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Chair

Mr. Leon Benoit

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• (1105)

[English]

The Chair (Mr. Leon Benoit (Vegreville—Wainwright, CPC)): Good morning, everyone. We're here today to continue with the study on Canada-U.S. trade, dealing with investment issues and the security and prosperity partnership of North America.

We have as our witnesses today, from the Association of International Automobile Manufacturers of Canada, David Adams, president; from the Canadian Association of Importers and Exporters, Mary Anderson, president, and Carol Osmond, senior policy adviser; and from Council of Canadians, Maude Barlow, national chairperson.

We will start with the presentations. I will enforce the eight-minute limit on presentations. They've been kind of getting a little bit longer and a little bit longer over the past few meetings, so I'd ask you to respect the eight-minute time limit. When you're finished, we'll go directly to questions.

We will go in the order on the agenda, so we will start with David Adams for eight minutes.

Mr. David Adams (President, Association of International Automobile Manufacturers of Canada): Mr. Chairman and honourable members, thank you for the opportunity to appear before the committee today to review Canada-U.S. trade and investment issues and the security and prosperity partnership.

By way of background, the Association of International Automobile Manufacturers of Canada is the national trade association that represents the Canadian interests of 13 international automobile manufacturers that distribute, market, and manufacture vehicles in Canada.

In 2006, AIAMC members sold over 733,000 new vehicles in Canada, representing 45% of Canada's new vehicle market. Additionally, our members sold 61% of all passenger cars in Canada.

While our members' sales have grown, so has their Canadian investment. AIAMC members have invested over \$6 billion in manufacturing facilities alone. Annual production in 2006 reached a record of 900,839 new vehicles out of the 2.58 million vehicles produced by the three member companies with production facilities in Canada, which are Honda, Toyota, and Suzuki, through a 50-50 joint venture with General Motors in Ingersoll.

While the majority, 77%, of the vehicles produced by our member companies are exported out of the country almost exclusively to the United States, each of these companies sell more of the vehicles they

build in Canada to Canadians. For instance, 45% of Honda and Acura vehicles sold in Canada were produced at Honda of Canada Manufacturing, and 36% of Toyota and Lexus vehicles sold in Canada were built at Toyota Motor Manufacturing Canada. Furthermore, compared to other companies producing in Canada, these three companies have a higher percentage of their NAFTA production in Canada.

While many would view the membership of the AIAMC as being importers in the context of the NAFTA, fully 50% of AIAMC members' sales in Canada in 2006 were produced in the NAFTA region. When Kia's recently announced \$1.2 billion plant is open for full production in 2009, Porsche will be the only one of our 13 members not producing vehicles in the NAFTA region.

If we look specifically at Canada, which is a necessary thing to do in light of some of the SPP initiatives, it's important to remember that Canada has no indigenous auto manufacturers. All auto manufacturers manufacturing in Canada are subsidiaries of multinational companies. Whether or not those companies have head offices in Detroit, Stuttgart, or Tokyo, they are all foreign-owned, but some have been operating here longer.

The SPP is comprised of about 107 key initiatives, 80 of which are oriented towards prosperity, as I'm sure you're aware, and 27 of which are oriented towards security. There are about 300 work items associated with those 107 key initiatives.

With respect to the automotive industry and the members of the AIAMC, the issues pertaining to border facilitation, the development of a regulatory cooperation framework, and national critical infrastructure protection and emergency preparedness are of significance.

The first two items I mentioned were to be pursued sectorally under the auspices of the Automotive Partnership Council of North America, which was originally intended to support the ongoing competitiveness of the automotive and auto parts sectors. Patterned after the Canadian Automotive Partnership Council, this initiative was to be up and running in late 2005, but membership and governance issues have hampered its development. However, the issues the APCNA was envisioned to champion have advanced independently without the council's formation.

In the interests of time, I'll skip down a little further.

As noted earlier, the vast majority of Canadian vehicle production is exported to the U.S., and likewise, the vast majority of vehicles that Canadians buy are imported from the U.S., Asia, and Europe.

With respect to border facilitation, the trade in automotive goods accounts for 25% of all two-way trade between Canada and the United States. The ease with which parts and components move across the border is an important component of an integrated North American supply chain.

Unlike perhaps any other industry, 9/11 added cost, complexity, and thickness to the Canadian border as security measures were imposed on cross-border traffic. While many manufacturers have become FAST and C-TPAT approved to achieve low-risk status, the full benefits of those programs remain unrealized in many cases. While there are now about 20 border crossings with FAST capability, access to those FAST booths at major border crossings has not yet been fully resolved.

With respect to cross-border trade facilitation, it is widely acknowledged that pre-clearance away from the border, prior to arrival at the border, streamlines border crossings and minimizes the delay. However, it became apparent last week that land pre-clearance still requires some work between the Canadian and U.S. governments for it to move forward, but we remain optimistic.

Also of concern to border facilitation is the imposition of the western hemisphere travel initiative at land borders, for instance. It will come into place no later than July 2009 and will require citizens who leave and enter the U.S. to produce secure identification documents. While the American administration has suggested that it will show some flexibility, this requirement has the potential to cause significant backlogs at the border crossings.

● (1110)

With respect to the regulatory framework, differing standards and regulations can be significant inhibitors to trade. The AIAMC and its member companies are aware that the North American Competitiveness Council has focused much of its work on the development of a trilateral regulatory framework for cooperation, with a target date for realization prior to the end of this year. As an industry that is highly integrated on a North American basis, we can fully support the concept of making standards and regulations in all three countries more compatible, as well as eliminating the need for redundant testing and certification procedures.

Given its relatively small market size compared to the U.S.—Canada has about 8% of the total North American auto market—Canada has always worked closely with U.S. regulators in both safety and emissions regulatory development. There have been 14 voluntary agreements between the automotive industry and the Government of Canada that have assisted in creating regulatory alignment with the United States. These voluntary agreements have allowed Canadian consumers to benefit from the most advanced safety and emissions technologies in vehicles at the lowest possible cost. Whether the standards are motor vehicle safety standards or fuel economy and emission standards, given that the vehicles offered for sale are essentially the same in Canada as in the United States, there is no compelling reason why such standards should be different. Thus, we support the notion of the three countries' working together to develop regulations that are as compatible as possible.

This joint regulatory development process should also include the regulation of fuel quality. The automobile operates as a system, and the emissions control hardware on a vehicle will operate only as

effectively as the quality of fuel that is combusted in the vehicle. In this regard, we were pleased to learn last week that Transport Canada and the Department of Transportation in the United States had signed a memorandum of cooperation concerning the research and development of a North American fuel economy standard. The objective, as we understand it, is to underpin the development of a stringent, dominant, North American fuel economy standard for regulation beginning in 2011. A fuel economy regulation for Canada that is aligned with that of the United States provides the least disruption in the marketplace and best balances consumers' purchasing requirements pertaining to vehicle utility, safety, fuel economy, and emissions.

The AIAMC and its member companies, with respect to critical infrastructure protection and emergency preparedness, view this as critical. We're referring not only to border crossings, but also to electricity generation, oil pipelines, dams, and telecommunications in each country. We need to have protection strategies in place as quickly as possible. Due to the integrated nature of the North American economy, a failure in the critical infrastructure components of any one country is likely to have a significant impact on trade and business in each of the other North American countries. Likewise, it is important for North American countries to establish individually and collectively an emergency preparedness plan so that in the event of an incident, emergency response officials know what needs to be done and how they can work together with a view to being very quickly able to address the human needs, and within time to be in a position to outline when commerce can be recommenced, based on the establishment of pre-incident protocols.

I do have some other comments with respect to the actual recommendations of the committee, but in the interest of time, I'd be happy to answer questions on those later on.

Thank you, Mr. Chair.

● (1115)

The Chair: Thank you, Mr. Adams.

We'll move on to Ms. Anderson.

You're presenting on behalf of the Canadian Association of Importers and Exporters, I believe. Go ahead, please, for eight minutes.

Mrs. Mary Anderson (President, Canadian Association of Importers and Exporters): As president of I.E. Canada, the Canadian Association of Importers and Exporters, I'd like to thank you on behalf of the members for the opportunity to appear before the committee to discuss Canada-U.S. trade and investment issues.

Joining me today is Carol Osmond, the senior policy adviser for the association.

I.E. Canada has been the leading voice of the trade community since 1932. It serves small, medium, and large enterprises across Canada. Membership comprises importers and exporters, as well as a range of service providers to Canada's trade community. We have a growing membership that now exceeds 800.

In a recent survey conducted by Export Development Canada, EDC, 85% of 1,500 Canadian business executives surveyed agreed that international trade is an important and a significant contributor to Canada's economy. However, no longer can simply expanding exports improve competitiveness. Imports are also an important engine of the Canadian economy. The import content used to make up Canadian exports has been growing steadily, with 61% of Canadian exporters indicating that their companies' exports of products or services include imported component materials. If Canadian companies are to be globally competitive, there is a need to be able to use both imports and exports.

Therefore, in developing a Canadian trade policy, it is important to take into consideration that Canadian competitiveness depends on global supply chains, as many inputs incorporated into those products from both domestic consumption and export to the United States and elsewhere are sourced globally.

Given the nature of our association and its membership, our trading relationship with the United States, especially with our shared border, is clearly a key area of concern. Our association is a supporter of the security and prosperity partnership of North America, in particular, for initiatives intended to facilitate the movement of low-risk goods and persons across the Canada-U.S. border.

Even before the tragic events of 9/11, Canadian business was becoming increasingly concerned about the delays associated with and the costs of crossing the Canada-U.S. border and the impact on Canadian competitiveness. At the time, our challenge was to convince the U.S. government that the border was a problem that deserved its attention. We could never have foreseen how suddenly and dramatically our shared border would become a priority for the United States. There are still those in the United States who believe 9/11 terrorists entered the United States through Canada.

The prosperity of Canadians and our ability to maintain and create jobs depend on our ability to trade and, in particular, our ability to trade with the United States. Whether we like it or not, the U.S. will set the terms for access to its market. Today access to the U.S. market increasingly means satisfying U.S. concerns about security. Through mechanisms like the SPP, the Canadian government has the means of influencing the measures adopted by the U.S. to ensure that the interests of Canadians and Canadian business are taken into consideration.

The cross-border relationships between businesses and associations, such as those being developed through the North American Competitiveness Council, as well as independently through our sister associations in the two countries, such as I.E. Canada's relationship with the American Association of Exporters and Importers, are also crucial to influencing U.S. decision-makers.

We have to be constantly vigilant. Laws passed in the United States have an impact on Canadians and have unanticipated

ramifications. The western hemisphere travel initiative and the new APHIS, or Animal and Plant Health Inspection Service, fees are two examples of initiatives that threaten to undermine the efforts to thin our border.

However, it's not only about maintaining access to the United States market, as pointed out earlier in the remarks by a representative of the Canadian Chamber before this committee last week. Canadians and Americans not only trade with one another but they also manufacture together. Since NAFTA, some 13 years ago, large sections of our economies have become highly integrated, and our industries are becoming truly North American. Thirty-four percent of the bilateral shipments of goods is comprised of inter-company trade, and over 70% is comprised of inter-industry trade. To compete against emerging economic titans like China and India, Canada, the United States, and Mexico have no other choice but to work together.

● (1120)

We recognize that members of this committee are concerned about transparency of the SPP process. There are over 300 action items under the SPP, and Canada works most closely with the Canada Border Services Agency, which is involved with 100 of these.

CBSA has had to establish priorities that fortunately largely coincide with those of our members. They include implementation of an advanced commercial information e-manifest, to which the government recently committed \$369 million over the next five years; establishment of bilateral border contingency and business resumption plans in the event of a pandemic, natural disaster, or terrorist act, and whether this could impact either a partial or a complete shutdown of the border; and making Canadian Partners in Protection, PIP, compatible with the U.S. customs and border partnership against terrorism, which will hopefully result in mutual recognition of these two programs.

Members of our association have been involved and will continue to be actively involved in these consultations relating to these initiatives. We're a member of the CBSA steering committee on external stakeholder partnerships. That network was established by CBSA to develop consulting with the trade community. We've been involved in a variety of other projects with CBSA, including border contingency planning. Our members have participated in table-top exercises, and our association has been part of the PIP program to make it compatible with C-TPAT. We are participating in consultations with Transport Canada on air cargo security, and we believe that this will ensure success of these initiatives.

It's essential to consult members of the trade community so their concerns and business realities can be taken into consideration. We're very pleased with the excellent working relationship we have with CBSA.

We're also pleased with the level of consultation by the Canadian Council of Chief Executives, which as you know serves as the Canadian secretariat for the NACC. As it was preparing its report on enhancing competitiveness in Canada, Mexico, and the United States, we were able to ensure that our members' concerns and priorities with respect to the border were incorporated into the report. We also contributed to the section on standards and regulatory cooperation, particularly in the areas of food and agriculture, and intellectual property rights.

Another key area of concern for our members includes border infrastructure. Our members are less concerned about border release times than the time it takes to reach the custom inspection booths due to inadequate infrastructure at the leading points of entry. It is critical that other government departments on both sides of the border participate in programs to make customs clearance fully electronic. It is also important that the government agencies and departments involved in security programs, like CBSA and Transport Canada, coordinate their efforts to avoid unnecessary duplication and cost of business.

On transportation policy, a hefty surge in imports and exports during the last few years has been good news for Canada, as it has created jobs and economic growth. However, it also revealed the shortcomings in the country's transportation infrastructure and policies that need to be dealt with if Canada is to continue to be a player in world trade.

It is appropriate that this committee take an interest in the SPP. We urge you to support the work that is being conducted by governments of the NAFTA countries under the SPP, and in particular, initiatives that will facilitate the movement of low-risk goods and people across our shared border with the United States.

Thank you again for the opportunity to appear today. We'll be very pleased to answer questions.

• (1125)

The Chair: Thank you, Ms. Anderson, from the Canadian Association of Importers and Exporters.

Now, from the Council of Canadians, we have Maude Barlow for eight minutes, please.

Ms. Maude Barlow (National Chairperson, Council of Canadians): Thank you very much.

Thank you for the opportunity to present to you here today.

The Council of Canadians is Canada's largest public advocacy organization. We have been working on the security and prosperity partnership since before it was signed into effect in Waco in March 2005, in fact since it was a twinkle in Tom d'Aquino's eye.

The security and prosperity partnership is not, as its proponents claim, about eliminating the tyranny of small differences among the three NAFTA countries. It is quite literally, we believe, about eliminating Canada's ability to determine independent regulatory

standards; environmental protections; energy security; and foreign, military, immigration, and other policies.

We could speak on any of these, but I've chosen to speak briefly on only three.

The first is the failure of the democratic process. A major concern of our organization and of many Canadians—and we think it should be of yours—is that the SPP process has been done without any parliamentary debate or public input. To date, the only stakeholders involved or consulted in the SPP process have been representatives of big business. Apparently when it comes to the future of North America, the public doesn't count, nor do elected officials, who, according to SPP documents, are only to be briefed after decisions are made.

In a move that cements the primacy of big business in this process, the North American Competitiveness Council was created at the second of the meetings of the heads of state. In their own words, the NACC was created to “engage substantively and pragmatically on trade and security issues without undue deference to political sensitivities”.

Ron Covais of Lockheed Martin, one of the major companies of the NACC, told *Maclean's* magazine last fall, “we've decided not to recommend any things that would require legislative changes... because we won't get anywhere”.

This came home to us last month when we met with senior officials of the U.S. embassy, at their request, to talk about what our concerns were. At that time the officials told us clearly that there was no appetite, and I quote, “for another bruising NAFTA battle”, and that that was the reason the SPP was not going before the legislatures of the three countries. I don't think there is any greater proof of the appalling lack of democracy that has characterized the SPP process than that we should learn from the U.S. embassy why the SPP is being withheld from Parliament.

On the other hand, representatives of big business, who are driving this process, remain fully involved. All of Canada's representatives on NACC are members of the Canadian Council of Chief Executives, led by Tom d'Aquino, who also co-chaired the original Task Force on the Future of North America that helped launch the SPP back in 2004 and 2005. That task force's recommendations, among many others, called for a North American resource strategy and was tabled only weeks before the SPP was signed in Waco, Texas.

The second concern we have is around our water. While the NACC and our current government vehemently insist there are no discussions on Canadian bulk water exports currently under way, minutes from that original task force meeting clearly showed they were talking about it. These minutes got leaked to us at the Council of Canadians. They said the three governments, and I quote, “were likely to meet with stiff resistance” on Canadian water and Mexican oil and were therefore best considered “long term goals”. The task force members agreed that “contentious or intractable issues will simply require more time to ripen politically.” And since then there have been a number of other statements made from American think tanks about Canada’s water.

Documents obtained by the Council of Canadians several weeks ago describe a closed-door meeting of government officials and business representatives from the three countries that took place last Friday in Calgary where, clearly, bulk water exports were to be discussed. Under the title “North American Future 2025 Project”, the U.S. Centre for Strategic and International Studies, in collaboration with the Conference Board of Canada and a Mexican research institute, CIDE, were sponsoring a series of seven closed-door round-table meetings, and this is their mandate: “... to strengthen the capacity of Canadian, U.S., and Mexican administration officials and that of their respective legislatures, to analyze, comprehend, and anticipate North American integration...”.

• (1130)

One of the round tables, the one that was held on Friday, talked about “creative solutions beyond the current transboundary water arrangements”—which we are presuming means the Canada-U.S. Boundary Waters Treaty of 1909—and “water consumption, water transfers, and artificial diversions of fresh water” with the aim of achieving “joint optimum utilization of the available water”. It’s very clear that what they’re talking about is that Canadian water would now be North American water, just the way Canadian oil and gas are North American now.

These meetings, which have been funded in part by the U.S. government and the private sector—and this was also confirmed to us by the U.S. embassy—are about drafting policy, not making recommendations. According to the leaked documents, all three governments have agreed that there would be a “tremendous benefit to the current decision-makers” if a round table on border issues could serve “as the underpinnings to develop a blueprint for future border infrastructure and logistics systems as it relates to labor mobility, energy, the environment”—by which they mean water—“security, and competitiveness”. This report is to be reviewed twice by the governments, and then it will be resubmitted in English, French, and Spanish with the aim of “maximizing the policy impact”.

Very briefly, we are also very concerned about the resource pact on energy. We are now sending well over 60% of our oil and gas to the United States, up from 25% before we signed the North American Free Trade Agreement, in which we signed a proportional sharing agreement. The problem with the North American resource strategy proposed by the SPP is that it leaves Canadians victims of an official policy that renders Canada not only unwilling but also unable to provide for the energy needs of its country and its citizens now and in the future. It programs the Canadian government to fail

in any effort to meet the international obligations under the Kyoto Protocol, as well as Parliament’s obligations to its citizens to ensure that our natural resources are managed in the public interest.

The push under the SPP and NAFTA to serve the corporate, as opposed to the public, interest explains as much as anyone needs to have it explained our current government’s failure and refusal to develop a national environmental policy that would serve both Canada and its citizens.

I’ll leave you with four recommendations we are calling for. We believe we have broad support for them across the country.

We’re asking that the Government of Canada cease all talks leading toward deeper integration between Canada and the United States until there has been meaningful public consultation on the issue.

We want full disclosure of a complete listing of the security and prosperity partnership working groups and the minutes of their meetings.

We call on the government to disband the North American Competitiveness Council. Corporations such as Manulife Financial, Home Depot, Wal-Mart, and Lockheed Martin should not have a say in shaping the economic policy between Canada and the United States and Canada’s economic, social, and environmental policy here.

Finally, we’re saying bring the security and prosperity partnership to the House of Commons for a full debate and a vote. The current government has promised that “significant international treaties will be submitted to votes in Parliament”. We submit that the security and prosperity partnership of North America goes further than NAFTA and is going to have a more profound influence on Canada, and that we have the right to a debate and a full democratic process in our House of Commons.

Thank you very much.

• (1135)

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

I would ask that you table with the committee the documents you referred to in your presentation.

We’ll go directly to the questioning, starting with Mr. Bains from the official opposition.

Hon. Navdeep Bains (Mississauga—Brampton South, Lib.): Thank you very much, Chair.

I want to thank all of you for your presentations and again bringing very clear perspectives of the SPP.

It's got a very clear-cut mandate that we all recognize. We've been talking about the importance that the security and prosperity partnership has in terms of cooperation and information sharing for better integration, and you alluded to that in terms of our exports and how important imports are becoming of that export component.

I recognize this is not a treaty or an accord and is nothing similar to what NAFTA is in terms of a binding agreement; however, there are issues around transparency and accountability, and I believe Ms. Barlow has alluded to those concerns.

My question is for Mr. Adams and Ms. Anderson.

In terms of the changes, in the past many of the committee members have discussed and said these are just incremental changes, these are very small initiatives, these are just harmonizing issues, these are regulatory issues, they're not major issues per se. But if you look at it, in your presentation, Mr. Adams, you allude to 107 key initiatives currently being discussed under the SPP, and 300 work items associated with those 107 key initiatives. My view is that they're incremental changes, but they will have a profound impact overall once you combine all the initiatives when they take full effect.

Do you share that viewpoint, or do you still believe they are incremental changes and they're not as profound as people make them out to be?

Mr. David Adams: I think in terms of the goal of the SPP, it's to try to have the whole North American economy work in a more efficient and effective way. With respect to those issues that directly impinge upon the automotive industry—for instance, some standards harmonization issues, motor vehicle safety standards—in our view, those are minor changes that need to be brought into alignment.

Hon. Navdeep Bains: The 14 changes you've indicated. There have been 14 voluntary agreements between the automotive industry and the Government of Canada, but you believe they're small changes? They're not major changes, just incremental changes?

Mr. David Adams: Let me take you back to 1965, when the Auto Pact was signed, which put the two economies together in terms of the automotive industry. From that perspective, we had an integrated North American automotive industry, and since that time the automotive industry in Canada has taken its lead from regulatory activity in the U.S., rather than putting in our own regulations. In some cases, in any event, we merely adopt those regulations through a memorandum of understanding to have put in place the regulations that have been put in place in the United States already.

So that process has worked well, and as I said in my remarks, I think the beneficiaries of that process have been the consumers, who have the most technologically advanced vehicles, the safest vehicles, at the lowest possible cost in the marketplace.

Hon. Navdeep Bains: The other question is this, and Ms. Anderson, perhaps you can speak to it. The common understanding is not the standards vis-à-vis the United States, but also comparing our standards to Mexico's. There's a discrepancy and disparity in terms of the quality of standards and regulations we have in Canada versus those in Mexico. If we start to harmonize those in incremental changes, does that improve our regulatory standards overall or does that compromise Canada's position?

Mrs. Mary Anderson: I think you've addressed an interesting point. Although the security and prosperity partnership has the opportunity to work within the NAFTA area—that is, Canada, the U. S., and Mexico—it is possible that any two jurisdictions can work. If they are more aligned or closer, they can work together. There isn't the need to have all three at once. I think this allows a leadership role in taking into effect ones that are already available and ready to go on.

• (1140)

Hon. Navdeep Bains: Ms. Barlow, you talked about various aspects of water, and that's an issue I raised at the last committee as well—water diversion, and the fact that selling Canada's water supply and making it North American is a major concern. You wrote about that and have raised that in the past as well. Could you elaborate on how serious you think that is? I know you touched upon it in your comments, but when we spoke to witnesses, they said it wasn't on the table; it's not something serious. When you say it's going to be discussed in the foreseeable future, do you have an estimate of the timeline? Do you see how this will unfold, or is it sheer speculation?

Ms. Maude Barlow: There are two things I would say. First of all, it's become quite clear only recently how serious the water crisis in the United States actually is. There's a new Environmental Protection Agency report that says that 36 states are in crisis. The issue of water as a national security issue has moved up to the top of the political agenda in the United States. This same CSIS, the same group, the American research institute that is the American component of this Future 2025, was also tasked the same year to put something called the Global Water Futures together, which is a whole blueprint for the United States government on water, both water around the world where there are going to be conflicts, and also where the United States is going to get water.

So suddenly the United States is looking at water like it's looking at energy, and realizing you can't be a superpower if you don't have both. So they are beginning to take this very, very seriously, and they're looking north to us, and they're looking south to the Guarani Aquifer in South America. Those are the two places.

The concern we have is that we don't have water to spare. It is a myth that we have 20% of the world's water. You'd have to drain every lake and river. We have about 7%. More importantly, that water is in huge rivers that run north, in the north, so to shift to move massive amounts of water, we would have to introduce huge engineering feats that would have to reverse the flow of that water, and it would have to be taken by pipeline. There's no other way that would be cost-effective, and it would be very expensive. But so is running out of water if you're a state like California.

I think the openness with which the head of this team, this CSIS group in the United States, spoke to the media last week and said, "Yes, of course we're interested in your water, Does the sun come up in the morning?"...that kind of thing. He didn't even understand why there would be a concern about it.

In October, the Global Water & Energy Strategy Team, which is a Washington-based group, was at a business meeting in Calgary, and they said there would be water flowing from northern Canada within five years. They're working with some think tank groups and energy organizations in Manitoba, and they were talking about the first exports from northern Manitoba.

So I think the political resistance will hold it off for a while, but I think it's only a matter of time before we're really going to have a full-blown discussion on this.

The Chair: Thank you, Mr. Bains. Your time is up.

We will go now to the Bloc Québécois, Monsieur André, for seven minutes.

[*Translation*]

Mr. Guy André (Berthier—Maskinongé, BQ): Good morning, everyone.

Ms. Barlow, I listened to your statements with regard to water. You know that at the present time the issue of obtaining water is on the agenda of certain American states, as you mentioned. As far as we are concerned, we have water. A meeting with the government will be held in Calgary in the near future to discuss the problem surrounding water.

First of all, in your opinion, where do negotiations stand regarding the possible sale of bulk water?

Secondly, with regard to the Canadian Council of Chief Executives and the security and prosperity partnership, last week we met with some individuals who told us that one of their objectives was to slightly harmonize the healthcare and social systems in all three countries. However, several of the member enterprises involved with the security and prosperity partnership have interests in the three countries. They are multinationals.

From that perspective, how can they defend the interests of Canada and Quebec, while at the same time trying to further harmonize the healthcare systems and the rest?

My third question involves dependency.

In your report, you spoke of—and the others may also comment a little on these statements—of our major dependency on American exports. At the present time, some industries are more vulnerable than others, such as agriculture, the manufacturing sector, especially

the furniture sector, and softer sectors such as textiles. For example, in the furniture sector there are a lot of exports from the United States. There seems to be a tendency to continue that way, even though other more distant markets would be accessible. It seems that our immediate reaction is to turn even more toward the United States because it is a habit, a way of doing things.

Could you provide some explanation for this? Why are we still hesitant to turn toward other export sources? Why do we continue free trade with the United States without looking any farther? Do we have trouble entering into bilateral agreements with other countries?

● (1145)

Ms. Maude Barlow: If you don't mind, I will answer in English. I understand French, but I am more comfortable in English.

[*English*]

I'll start with the first.

This was always our criticism of NAFTA. One of our criticisms of NAFTA was that it would place Canada in a very vulnerable position to have almost all of our exports—I think it's close to 87% now—going to the United States, so that we would then be helpless, or in a very difficult position, if ever there was a reason to close that border. And sure enough, this border has been closed. As my colleagues here have said, this was even starting before 9/11.

I would posit that with all we have offered and already given up under the SPP and other processes, it has not helped change that border situation. It's tighter than it ever was. As you know, the lineups for passports are so long and there are unmanned drones—American war planes—between the Montana and Canadian borders, for instance. The border security is tightening and everything we do does not seem to change that. So it is a very serious problem.

On your concern about harmonization, our concern around the regulatory convergence is not a more efficient way for my colleagues here to have a good trading system. That's not our concern; of course that makes sense. Our concern is that they have set up cross-border committees that are going to make decisions around regulations, from seeds to food to health care to social programs to environmental standards, that will then not be decided in the Canadian or Quebec parliaments, but rather by these cross-border committees, and it's an anti-democratic process.

Further, take a look at the regime of George Bush. Since he came to power, he has deregulated massively in everything from energy to automobile standards to the environment. One of the conservation groups said that he has cut 400 environmental programs, for instance. We are harmonizing to a superpower that has massively deregulated in many areas, and of course, then there's the problem of having Mexico in the mix as well.

So we're not talking here about sensible harmonization—nobody could be opposed to that—but we are talking about setting up a process of moving into a race to the bottom.

On the current status of water, here's the situation. Under NAFTA we are not forced to export our water; however, once we do start exporting, once any province starts to export its water, the terms of NAFTA come into being. NAFTA defines water as a good, and you're not allowed, under the terms of a trade agreement, to stop the import or export of a good for any reason, even environmental or conservational. So if any province decides to start exporting commercial exports of our water to the United States, the terms of NAFTA say that the Canadian government can't then come in and say no, you can't do that.

Mr. Baird, last week, said that Canada had a ban on the export of water. He probably thinks we do, but we don't. What we have is a voluntary agreement with the provinces, which are a mishmash. Not all of them have signed it; any one of them could break it, and if anyone breaks it, then that water is open, from all the provinces, to whatever corporation has got into that one province.

Moreover, they only banned the transfer of transboundary waters from the Canadian side. But the Americans aren't interested in transboundary water; they're taking what they need from the Great Lakes through the new annex. What they really want is that water in those rivers going north, and that's not touched by this.

We need a national water act in this country. We need water taken out of NAFTA as an investment, as a good. We need to protect this most previous resource politically, ecologically, and for future generations.

• (1150)

The Chair: Thank you, Ms. Barlow.

Merci, monsieur André. Your time is up.

We'll go to Mr. Cannan, from the government side, for seven minutes.

Go ahead.

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

Thanks to our presenters this morning. I appreciate your advice and words of wisdom.

As the chairman alluded to, we've been studying this to provide some direction for our government and all our small manufacturing enterprise businesses throughout Canada, which we are very concerned about.

I congratulate you, Ms. Anderson, for your 75th year of business. I look forward to hearing more.

I also want to set the record straight. There's a lot of fear-mongering from organizations such as Ms. Barlow's. It reminds me of a German proverb: fear makes the wolf bigger than she really is. This security and prosperity initiative isn't some kind of scary treaty or secret agreement; it's basically a series of common-sense discussions with our neighbours. We're trying to work together. A cordial relationship with your next door neighbour is a lot better than an adversarial one. I think this is what we're trying to do.

You need to also realize that about 80% of Canadians live within 160 kilometres of our border. We're looking at close to \$2 billion

worth of trade that transfers across the border daily. Those are the jobs of the men and women, Canadians, we're trying to protect.

In my own riding of Kelowna—Lake Country in the interior of British Columbia, we're not afraid of a seamless border. As a matter of fact, we're looking for a more efficient border. For small business folks, an efficient border saves money. I have a candle distributor in my riding, and it was 10 days of holding up their distribution at the border. Another manufacturer—and I'll put a little plug in for it—of a product called Beaver Buzz, which is taking on Red Bull, an energy drink, was stuck at the border for days.

It costs money for small enterprises. These aren't large corporations; these are independent business folks who have invested their hard-earned money. They want Canada and Mexico and the U.S. to work together.

I think you need to set the record straight and not send out the fear-mongering literature that you do. It's very disturbing. Canada is trying to work in a cooperative manner.

I'd like to ask Ms. Anderson and Mr. Adams whether they believe we need to work collaboratively with the United States to form a strong North American foundation and create borders that are impervious to security risks but are thin and non-disruptive for trade and investment to ensure the seamless movement of goods and services.

The Chair: Ms. Anderson, go ahead, please.

• (1155)

Mrs. Mary Anderson: I certainly agree with your comments, and thank you very much.

I think we are fortunate to live where we do, geographically positioned to the largest economy in the world. That allows us the options and opportunities, from small enterprises along the border to those in the interior, to export products and create and develop wealth. I think this particular program of the SPP is one that really accelerates opportunities to look at ways in which we can harmonize, and there are opportunities for improvements.

You also raise an excellent point, that it's very much in a consultative arrangement among colleagues and friends, where you get more open dialogue and discussion to develop consensus in terms of excellent solutions. I see this as an ongoing opportunity for us in Canada to take ideas from the business community. We are a group of small, medium, and large enterprises. We have been consulted, and we can bring our ideas forward so we can have borders that work.

There are opportunities for improvements. I totally agree that there are issues related to the border. We need to thin that border so we can have access to work collaboratively with our U.S. colleagues, especially with other government departments. I understand you touched on a couple that are very dear to us as well. For example, we would like to look at some of the opportunities with groups in the United States like the FDA. We might be able to develop a way of looking at allowing FDA accreditation with more labs, which would create expediency if they need to do sample analyses. When we create an open dialogue and discussion, we can come up with creative solutions.

Thank you.

The Chair: Thank you, Ms. Anderson.

Mr. Adams, go ahead.

Mr. David Adams: Just briefly, the automotive industry is critical to Canada. On your point, I think we want to ensure that we don't have a situation where the border becomes an issue in terms of where multinational corporations decide to place their investment. Surely it makes sense to have a border that is seamless, so goods can move back and forth in an expeditious and unencumbered manner.

I think we are fortunate to have the newest automotive plant investment in 20 years going into Woodstock—from Toyota. We want to make sure we have a situation set up where we can encourage more of that investment into Canada and not have it go solely to the United States.

The Chair: Mr. Cannan, you have about a minute and a half.

Ms. Maude Barlow: Would it be all right if I—

The Chair: Ms. Barlow, the question was directed to—

Mr. Ron Cannan: I just have one supplemental. Thanks. I'm very passionate about this, because it does affect individuals in my own community and across the country.

Ms. Anderson, you mentioned the e-manifest program. Minister Day, whose riding shares a boundary with mine, made an announcement in January about \$400 million being put into this e-manifest program. Could you elaborate on how you think that's going to help some of your members as well as Canadian businesses?

Mrs. Mary Anderson: Yes. Carol Osmond will respond, as she has been actively involved in that.

Ms. Carol Osmond (Senior Policy Advisor, Canadian Association of Importers and Exporters): The e-manifest program, or advanced commercial information, is actually one of the key priorities of our association. It's something that has been talked about for 10 years or more. It's not a new initiative. What e-manifest involves is the advance transmission of information to the Canada Border Services Agency before the mode of transportation reaches our borders or our ports. That will allow the Canada Border Services Agency to do its risk analysis before goods reach the border and decide which of those shipments need to be inspected.

Our members are supportive of that initiative, and they are looking to speed up the process for entry of goods into Canada. As part of that process, the United States is implementing a similar program, so we are trying to ensure that the program we implement in Canada is

consistent with the program implemented in the United States. Canadian carriers, for example, have made it very clear that they do not want to have two separate programs. So this is an example of how working with the United States will reduce the cost for Canadian business and will ensure that we're not trying to comply with two different programs, invest in two different types of systems, and so on.

Referring to some of the points that we made earlier about its not being a democratic process, in the case of e-manifest, there was a consultation meeting back in January. One hundred and fifty people attended that consultative session. While there have been discussions between CBSA and CBP in the United States in terms of sharing lessons learned, in terms of how they've implemented that system in the U.S., we are also setting up our own consultative framework in Canada so that Canadian businesses—small businesses as well as larger companies—can be consulted so that the system works for Canadians.

Also, if there are any regulations that need to be passed—and we anticipate that there will also be legislative changes—those will have to be brought before the Parliament of Canada. So these decisions are not just made in working groups between Canada and the United States.

The Chair: Thank you very much, Ms. Osmond, and thank you, Mr. Cannan.

Now we will go to the New Democratic Party, to Mr. Julian, for seven minutes.

• (1200)

Mr. Peter Julian (Burnaby—New Westminster, NDP): Thank you to all witnesses coming before the committee.

Thanks particularly to you, Ms. Barlow.

You just received a very clear compliment, through Mr. Cannan's very rude tirade. He refused to give you an opportunity to reply, which I think shows that he's concerned, as are the Conservatives, about the real agenda getting out. What is very clear from testimony last Thursday and today is that this goes far beyond being an issue of smart borders, and that there's a whole variety of elements of public policy that are involved.

What I found most compelling about your testimony was the comment from the U.S. embassy that there was no appetite for a real public debate. Those are exactly the same words that were used by the Canadian Council of Chief Executives last Thursday. So they're using the same messaging, that there's no appetite, which I gather means they don't want the real agenda to get out in the public, and they are implicitly stating that they're concerned that Canadians would reject this agenda if they knew its extent. It's far beyond smart borders. It touches on energy sovereignty, water exports, and a whole variety of other issues including the protections that we take for granted as Canadians.

So I'm going to give you an opportunity to reply to Mr. Cannan, since he refused to allow you a rebuttal. I'd also like you to answer the question of why you think the Conservatives are so scared about this agenda getting out for public debate. If it was such a useful process, why are they scared of having that public debate, that public consultation, and parliamentary review of this very widespread and profound agenda?

Ms. Maude Barlow: Thank you very much, Mr. Julian, and thank you for the opportunity to respond to my friend here.

I was actually thinking, when you spoke, that this was an initiative undertaken by the Liberals before you. Had they been in power now, you probably would have been sitting here with me, criticizing it.

However, I think it's important for us to say that Canada will never be impervious to the United States and to our border concerns post-9/11 unless we make our border so benign that it's like crossing from Vermont to New Hampshire. As long as we maintain the sovereign right to make our own policy decisions in any way, the United States will continue to make that border crossing difficult. Nobody here likes that. Nobody here wants that. But that's the reality we're dealing with.

I also want to say that this is not about building; if this is about building a new North American reality, why have only big businesses, or even some medium-sized businesses, been involved? Why has there been no negotiation or discussion with other groups?

Many people in this country are working with Americans—they work very closely with many Americans—on an alternative vision for the environment, for instance. Many Americans would like to have a national health care program. Many Americans are concerned about the assault on human rights and civil liberties in the United States under the Bush administration. Many Americans don't like what their government is doing in Iraq, and many of us are very concerned about what our government is doing in Afghanistan as well. We have common cause and would like to have these negotiations opened up. We want the current SPP stopped so that we can start to have a different kind of dialogue.

When we met with the U.S. embassy, they said that when Condoleezza Rice was in town, the politicians did meet for some time by themselves. The members of the North American Competitiveness Council met down the hall, and they didn't meet together until a little later. He was using this as proof that somehow the big business community does not have special privilege.

Well, where were we? Where were the people who care about education or health care or human rights or foreign policy or the environment? They have not been part of this process.

I think that concern, that this gets out, is exactly what was expressed to us by the U.S. embassy: if Canadians knew what was in this agreement, if they had a chance to debate it, really look at it and vote on it, they would say no to it. I deeply believe that.

I want to say quickly that I have notes here from Ralph Pentland. If you are going to extend these hearings, Ralph Pentland wants to come before you. He was the director of water planning and management, a branch at Environment Canada, for 13 years. He wrote the policy that was hopefully going to be adopted by the Mulroney government but wasn't adopted. He has co-chaired several

International Joint Commission boards. He's very knowledgeable on water.

So Mr. Pentland, who is non-partisan, has asked me to share with you that he is deeply concerned about this process. He feels very strongly that he has watched this happen before, with the Canada-U.S. Free Trade Agreement and with NAFTA, where committees like this met, we were assured that water wouldn't become part of NAFTA, and then it was.

More recently, negotiations took place on the annex to the 1909 shared boundary water treaty between Canada and the United States, where there were negotiations that were never going to open up diversions to the Great Lakes. We were assured this happened. Governments took their hands off it and let these negotiations take place at other levels, and we have a new annex that allows new diversions, for communities and corporations, off the Great Lakes Basin. Many of us are deeply concerned that there are going to be water takings from the U.S. side.

So here we have another process that's now taking place outside of Parliament, potentially around water exports from Canada's north. We feel very strongly that we have to have a debate. We may not be right, but let's have a debate. Let's have more than just....

Tom d'Aquino, who originally not only came up with this concept but actually had a hand.... The title for their recommendations was "North American Security and Prosperity Initiative". Except for the word "initiative", which was changed to "partnership", it was the same title when three governments signed.

This is their blueprint. They went down to the White House right after 9/11 happened and were asked, "What have you got to offer if you want to keep that border open?"

This is a dialogue for all Canadians. This is not a partisan issue. This should be an issue of true and deep debate in this country.

We have members from all parties, by the way, in our organization.

● (1205)

Mr. Peter Julian: I want to go to the issue of energy sovereignty.

Right now Canada actually shares and, under the proportionality clauses of NAFTA, we actually supply the American market before we supply Canadians. That proportionality clause means that if there's a supply shortage, Canadians literally freeze in the dark while we supply the American market. If they are going further, or if the plan in the North American resource strategy is to go even further, what would that mean for the strategic control that Canada should exercise over its oil and gas resources?

Does any other country give preferential supply to another country before it supplies its own citizens?

The Chair: Ms. Barlow, you have about 15 seconds to answer.

Ms. Maude Barlow: No. We have given away our energy sovereignty. Those of us looking at this wonder what more you could give away: the NAFTA, ownership and control of the tar sands to American corporations, and the agreement to not implement a different environmental regime from the United States. So it's one seamless border, or one non-existing border, when it comes to energy.

The Chair: Thank you.

Thank you, Mr. Julian.

Now, for the five-minute questioning round, we'll start with the official opposition and Mr. Maloney.

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

Ms. Osmond, if the e-manifest strategy was made compulsory, would it be an answer to the latest development in the U.S., where pre-clearance has been nixed by the American administration?

Ms. Carol Osmond: Well, e-manifest will become mandatory. It's a program that's being phased in over time. Currently it's in place for maritime carriers and air mode. We're now looking at implementing it at the land border. Ultimately, importers will also have to transmit information electronically in advance.

From my understanding of pre-clearance, it's a different issue. It relates to individuals who approach the border and want to enter the United States. If someone decides to turn around—if they're suspected, for example, of probing the border or testing the border—the United States wants to be able to question and possibly fingerprint them. The Canadian government has said that if somebody wants to turn around they should have the opportunity to do that without being fingerprinted by the United States.

Mr. John Maloney: With e-manifest there's an assessment before that truck reaches the border.

• (1210)

Ms. Carol Osmond: Right.

Mr. John Maloney: I appreciate what you're saying about why the U.S. has objected to that. But with the e-manifest strategy, would that still be implemented—the pre-clearance problems?

Ms. Carol Osmond: They're really separate issues. Pre-clearance involves U.S. officials being on the Canadian side of the border. There's e-manifest going in both directions. Currently, e-manifest going into the United States is already being implemented. It involves transmitting data in advance to U.S. customs authorities relating to the driver, the carrier, and the vehicle. But I don't think that addresses U.S. concerns about being able to apprehend someone on the Canadian side of the border.

I'm sorry, maybe I don't understand the question.

Mr. John Maloney: But with the e-manifest program, by that time the truck is already in the United States.

Ms. Carol Osmond: Well, it's not in the United States. The information is transmitted to the United States, and then the driver arrives at the customs inspection booth. The U.S. has that data in advance. The e-manifest allows the U.S. to have that information before the driver arrives. It allows them to risk-assess the data with respect to the driver and the cargo and decide whether they have an interest in the individual or the cargo he's carrying.

Mr. John Maloney: The decision is made to inspect or not inspect, or wave them through.

Ms. Carol Osmond: Right.

Mr. John Maloney: We have to look at alternatives. I'm not happy that we're going to make any more headway with our U.S. colleagues on these issues with WHTI and pre-clearance. Is there any reasonable alternative that could be considered?

Ms. Carol Osmond: The issue of pre-clearance relates to space on either side of the border. We want to be able to expand inspection facilities, and that sort of thing, to facilitate the movement of goods. Unfortunately, in the case of the Peace Bridge there's limited space on the U.S. side of the border. On the Canadian side the issue is with the Thousand Islands Bridge, and we have a shortage of space. But my understanding is that unless we move in one country, we're not going to move in the other.

At the Peace Bridge, a decision needed to be made so the bridge authority could proceed with its construction plans and its development at the bridge. So it's unlikely now that we will have a pre-clearance facility at the Peace Bridge. However, we would like to see the governments in both countries continue to discuss this issue. Hopefully it can happen at other border crossings on both sides of the border.

Mr. John Maloney: Ms. Barlow, you struck a chord about bulk water sales here this morning. You suggested that we have a national water act, which in essence would prohibit cross-border bulk sales, or cross-border bulk importation.

Does that conflict with NAFTA? Would we have to go back and renegotiate NAFTA on that issue?

Ms. Maude Barlow: Yes, it does conflict with NAFTA, because in NAFTA water is a commercial good as well as an investment.

The Chair: Thank you.

Thank you, Mr. Maloney.

Ms. Maude Barlow: Could I—

The Chair: I'm sorry, Ms. Barlow, I thought you had answered. Mr. Maloney is out of time. He's a minute over. So make it a very short answer.

Ms. Maude Barlow: It does conflict with NAFTA, but in our view the United States has broken NAFTA by not abiding by the softwood lumber rulings. Therefore we feel it is perfectly legitimate for Canada to take a stand on the areas of NAFTA that don't work for Canada. We should ban bulk water exports, which means breaking our commitment under NAFTA.

The Chair: Thank you, Mr. Maloney.

Mr. Cardin is next for five minutes.

[Translation]

Mr. Serge Cardin (Sherbrooke, BQ): Thank you, Mr. Chair. Good morning, ladies and gentlemen.

Last week, we heard from witnesses whom I asked for information regarding where talks stood on the SPP. I did not necessarily get an answer to that question. Considering what was said during the first meetings, which were held in order to consult with stakeholders in the business community, the government and non-governmental bodies; Ms. Barlow, were you ever asked for your opinion with regard to the SPP?

• (1215)

[English]

Ms. Maude Barlow: The first officials to ask about our view were from the American embassy, two weeks ago. They invited us to the bunker to chat. We invited them back to our office instead.

Nobody from either the previous government or this one has asked anyone, as far as I know—not just us, but any environmental group, education group, or health care organization. All of our groups are in the dark on this.

In fact, two years ago we held a cross-country citizens' inquiry into Canada-U.S. relations. We had very good representation. We had members as citizens' juries hearing the testimony from all political parties. We heard from Canadians from all over the country, including Quebec, that they did not know anything about this process. So we held our own inquiry, which gave them an opportunity to say what kind of continent they would like, what values in this North American shared space they would like.

We heard from all sorts of groups, including small businesses who felt left out of it too. The common thread we heard over and over was that they were so glad to have a place to speak to this, because nobody had asked their opinion on it.

This process was guided by the Canadian Council of Chief Executives, the C.D. Howe Institute, and the Liberal government at the time. It has been handed in that form to this government, which has, in my opinion, deepened the commitments.

[Translation]

Mr. Serge Cardin: Trade is important to the SPP, as is clearly evidenced by comments from representatives of the automobile industry and import-export tradespersons. They want a secure and smart border that will facilitate trade. I don't think there is any problem in that respect. However, with regard to standards, values in Canada and Quebec are not necessarily the same as in the United States. Things can be exported and traded easily in a way that benefits others more than us.

I want to go back to water. In one of your reports, you asked Canada to change the position that it took in April 2002, during a meeting of the United Nations Commission on Human Rights, i.e. that it was opposed to water being considered a human right. Should it be understood then that it agreed with water being considered a marketable good? If it was a human right, without having unlimited bulk exports, there could be some minimal trade of water, but NAFTA covers all goods expressly set out in the agreement and water is not one of them. Therefore, it could become one.

In Canada, nine of the ten provinces protect their water resources and have laws banning the export of bulk water. If I remember correctly, the North American Free Trade Agreement Implementation Act states that there is no exporting of bulk water. At this time,

Canada should make formal submissions so that this is completely clear and the exporting of bulk water is truly excluded from NAFTA.

[English]

Ms. Maude Barlow: I have two points.

One is that you won't see the word "water" in NAFTA. What you'll see is the reference to the definition of a "good" that was in the old General Agreement on Tariffs and Trade. When you go to that, you will see water in all its forms, including ice and snow. NAFTA adopted the old GATT tariff notion of a good, so water absolutely, definitely, is in NAFTA, which supersedes the provincial laws; not one of the provincial bans on water exports would stand up to a NAFTA challenge. We have to remove water as a good, an investment, and a service in NAFTA. We need to do that.

At the United Nations, I am ashamed that our government continues to oppose the right to water. We got a rebuke last year from a subcommittee of the United Nations for Canada's continued appalling position. The United Kingdom just changed its position; it is now favouring the right to water, as are most countries in the world. I believe the reason we continue to oppose the right to water is that we know it would violate the notion of water as a good in NAFTA.

So for that reason, and joining the community of nations moving towards a right-to-water convention, Canada needs to change its position on water and protect it ecologically and politically.

• (1220)

The Chair: *Merci, monsieur Cardin.*

Now to the government side, and Mr. Lemieux, for five minutes.

Mr. Pierre Lemieux (Glengarry—Prescott—Russell, CPC): Thank you to our guests here today.

Seeing that we've just been talking about bulk water, I'd like to clarify this. There is a lot of speculation in the media, in particular, regarding bulk water and the sale of bulk water, etc. So I'd like to say, first of all, that the Government of Canada has no intention of entering into negotiations on bulk water products; in fact, the International Boundary Waters Treaty Act prohibits bulk removals from boundary basins. Canada is committed to protecting water in its natural state.

The second thing I'd like to point out is that water in its natural state is not a good. Bulk water is not a good under NAFTA. Water in its natural state is not subject to trade agreements. And I'll just finish this off by saying that Canadian provincial governments have full sovereignty over the management of water resources and are not subject to trade agreements. I wanted to bring that out.

Last, a lot of the speculation comes from studies being done by private think tanks. Private think tanks are able to operate on their own and to do whatever studies they like. This does not mean they have government support, or even that they have government interest. I think these think tanks are where a lot of the speculation is coming from, as it's being reported that think tanks are launching studies. Well, go ahead. But these don't reflect on government or government policy or government position. They are think tanks.

To move on, I'd like to thank Mr. Adams for his presentation. I thank you as well for your positive comments regarding our report, and I'd like to acknowledge your support for some of the key recommendations contained within that report.

You spoke basically about the Canadian government having to focus on promoting trade negotiations and on exports of products to the U.S.—but also to other countries. You also supported recommendation 12, the advancement of the security and prosperity partnership talks going on right now. You mentioned vehicle emissions standards as an example of where progress, in fact, would be a good thing for your market.

Could you share with us how you see other security and prosperity partnership initiatives—because they are just initiatives that are going to come from this framework—specifically benefiting your industry? Could you share examples with us on how they would benefit your industry?

Mr. David Adams: I have already outlined some of the initiatives, particularly in the area of motor vehicle safety standards. We are largely harmonized with the United States right now, but there are some minor differences in about 40 motor vehicle safety standards at the moment. A simple one that I could offer as an example is the difference in bumper standards between Canada and the United States. Again, there is no real discernible reason why there should be a difference; one has a five mile per hour bumper standard and the other has a 2.5 mile per hour bumper standard. But if those were brought together, it would allow the product to be tested once; it wouldn't have to be tested twice.

I also made a comment in my remarks that I didn't get to, appreciating the point made in the committee's report on looking not only beyond our borders but also within our borders, and the need to have a harmonized approach to our regulatory regime within Canada. I guess I would speak to that in terms of the emissions standards you alluded to, with respect to different provinces considering California emissions standards—which have been a bit of a buzzword these days in terms of automotive emissions standards. Clearly, our view is that the best benefit for all consumers would be to avoid a patchwork quilt of regulation, both within Canada and North America, and to have one common emissions standard in place and one common fuel economy standard.

Those are a few examples of how these types of initiatives within the SPP, in particular, could assist our industry.

Mr. Pierre Lemieux: Very good.

I wonder if I might ask Ms. Anderson the same question. We have the SPP, and it's a framework under which there are comments and discussions going on between industries to basically facilitate trade and other issues. I wonder if you could elaborate for the committee

where you see specific initiatives benefiting the industries that you work with, and how it would benefit those industries.

• (1225)

Mrs. Mary Anderson: Thank you very much for the opportunity to comment on that.

I think first of all, as a general perspective, that the opportunity within the SPP is one of dialogue that brings together a whole variety of ideas. I think the value of it is that we have had on the table over 400, so we do know that we have a lot of industry input on what issues need to be addressed. They are very pragmatic issues, as Dave was alluding to, ones that when harmonized will also create better prosperity within all of our jurisdictions.

I think within our association...and as I mentioned, it includes small, medium, and large industries, as well as touching almost any industry with manufactured goods, into a whole variety. We even include, for example, the Port of Vancouver, CN and CP, so it's quite an interesting group. All of those areas, all of those jurisdictions, touch on regulations and regulation opportunities for looking at specific issues.

One of the areas that I think I would like to address, though, is probably within food products. What I see here is an area that has a multitude of requirements and regulations. There are areas related to food safety and food security that I think we need to look at very carefully. We all recognize some of the issues related to that, so we need to look at some ways in which we can track and trace products from their point of origin to final destination. I believe there are some very intriguing ideas that can be done along that line to harmonize those ideas.

As well, as I alluded to, there are some issues related to opportunities for looking at inspections. Other government departments are involved in food products; a whole variety of government departments touch on food. Going forward, I would welcome the opportunity for other government departments to be included in a consultation framework.

I mentioned as well some of the challenges that Canadians face in exporting their products to the U.S. Because they have inputs that are from other jurisdictions—for example, blended product into the final product—we have to track where that product originally comes from. We need to develop some transparency about where it's from and where it's finally going. But we also need to look at the framework in the U.S., within the FDA requirements, of looking at products that may have come from multiple places and are finally sold into the United States. The FDA right now requires a number of products that go across the border to be investigated or held back and looked at.

I would like to say again that I think that from our regulation perspective there are a lot of opportunities to see how we can streamline that process, expedite that process, as well as work with the U.S.—for example, to expand the number of accredited labs that can inspect products so they aren't held up over a period of six weeks or so.

The Chair: Thank you, Ms. Anderson, and thank you, Mr. Lemieux.

To Mr. Julian, for five minutes. Go ahead.

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

I'd like to come back to you, Ms. Barlow, and ask you two questions. But I have some comments to make beforehand.

One is on the issue of prosperity, because this is something that comes sort of by rote from folks who are proponents of the SPP and proponents of NAFTA. They always say that Canada has prospered immensely over the past 15 years.

The figures from Statistics Canada actually tell a completely different story. Since 1989, the lowest-income 20% of Canadians have seen their incomes collapse. They've lost a month's salary, in real terms. So they're getting by, now, on 11 months' salary as opposed to 12. The next 20%, the working class, has lost two weeks' salary. The middle class has lost two weeks' salary. The upper-middle class has seen absolutely no progress. Those who have profited are the CEOs and chief executives. The wealthiest Canadians have seen their incomes skyrocket.

Bruce Campbell, who testified last Thursday, said that essentially, under NAFTA, the top 5% of income earners had reaped almost all the benefits, creating this massive prosperity gap wherein 80% to 90% of Canadian families are earning less now than they did in 1989. It's incredible that anyone would continue to propagate a myth when the figures are so compelling and so clear. Why do we have an economic policy that leaves 80% to 90% of Canadian families behind?

My second question is about protections, or regulations, that we put in place to protect Canadians. I know that you were involved in chasing back bovine growth hormone in Canada. It was something that was approved automatically in the United States, because they don't have the same rigorous testing standards and their system is much more prone to influence from powerful corporate lobbies.

What do you think would be the implications or the impact of removing all of our ability to set protections for Canadian families, so that bad products that might be approved in the United States don't automatically come onto the Canadian market?

• (1230)

Ms. Maude Barlow: Thank you for both those questions.

We are very concerned about the social consequences of a merger the size of the SPP coming out of NAFTA.

We've watched our country change from looking like a large egg, with a great big middle class, to looking more like a pear, with more and more Canadians falling out at the bottom and fewer holding power at the top. And now, the further we merge, the more we look like the United States. We're not as extreme in the difference between rich and poor, but it's getting there.

In recent research, I discovered that the greatest difference between rich and poor in the world now is in the United States. It's not in Mexico. It's not in Latin America. It's not in China. It's not in Africa. The top 10% control two-thirds of the wealth. So we would be merging more deeply with a superpower that has basically abandoned the bottom two-thirds of its population. We are very deeply concerned.

It's very interesting that you should raise the bovine growth hormone issue, because I had written a note about the "tested once" provision. Several of the Conservative MPs talked about the harmonization of our regulatory positions and standards. One of the provisions is this "tested once" provision, whereby if something has been given the go-ahead in the United States, we would not have the ability to have a separate regime here in Canada.

Bovine growth hormone is the perfect example. We were able to stop it. And you should know that it was a Conservative Senator, Senator Mira Spivak, who took it very seriously, held Senate committee hearings on it, and was very much responsible for helping us fight to keep bovine growth hormone, which has been linked to cancer in tests with rats and so on, out of Canada.

Our concern is that we will harmonize our policies on seeds, foods, chemicals, environment, energy, water, and so on with the needs and concerns of the superpower that's 10 times bigger than we are. It's not that they're bad people or anything; it is that they're bigger than we are, and the big tend to suck in the small when you have this kind of situation.

We need to maintain our sovereign rights on this side of the border. That does not mean we're anti-American. I can't stand it when I or anyone I know is called that, because I'm on the board of three American organizations. We have a different vision of what North America must look like and what we need to hold on to. We are not anti-trade. We hope we continue to have wonderful trade relationships with the United States. But strong fences make good neighbours, as well, and we need to protect ourselves on this side of the border.

Mr. Peter Julian: We've certainly seen a reaction in both the American mid-term elections, when there was a strong reaction to that kind of gutting of the middle class in the United States, and in the Mexican elections, where the PRD, according to many observers, actually won those elections. Again, it was a strong reaction to this economic policy by which only the top 5% benefits and the other 80% or 90% of Canadian or American or Mexican families are left behind.

Should Canadian families, then, be concerned about putting into place a system in which we automatically adopt whatever lower American standards are out there for pharmaceutical products or food products? We know there have been a number of cases—scandals—when products that should not have been put on the market were and were recalled afterwards. Should we not have those protections in place for Canadian families?

Ms. Maude Barlow: We absolutely should.

Let me quote to you from this paper that we're going to be giving you from the North American Future 2025 project. I've been talking about water, but it's full of many interesting things. They talk about:

In order to remain competitive in the global economy, it is imperative for the twenty-first-century North American labor market to possess the flexibility necessary to meet industrial labor demands on a transitional basis and in a way that responds to market forces. This demand will prompt policymakers [in all countries] to think creatively about prospective policy options.

That sounds to me very much like what they're proposing with the Atlantica project in Atlantic Canada and the northern United States. They're talking about bringing down the minimum wage and labour standards to the lowest of whichever jurisdiction has those lowest standards. So it's bringing those standards down.

This is all about merging with a country that has cut welfare by 13% every year since George Bush took power in 2000. As one woman said to me, "Well, he has created lots of jobs. I myself have three of them." This is what life is like living under George Bush, and if that's what we want in this country, that's where we're headed.

We're asking our legislators here to consider and listen to those Canadians. We think we're the majority who want good relationships with our United States friends and neighbours. Many of us have family there, but we do not want to give away the right to maintain our own standards and one day influence the standards in that country to go higher.

• (1235)

The Chair: Thank you, Ms. Barlow.

Thank you, Mr. Julian.

Now we'll go to the official opposition. Mr. Temelkovski, for five minutes.

Mr. Lui Temelkovski (Oak Ridges—Markham, Lib.): Thank you, Mr. Chair.

Thank you to all of the presenters.

Last week we heard from some of the presenters that prior to 2001 the average time it took for goods to be transferred between the States and Canada was about 45 seconds, and now it's over 200 seconds. They also alluded to the fact that the solutions were going to be physical, such as more borders, more bridges, and so on. Do you think the problem is borders or hardware? Or do you think it's legislative issues that have increased the time it takes to move goods and people across the borders?

That's to all of you.

The Chair: Go ahead, Mr. Adams, you can lead off.

Mr. David Adams: I believe the numbers from the chamber, if I'm not mistaken, suggested that since 2001 there has been a 300% increase in the time it takes to cross the border, and the cost associated with those measures is about \$14 billion U.S. So there is definitely a challenge. I'm not sure that prior to 2001 that challenge didn't exist already in terms of actually having the physical infrastructure in place to facilitate cross-border trade.

I think what 9/11 did was bring a laser focus to the issue and how we needed to look at developing some solutions. Situations like trying to address the new border crossing in Windsor have been, and continue to be, long-term propositions that we hope will be resolved sooner rather than later. Putting a new bridge across a river does take time. Environmental assessments do need to be conducted. The proper legwork on both sides of the border needs to be undertaken.

So I would suggest it's a combination of both. It's the physical infrastructure crossing the border. It's the infrastructure leading up to the border. And then the other element, as you suggest, would be the customs mechanisms, for instance, that are used to facilitate that

cross-border trade. Ms. Osmond mentioned the e-manifest as being one of them.

The Chair: Ms. Barlow, briefly please.

Ms. Maude Barlow: I would just say that everyone recognizes that this is a problem, but we also recognize that it's a result of 9/11 and the very real concerns the United States has around border security. I don't think there's very much we can do that's going to change the new reality of the border. It should be worked on, of course, but at the same time, there is no way that our health care, our labour standards, our water, our control over our resources, and our control over having our own regulatory environmental and health standards should be put at risk in order to facilitate....

What's it going to take off if we give up health care—10 seconds? What is it that we have to give? And that's the fear Canadians have, that there's one sector driving this.

We're not saying this sector isn't important. It's tremendously important, and of course these issues matter. But if this sector is driving everything else and we're all expected to give up everything else for this transborder crossing of goods and services, it's too great a price—and it won't work.

The Chair: Ms. Anderson or Ms. Osmond, do you want to respond?

Ms. Carol Osmond: I just wanted to make a distinction between the time it takes for customs clearance and the time it actually takes to get to the customs booth, because I think generally what we're measuring is the time for customs clearance.

Those times do tend to be a little bit longer going into the United States than they are coming into Canada, but the longer time-frames—and Mr. Adams mentioned this—represent the time to actually get to the customs booth, and certainly for our members that is the bigger concern. The lack of infrastructure leading up to the entry points, for example, and the need for new bridges in the Windsor-Detroit area are probably the key issues, but there are also issues related to inspections. As well, as Ms. Anderson mentioned, there are concerns with the Food and Drug Administration in the United States and the inspection process on the U.S. side of the border.

• (1240)

The Chair: Thank you.

We'll go now to Monsieur André for about three minutes.

[*Translation*]

Mr. Guy André: Ms. Barlow, my fellow MP, Mr. Lemieux, told us that there was no need to worry about a possible obligation to export water and that water is currently completely protected under NAFTA. He also said that there is no political will to export water.

I would like to hear your comments on this. Should there still be concern? Did his comments really reassure you?

[English]

Ms. Maude Barlow: *Merci, monsieur.* It certainly made me happy to hear you say that the government will never allow bulk water exports. That was a good thing, and we will quote you all over the place.

But Mr. Lemieux is wrong in saying that NAFTA does not impact on the provinces and does not take precedence. A treaty between two countries, signed by the federal government of those two countries, is the overarching legislation. It implies everything and involves everything about the provinces. Of course the provinces don't have jurisdiction higher than that treaty.

I have here in my hand all of the legislation of the different provinces. It's a mishmash. New Brunswick has nothing—and they mean nothing. If you get a new premier who decides to export water... I'll give you a perfect example. Several years ago, Premier Grimes of Newfoundland decided to export water from Gisborne Lake, and we had a huge hue and cry. We spent a lot of time speaking to Newfoundlanders, and they spent a lot of time speaking amongst themselves. They said, "We've got so much water", and we reminded them that they once said that about the cod, and that was a good argument that seemed to resonate.

David Anderson, who was the environment minister at the time, said to Premier Grimes—and this was reported—that NAFTA takes precedence over provincial water exports, and that if any province starts exporting water for commercial purposes, it impacts the whole country, and he travelled to Newfoundland and asked Premier Grimes to reconsider, because this was going to put Canada in jeopardy under NAFTA.

Ralph Pentland, now retired, is considered Canada's leading senior bureaucratic authority on water issues. He is very clear that water is in NAFTA, as are all the legal opinions that you will find from everybody on all sides of the border—and when I say "border" I mean the political border. We even met with lawyers from the Canadian government when the Liberals were in power, and they all said the same thing: water is in NAFTA. You don't see the word. You have to go to the old General Agreement on Tariffs and Trade to get the definition of a good, and there it is. It is in there as an investment.

Let me just end by mentioning the water that is being destroyed in the tar sands right now. We know that for every unit of oil that is extracted from the tar sands, between three and five units of water are actually lost to the hydrologic cycle. If any government—the Alberta government or the federal government in Canada—were to try to regulate this and say to the American corporations there, "This is terrible, you're destroying our water", they could sue currently,

under NAFTA, for reparations. They could say, "Now you owe us compensation, because you've changed the rules." That's under chapter 11, investor state rights.

So NAFTA already applies to any water being used by American corporations in Canada. So it's already a problem, and it is past time for us to deal with this problem.

The Chair: Thank you.

Merci, monsieur André.

For about a minute and a half, Mr. Cannan.

Mr. Ron Cannan: I was going to share my time with Mr. Merrifield, but it's not much time. I thought we still had 15 minutes.

• (1245)

The Chair: No, we are going to committee business in about a minute.

Mr. Ron Cannan: I would like to thank the witnesses, and I wanted to clarify a couple of comments that were made. And as I mentioned, I appreciate the e-manifest.

What we heard today are concerns that have been tabled from Ms. Barlow and Mr. Julian. I just have to get on the record the fact that he's a master of manipulating the facts. The report that he referred to contains a lot of good news, which he inevitably underplays.

The Canadian economy doubled in size in the past 25 years. Average real family earnings increased from \$60,000 to \$70,000 from the late 1970s to the early 2000s. The poor are demonstrably not getting poorer. Indeed, according to the report's own statistics, the poorest 10% of families with children are 8% better off in real terms than they were 25 years ago.

The other factual information I'd like to get on the record is about his comment about the democratic process and the Mexican government. I think his comments are outrageous and totally out of line, and I think he should apologize.

Thank you.

The Chair: Thank you, Mr. Cannan.

Thank you all for coming today. I very much appreciate your comments and your answers to the questions. So thank you.

We will go now to about a two-minute break, and we'll come back to committee business.

[*Proceedings continue in camera*]

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