would be on steel. I'm wondering if any of the other witnesses would like to jump in, in terms of how it's going to impact their industry. More importantly, what should we be doing about it? What actions, if any, should the Canadian government be taking with regard to this executive order?

Maybe we'll start with Mr. Masterson.

● (1705)

Mr. Bob Masterson: Sure. First of all, I talked about the large number of investments that went into the U.S., and the question from Ms. Ramsey about what this means. Are people going to want to invest more in the United States perhaps?

I think we're seeing two things. American companies are worried that they have to be seen to be doing the right thing. Global companies that are currently investing in the United States are very concerned about the proposed anti-trade measures because the facilities that are being built there are export-oriented.

That brings us back to what we should and shouldn't do in Canada. The first thing we would say is that we shouldn't fight bad policy with bad policy. We all agree buy American is not a good policy. Let's not do “buy Canadian”. It's not going to work for us. Let's not make the same mistake. We certainly should put more attention on our market diversification, which we've talked about for many years, and work on those trade agreements, especially with China.

Some perhaps don't like it, but the energy sector remains the backbone of the country. There are ample customers for our product. The only thing that's holding us back from getting those products there, and then all the other downstream products, is our policy environment. We have to come to grips with the way we can move our products, especially our energy and related products, off the west coast to the large and growing Asian markets I talked about.

If we do those things, let Mr. Trump set whatever policies he wants. We'll have diversified ourselves and remain competitive.

Mr. Bryan May: That's excellent. Thank you.

Mr. Schultz, would you add anything to that?

Mr. Nick Schultz: I would share those comments. There are two aspects to the buy American thing. One is for government procurement, but other pieces creep into the private sector, which is of course particularly worrying. I believe the Government of Canada is pursuing a targeted approach to that but in a very consistent and principled way. We do support that. We too would seek market diversification, but that is proving a challenge. There was an all-pipeline proposal that would have provided that in our northern gateway, but that doesn't fit with the current government's priorities, so that's not going anywhere.

As well, I was talking earlier about the challenges with getting natural gas to offshore markets, which are a combination of market conditions and regulatory delay.

Mr. Mark Fisher: To add very quickly, market diversification is obviously important for any international trade policy. It certainly doesn't happen overnight but I think in the long term as we're an export economy, it can only help.

With respect to the United States around “Buy American, Hire American”, border adjustment taxes, what have you, I think we've been doing the right things in engaging Congress directly in both the House and the Senate. We need to be doing more of that on a legislator-to-legislator basis, Prime Minister to President, governor to governor, governor to premier, but we also need to be getting business to business engaged.

We have a lot of counterparts on this panel that have subsidiaries and parent companies in the United States. If they truly believe in the strength of the supply chains and the clusters that exist across the border, there's no reason why Dow, Dupont, Walmart, all the companies that are active in Canada and the United States shouldn't be in Congress speaking to the benefits of the joint economic partnership that we have between the United States and Canada.

On the government-to-government side and legislator-to-legislator side, we're doing fine. I think we could amplify that by having more business-to-business interaction and having them engaged in that conversation.

Mr. Bryan May: Thank you.

Mr. Chair, do I have any time left?

The Vice-Chair (Mr. Randy Hoback): You're done.

Colleagues, this finishes our second round, but we do have lots of time on the clock.

Mr. Peterson, you said you wanted to go in camera for a few minutes at the end, so we'll allow time for that.

I thought maybe we'd go into the third round and go two minutes instead of five minutes and that way if you had a few more questions —I know it seems as if everybody does—we'll do that and from there we'll finish and then go in camera.

We'll start with Mr. Van Kesteren and then we'll go to the Liberals and then we'll go to Ms. Ramsay to finish off the third round.

Mr. Dave Van Kesteren: Thank you, Chair.

I have a quick question. Mr. Schultz, you stated something that I wasn't aware of, that the east coast is now primarily supplied by the U.S. Is that a result of fracking?

Mr. Nick Schultz: It's the growth in the light oil production in the United States, which is the result of bringing the advanced technologies to bear. This involves the multiple horizontal drilling and multiple fracturing.

Mr. Dave Van Kesteren: Where is most of that taking place, in Pennsylvania or do they bring it all the way from out west?

Mr. Nick Schultz: There are a couple of places but initially it was North Dakota.

Mr. Dave Van Kesteren: They can bring that all the way to the east coast. Is that because of our lack of pipelines? I'm curious. What about the Hibernia oil fields? Is it not cheaper to bring it in by ship to Montreal, places like that?

● (1710)

Mr. Nick Schultz: The production from Hibernia was already in the marketplace, so this U.S. oil that has been coming into the market in recent years is displacing the offshore production that was in the marketplace. It can come by rail. Some of it could come by marine movement from the U.S. Gulf Coast, which would involve it getting to the Gulf Coast by rail, barge, pipeline, or some combination of those three, depending on where the oil fields are located.

Mr. Dave Van Kesteren: Wow. That's all I get.

The Vice-Chair (Mr. Randy Hoback): Thank you, Mr. Van Kesteren.

Ms. Ludwig, you have the floor for approximately two minutes.

Ms. Karen Ludwig: There is no trade-off between border security and efficiency. How can we better use technology to efficiently pre-clear our cargo and our citizens? Some of the examples that were offered today were alignment and elimination of red tape. Some of the other committee witnesses have talked about harmonization, e-manifests for freight forwarders, border wait times applications or an app, electronic data interchange.

Can you offer some suggestions about how we can better use technology, considering that there was no Internet when NAFTA was first drafted?

Mr. Mark Fisher: The multimodal pre-clearance agreement that was initiated and signed under Prime Minister Harper and President Obama, and I think moved into law more recently, shows great promise in terms of opening up the border from a technology standpoint, particularly on the movement of people but also goods. Cargo is going to be the second step that comes. It's going to be people first and then cargo, which provides not only the legal framework for allowing that to take hold, but I think it provides great promise from a technology standpoint, in terms of single window and what have you. When you combine those things together, that's where you can really see some acceleration in terms of the movement of goods and people across the border.

Ms. Karen Ludwig: Just on that, how would we connect Mexico with that?

Mr. Mark Fisher: That's always a million-dollar question. When I get back to the two-speed economy, we always seem to be in a different place in our conversations with the U.S. versus the U.S. and Mexico. However, I think there's a lot that Mexico can learn on the regulatory co-operation side and we can bring them along perhaps faster and learn from our mistakes, if we get them to the table early.

If there's a way to include them in that conversation around border facilitation and multimodal pre-clearance, we should be doing that now and not waiting until we think they are ready for that conversation.

Ms. Karen Ludwig: Thank you.

The Vice-Chair (Mr. Randy Hoback): Ms. Ramsey, you have two minutes.

Ms. Tracey Ramsey: You have given us all great examples of ways in which we could improve NAFTA today. I think there's a strong push for that. I also think there's an opportunity for an offensive ask.

I want to ask Ms. MacEwen if she could elaborate on what she sees as an offensive ask and if she could speak about right-to-work legislation in the States and how we could approach that.

Ms. Angella MacEwen: In the past, labour unions have suggested that right-to-work legislation is actually a subsidy to corporations and that it's an unfair subsidy. Under NAFTA or under the WTO, we could possibly launch a complaint regarding how the United States unfairly subsidizes companies by allowing them to pay workers less, because that's what ends up happening in right-to-work states. It's also a violation of the ILO conventions around the right to organize, and freedom of association, and all of those things.

That could be something we could raise as an offensive ask and say, “Look, if you can't ratify 98 or improve the labour chapter, this is what we're going to have to do.” Trump and Obama both talked about improving the labour chapter, but didn't do it because they are as much in violation as Mexico is.

Ms. Tracey Ramsey: Something else I'm not sure was mentioned..., and I apologize for coming in late. The trade committee is travelling to the U.S.

You mentioned, Mark, that we should be doing business-to-business. I think that needs to happen at the labour level as well, in fact, at all levels. We have been travelling. We're heading to Detroit, Illinois, and D.C. in a few weeks. We have been to California, and the west coast. We certainly are doing our part on that as well. We're trying to share that story and travel with it.

The Vice-Chair (Mr. Randy Hoback): Go ahead, Angella.

Ms. Angella MacEwen: If the committee wants help setting up meetings with labour and civil society wherever you go, we can work with the AFL-CIO and help make those connections because unions like LiUNA, steel, and other unions are doing a really good job, I think, of making that case.

● (1715)

The Vice-Chair (Mr. Randy Hoback): That actually might be a good idea, if we do the Midwest and into Mexico. There are lots of people in the Midwest that are showing concern. They are feeling left out.

Thank you.

Mr. Mark Fisher: There are lots in Pennsylvania and Ohio.

The Vice-Chair (Mr. Randy Hoback): Exactly. I think the committee is planning to do that in the fall.

Witnesses, thank you so much for tolerating our tardiness and for your great testimony here this afternoon.

I'm going to suspend the session right now for two minutes before we go in camera. We will ask everybody to clear the room before we go in camera. Please travel safely as you head home.

Thanks.

[*Proceedings continue in camera*]