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Chair

Mr. Lee Richardson

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• (0910)

[English]

The Chair (Mr. Lee Richardson (Calgary Centre, CPC)): We shall begin. This is the eighth meeting of this session of the Standing Committee on International Trade.

Today we're going to begin a discussion of Canada-U.S. trade relations in anticipation of a possible visit to Washington in a month or a few weeks. In any event, I'd like to begin today with a briefing from the department.

Representing the department today is Don Stephenson, the assistant deputy minister, trade policy and negotiations. He has with him Deborah Lyons, who is the director general, North America commercial affairs; Martin Moen, who is the director of North America trade policy; and Callie Stewart, deputy director of technical barriers and regulations.

We have about an hour for this briefing, so I'm going to ask Mr. Stephenson to begin with a brief opening statement, and then we'll go to questions for about an hour. Mr. Stephenson has to leave to join the premiers, or the provincial trade representatives, I think, at 10, but his colleagues will remain if you want to carry on questions a little longer. We'll at least try to get through a first round of questions.

So to begin, I'm going to ask Mr. Stephenson to give opening remarks on Canada-U.S. trade relations.

Mr. Don Stephenson (Assistant Deputy Minister, Trade Policy and Negotiations, Department of Foreign Affairs and International Trade): Thank you, Mr. Chairman.

[Translation]

If I may, I will be making my comments in my first language. International trade is my second language as it is. However, I will attempt to answer questions in the official language of your choice.

[English]

Thank you, Mr. Chairman.

Good morning, ladies and gentlemen.

It's an honour to be here to talk to you about Canada's key commercial interests with our largest and most important trading partner, the United States.

With me this morning are colleagues who will be able to answer you in matters of specific detail on various files. Martin, in particular, might answer your questions on matters related to

NAFTA and to the "buy America" program; Callie, with respect to issues related to COOL.

I apologize for the absence of Suzanne McKellips, who was also scheduled to appear. Suzanne is the director general responsible for import and export permits, but also for the operation of the Softwood Lumber Agreement. She has trusted me with that file because she is in consultations today with both the provinces and industry with respect to responding to the loss by Canada in an arbitration case under the softwood lumber agreement last week. Canada's response to that decision is an urgent matter.

More general matters related to the Canada-U.S. relationship are handled by Deborah.

I welcome the opportunity to discuss the importance of this relationship with the United States and how it contributes to Canada's prosperity. The visit of U.S. President Barack Obama to Ottawa on February 19 underscored the importance of this relationship. It provided an opportunity for our leaders to explore ways in which Canada and the United States could work together more closely to advance our shared bilateral and international objectives.

During the visit, the President and the Prime Minister discussed each country's efforts to strengthen our economies and our respective economic recovery packages, and identified how we can work together to restore confidence in international markets. The leaders also discussed North American security, including the management of the Canada-U.S. border, environmental protection, and the development of clean energy technologies.

The visit was also an important occasion to set a positive and forward-looking tone for our relations with the new U.S. administration. As both the Prime Minister and the Minister of Foreign Affairs have indicated, we're seeking to renew our bilateral relationship with our most important partner.

The continued good health of this relationship is vital to Canadian prosperity. I can assure you that we've been working towards engaging both the new U.S. administration and Congress for some time now. Through our embassy in Washington and at our 22 missions in the United States, we've been very active in advocating Canada's interests and engaging the incoming key players, both in Washington and at the state government level. We do this in close cooperation with other federal government departments in order to ensure a whole-of-government approach to Canada-U.S. engagement.

In the United States, our missions have been working to reinforce, through key American opinion leaders, that Canada is a key economic and security partner and their largest energy supplier. Both countries will benefit from working together to strengthen our integrated economies during these difficult times. Collaboration to protect our shared environment is in our mutual interest.

The deep and diverse relationship we share provides many opportunities for collaboration. We share political, economic, environmental, and social ties, and many values and interests. Our two countries share the largest bilateral trading relationship between any two countries in the world. NAFTA has helped develop this great trading relationship even further.

Trilateral merchandise trade among the NAFTA partners has more than tripled since the agreement entered into effect, reaching \$943.3 billion U.S. in 2008. NAFTA also enhances Canada's attractiveness as a location for foreign direct investment. It helps to ensure that regional and global value chains continue to run through Canada, with our businesses and our workers contributing the enormous value of their skills, ingenuity, and energy. We are working with the United States and Mexico to further facilitate trade within the framework of NAFTA.

Another example of our close relationship is the Canada-U.S. softwood lumber agreement. The softwood lumber agreement has benefited Canadian industry since it came into force in 2006. It stopped years of punishing duties against Canadian companies and returned \$4.5 billion of these duties to the companies that paid them.

Considering that 85% of our softwood lumber exports go to the United States, the stable and secure access to the American market provided by the softwood lumber agreement is critical for the well-being of this industry, now more than ever. As a result, both industry and the provinces express continued support for the access to the U.S. market provided by the softwood lumber agreement.

However, the U.S. industry, led by the U.S. Coalition for Fair Lumber Imports, continues to lobby Congress, and now the new administration, to press for an aggressive line with Canada on softwood lumber agreement enforcement. It is currently unclear how the new administration will respond.

In addition, a number of U.S. senators and governors have recently contacted President Obama, accusing Canada of violating the agreement. These accusations were not raised by President Obama during his meeting with the Prime Minister, and Canada is using formal and informal mechanisms to respond to these unfounded allegations.

In light of the current difficult economic circumstances, Canadian producers strongly support the secure market access provided by the softwood lumber agreement. They believe they would fare much worse under a new round of U.S. trade remedy measures if the agreement were terminated. The provinces also continue to express support for the softwood lumber agreement, which provides longer-term benefits, such as protecting their ability to manage their forest resources.

It is for these reasons, although Canada was disappointed with the recent decision in the adjustment factor arbitration, that officials, in coordination with the provinces and industry associations, are

looking at means to implement the decision within the required timeframe. The softwood lumber agreement that maintains secure and stable access to the American market, a market that is critical to the survival and success of the Canadian industry, is important to us. Maintaining the agreement and that market access remains a top priority and must continue to be proactively pursued.

Returning to the broader context, our first and most important challenge will certainly be to address the global economic downturn and to take action to promote the recovery of our economies. Given the paramount importance of the Canada-U.S. trading relationship and the highly integrated nature of the North American economy, Canada and the United States must continue to work together to promote recovery and the strengthening of our economies.

President Obama has signed the American Recovery and Reinvestment Act of 2009, which seeks to provide a significant stimulus to the U.S. economy, now going through a major downturn. The cost of the act is estimated at \$787 billion U.S. and includes extensive tax cuts, assistance to state and local authorities for education investment, new health care investments, unemployment benefits, and infrastructure and energy investments.

Of concern to Canada are the provisions in the act relating to the "buy American" requirements. These affect iron and steel and manufactured goods for public works and public buildings. Canada succeeded in having a commitment inserted into the act that the U.S. would only apply "buy American" provisions in a manner consistent with its international obligations. In addition, we are continuing to push for the U.S. to recognize the integrated nature of our two economies and to minimize the impact on trade when implementing these provisions.

The economic outlook is challenging for the United States in the short and medium terms, with some forecasters suggesting that the U.S. GDP will contract by 4% in the first quarter of 2009. More than 650,000 jobs were lost in February.

We have seen the fallout in Canada already, as Canadian manufacturing, heavily dependent on U.S. business, reported an 8% drop in December sales compared to the previous month.

We will continue to support Canadian businesses seeking assistance to deepen and secure current relationships or find new opportunities in the U.S. market. To do this, we have established a series of business development and advocacy networks on areas as diverse as energy, the economy, and defence cooperation, thus reaching out to a whole new range of stakeholders and business clients.

• (0915)

In order to protect and expand our commerce, there is no question that the Canada-U.S. border remains a policy priority for Canada and is also a key area for cooperation with the new administration. We have a long-standing security partnership that protects North America against terrorism. Our border, intelligence, and immigration agencies, with our police forces, have been cooperating for decades.

This cooperation must continue. It includes ensuring that the border remains open to legitimate tourism and trade, and closed to threats. Our highly integrated and interdependent economies, our collective competitiveness, and our economic recovery depend on smart and efficient border management at a time when our industries need all the help they can get.

In conclusion, Canada and the United States have a long and successful history of cooperation on global issues. We share the same values—freedom, democracy, human rights, and the rule of law. We welcome the new administration's enthusiasm for global engagement and its desire to rekindle U.S. leadership in the world. We are confident that our unparalleled partnership will remain strong and forward-looking as we work together to enhance North American competitiveness and for the security and well-being of our people. We must not lose sight of the value of our relationship, of the solid basis we've formed over the years that will see us through the challenges that we face today. We will continue to work on ways to make more out of the Canada-U.S. partnership for all Canadians.

Thank you very much.

• (0920)

The Chair: Thank you, Mr. Stephenson.

We will go to questions now, as is our practice. We will begin with a seven-minute round. That is, each representative of the various parties will ask and have questions answered within seven minutes. The questions can be directed to any of our witnesses today.

We'll begin with Mr. Brison.

Hon. Scott Brison (Kings—Hants, Lib.): Thank you, Mr. Chair.

Thank you very much for briefing us this morning.

I just got back from a week in D.C. I was there for Canada-U.S. parliamentary association meetings. We participated in the National Governors Association meeting, and then had Congressional meetings. We had individual meetings with 27 governors, and we met with 46 senators and congressmen.

The issue that concerns me most, after those discussions, is the Western Hemisphere Travel Initiative, which comes into effect in June. It appears, based on our discussions with Congress, that it's on track to be implemented. If that does occur, and if a passport is required to cross the northern border, that will represent a significant thickening of that border, given the fact that only 25% of Americans have passports.

It particularly will have an effect on the efficient movement of people and commerce between our countries, across Canada and the U.S., but it's particularly ominous in terms of the 2010 Olympics. Governor Gregoire in Washington is working with Premier Campbell in British Columbia on the enhanced driver's licence initiative,

but it won't be implemented to the scale required to reduce the clogging of the border that will occur as part of those Olympics.

I'd like to know what we're doing on that as a country to achieve a delay—not necessarily forever, but simply to give us enough time to replicate and to expand the successful EDL initiative that is now being duplicated.... I believe Ontario's working on this. I spoke with Colleen Manahan from the DHS, and she's promoting it within DHS across the U.S. I assume that our Department of Public Safety is doing the same.

We need that delay. That issue is crucial to us across the country. What is being done on that, and what is your view on the possibility of achieving a delay of WHTI?

• (0925)

Mrs. Deborah Lyons (Director General, North America Commercial Affairs, Department of Foreign Affairs and International Trade): Thank you very much for that question. This is an issue we have been working on very closely with our counterparts in the U.S. As I'm sure you know, there has already been one delay in the implementation of the passport requirement, for land. It's in place now for air and seems to be working, after a period of adjustment.

With regard to the June deadline, what we're being told is that the U.S. feels that the numbers of people requesting and getting passports is increasing greatly. Here in Canada, we've dealt very well with the backlog of passport demands that we had and are in very good shape ourselves in moving forward for the June deadline.

At this stage of the game, we're watching it very closely with the U.S. Public Safety and our passport office are working closely with their counterparts. We do not anticipate, at this stage, a delay. If there is a delay, it will be because the U.S. feels that the number of passports, for the people who require passports, has not increased adequately. Our understanding is that the June deadline is going to hold, and the feeling on both sides of the border is that people are getting their passports in sufficient numbers to deal with what we anticipate will be a relatively smooth implementation.

As we get closer to the deadline, there may be an adjustment period. We're talking to the U.S. about that right now. Certainly we will push for a delay if we feel it's needed. We were successful in obtaining the first delay, with the U.S. determining to delay until June from January. But at this stage, I think the feeling is that both sides of the border are attempting to adjust to the June 1 deadline. Perhaps we should have the experts in this area meet with you to report from the perspective of our passport office.

But at this stage, our discussions with the State Department and Homeland Security indicate that the deadline will hold and that the uptake of passports is adequate to deal with the smooth flow back and forth across the border.

Hon. Scott Brison: I think this is where the communication between legislators is beneficial. Your communication is with the administration, and largely with Homeland Security, who have a vested interest purely focused on the security side and are not as concerned about thickening at the border. But I can tell you, legislator to legislator.... Congressman Larsen from Washington has written a letter to Secretary Napolitano expressing concerns about this, and there are other congressmen who are doing the same.

My view, having been down there for some time—we had some very sound meetings discussing these issues—is that this is going to create a huge problem for us. I would urge you not to feel at all complacent. I cannot overemphasize what I'm hearing from our counterpart legislators in terms of their concern. They believe, as you suggested, it's difficult to get a second delay, but they believe it's imperative at this point.

Our representation to the administration is that this is not seeking a delay forever; this is seeking a delay until there could be concrete steps. Enhanced drivers' licences, in fact, through biometrics, can provide greater security intelligence than the passport. Louise Slaughter has suggested the idea of day passes, which could help get us through the challenge of the Olympics.

The other challenge we have is the emergence of the trilateral view in the U.S.: that the northern border is the same as the southern border. With Secretary Ridge, we had a Pennsylvania governor whose sensitivity to and understanding of the northern border was greater. Now we have Secretary Napolitano, a former Arizona governor. Her sense of border is the Mexican border. Her view of the world is shaped around the issues surrounding the Mexican border.

There is a completely different set of security issues around the northern and southern borders of the U.S. Mexico is not a failed state, but it is facing huge challenges around governance and the drug wars and the rest of it. I think we need to do everything we can to ensure that Americans recognize that the northern border has a completely different set of associated risks from the southern border. This has to be part of our message.

The other issue is country of origin labelling. We met with Congressman Peterson, chairman of the agricultural committee—

• (0930)

The Chair: We have to go to the next round for that.

Hon. Scott Brison: —regarding COOL. What are we doing on that? It's also going to have a significant deleterious effect on Canadian agriculture particularly.

Mrs. Deborah Lyons: I'll finish quickly on the passport issue.

I don't want to leave you with the sense that we're being complacent at all. We're working very closely with our counterparts in the U.S. We certainly went through this when it was implemented for the air, and we're doing the same thing with regard to the land and the marine. We're working very closely with the provinces on the EDL implementation. As well, I'm sure you are aware that in addition to the passport, a pass card is also being seen as an option for the border crossing.

With regard to 2010, again, it's an area in which we're working very closely with the U.S. to make sure that there is smooth movement back and forth.

With regard to your comment on the northern border, we'll perhaps have a chance to talk about this later, after Mr. Stephenson leaves; his time is limited this morning. But with regard to Ms. Napolitano, she is, as I'm sure you're aware, very sensitive to the fact. She understands the southern border well, but the northern border not so well. She has made several attempts to try to understand better what's happening along the northern border.

That said, we can perhaps talk about that a little later on, after Mr. Stephenson has dealt with other questions.

Thank you.

Mr. Don Stephenson: I'll make an opening remark and let Callie debrief on what we're continuing to do to make representations on the issue of COOL.

As you know, Canada was very concerned that this was already beginning to have, even as an interim rule, a negative effect on Canadian producers. We entered into consultations under the WTO process with the United States, with the administration, and we were successful in getting additional flexibilities introduced in the final rule through that process.

Before the final rule came into effect, the new administration froze all regulatory matters where they were so they would have an opportunity to review them. Through that process, the Secretary of Agriculture has taken a rather novel approach, which is to introduce the rule as amended, with the additional flexibilities that had been discussed with Canada and other countries. At the same time, he wrote to members of the industry and suggested to them that on a voluntary basis they might wish to go further than the rule required.

It's our view that a request to implement measures on a voluntary basis, which is backed, by the way, by the threat of possible additional measures in the future, amounts essentially to a measure in the context of the WTO process. We are very concerned that this will have a negative effect on our industry. We have consulted, even in the last week, with Canadian producers. We are monitoring the application and the effect of the application of the rule and the voluntary measure very closely. We'll have to consider whether or not Canada should take additional steps under either the NAFTA or the WTO if indeed this has a negative effect that is measurable on our producers. We watch it very closely and remain extremely concerned.

Callie, do you want to add to that?

Ms. Callie Stewart (Deputy Director, Technical Barriers and Regulations, Department of Foreign Affairs and International Trade): No, I think that very well covers what we've been up to.

As you mentioned, we were in Calgary and Winnipeg last week speaking with producers and members of the provincial governments to try to ensure that we all understand how best to monitor the effects and how to gauge what the most appropriate steps are. We will continue to be closely in touch with the U.S. administration. The fact that there is no current USTR is a bit of a problem, one could say, as there is no political voice on that side to engage with Secretary Vilsack. However, we continue to work with members of the Office of the United States Trade Representative, and we'll continue to do so.

● (0935)

The Chair: Thank you.

Monsieur Cardin.

[*Translation*]

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

Good morning and welcome, ladies and gentlemen.

There are many subjects we could discuss regarding the United States. The first one that comes to mind is the Security and Prosperity Partnership, which we have heard a great deal about. Civil society and organizations responsible for protection have often said that we heard very little about negotiations between senior officials, in which no parliamentarians are involved.

To what extent is the North American Security and Prosperity Partnership still active?

[*English*]

Mrs. Deborah Lyons: As you may know, the security and prosperity partnership has two ministers within the Canadian government: the Minister of Public Safety, on the security side; and the Minister of Industry, on the prosperity side. Although we're involved in supporting the meetings that take place, our department is really not the lead on the SPP. I think it would be more appropriate to have that question addressed to either Industry or Public Safety.

I will comment that the SPP has been a meeting of elected officials on both sides of the border, and of course Mexico, and it has the participation of the business community as well.

That said, I really think at this stage it's more appropriate for you to address the question to Industry or Public Safety. I'm not trying to dodge the question; our department is not responsible for the SPP.

[*Translation*]

Mr. Serge Cardin: If I understand correctly, the department and senior officials are not involved in this partnership.

[*English*]

Mrs. Deborah Lyons: We certainly support the meetings in the sense that, as the Department of Foreign Affairs and International Trade, we work very closely with both the Mexican and the U.S. governments, and we maintain that bilateral relationship. But this particular structure that has been put in place is led by the two departments I just mentioned.

[*Translation*]

Mr. Serge Cardin: I referred to the North American Security and Prosperity Partnership. It was a well-known fact that many issues regarding comparable regulations in the two countries were being negotiated. People often feared that there could be a general lowering of regulatory standards as a result. For example, we know that under chapter 11, Dow AgroSciences is suing Quebec with respect to a specific product, 2,4D, which is a powerful herbicide. Quebec has banned this herbicide under its regulations.

The issue here is our relationship with the United States, NAFTA, chapter 11, and so on. In the past, Mr. Obama said that he wanted to re-negotiate NAFTA. What is the department's position regarding the legal action taken under chapter 11 of NAFTA, something that is also happening to a greater or lesser extent with the other agreements we have signed with the United States? Does the department think it can reach an agreement with the United States to put a stop to all these legal actions taken under chapter 11?

● (0940)

Mr. Don Stephenson: I would like to start by saying that there are discussions underway between Canada and the United States—and Martin could discuss this further—regarding regulatory harmonization. At the moment, these discussions are focused mainly on the standing working groups under NAFTA. This is not an area of intense activity. At the moment, we are looking at industries where regulatory harmonization could be helpful. So far, there has not been a great deal of progress on these matters. However, I do not think there is a trend to make regulations less stringent, as you were mentioning. Some people fear that this might happen in the discussions about regulatory harmonization. However, there have been no indications of this sort. The fact remains that people in industry on both sides of the border are interested in reducing their costs by having similar or identical regulations. That is the context of our work.

As regards chapter 11, no decision has been made with respect to the case you mentioned. It has not yet been proven that the complaint under chapter 11 had an influence on either provincial or federal regulations. At the moment, there are no discussions regarding a possible change to chapter 11 of NAFTA.

I could ask Martin to comment quickly on the discussions regarding regulatory harmonization under NAFTA.

[*English*]

Mr. Martin Moen (Director, North America Commercial Affairs, Department of Foreign Affairs and International Trade): Perhaps I could supplement that somewhat. There are two areas where we're engaged in regulatory cooperation discussions with the United States. One is in the context of the SPP through the regulatory cooperation framework. The other is in the context of the NAFTA work plan, where we're working on sectors and looking at areas where there are ways to either share data or harmonize regulations. Right now the sector we're most active in is swine, but other sectors are being considered and there's work potential there.

The principle here is certainly not to lower regulations. Rather, where there are differences that are not making a substantial difference to the intent of the regulations...to look at those and to see if they can be modified, or whether we can recognize each other's regulations.

It's that sort of work that's under way in these two contexts.

The Chair: Thank you.

Monsieur Cardin.

[*Translation*]

Mr. Serge Cardin: Mr. Stephenson, you said that Canada had managed to ensure compliance with international agreements in the Buy American clause. The fact is that under NAFTA, the parties cannot file a complaint regarding government procurement. What can we do if American states and municipalities comply with the Buy American clause in purchasing material for infrastructure?

• (0945)

Mr. Don Stephenson: I said that Canada had managed to ensure compliance with commitments regarding international trade, and that is somewhat true. However, it should be pointed out that the whole world had called for these changes and assurances. Canada's commitments under NAFTA, the WTO, or particularly the Government Procurement Agreement under the WTO, are less complete than they are in the case of other countries. The fact is that the provinces, and in the U.S., the states, did not make any commitments. We did not get that from the United States. This was the decision made by the provinces of Canada at the time, because they were trying to get some concessions from the U.S. concerning the Small Business Set-Aside Program. The United States actually had an exclusion for its assistance program for small and medium-size businesses. The provinces were also complaining about the Buy American programs that were already in place at the time. Since the Americans were not making any concessions about these procurement programs, the Canadian provinces were not prepared to make any commitments. It is true that other countries that signed the procurement agreement have greater protection than Canada does. This is particularly true at the domestic level.

Mr. Serge Cardin: Thank you.

[*English*]

The Chair: Mr. Julian.

Mr. Peter Julian (Burnaby—New Westminster, NDP): Thank you, Mr. Chair.

Thanks for coming before us today.

Mr. Cardin asked about the SPP, and I know you referenced the Minister of Industry and the Minister of Public Safety. But can you confirm that the working group meetings continue to be supported by DFAIT, and that for the moment there has been no slowing down or reversal of the SPP process?

Second, what is the total budget for product promotion and publicity in the United States? I'm not talking about the trade commissioner offices or the missions; I'm talking about direct support for Canadian products in the U.S.

Mrs. Deborah Lyons: I believe I can confirm that there has been no reversal of the SPP process; at least I'm not aware of any. We do support working group meetings that take place. They're led by Public Safety, and Industry Canada, although we participate in the regulatory framework discussions, as Martin was mentioning. But our role is very much to facilitate those meetings, and so forth.

Our understanding is that there will be another meeting of the SPP, probably in the summer or fall of 2009, with Mexico as host....

Do you know if it's Mexico or the U.S.? It's Mexico; okay.

I was getting that mixed up with the NAFTA commission, which I think is going to be hosted by the U.S. this year.

On the promotion of our trade in the U.S. and the budget for that, we have two funds that we use. One is the departmental fund, which is used for all of our missions around the world. That's the client service fund. That fund is about \$500,000 a year. Our missions use that in promoting Canadian business—

• (0950)

Mr. Peter Julian: Around the world?

Mrs. Deborah Lyons: Around the world, the fund is larger. In the U.S. it's around—

Mr. Peter Julian: Half a million dollars.

Mrs. Deborah Lyons: It's around half a million. But it gets a little better; I'm sure that sounds small.

Mr. Peter Julian: It does.

Mrs. Deborah Lyons: We have around \$500,000 that we focus on basic business development. We have another \$100,000 that is used to assist new Canadian exporters along the U.S. border. We call that the export U.S.A. program. And because of the huge focus on technology in our relationship with the U.S., we have an additional \$400,000 that is focused on technology development, technology partnership. It is a total, from the client service fund, of about \$800,000 or \$900,000 focused on the U.S. missions only.

In addition, because the U.S. is so critical to Canada's prosperity, so critical to our companies—that's where the majority of our companies do business, obviously—we have a very strong partnership with other government departments. Other government departments play very large in the U.S., and particularly our regional development agencies, which work very closely with Canadian clients across the country, as well as National Research Council, which is very concerned about technology development, technology partnering; and, of course, Agriculture and Agri-Food Canada.

Several years ago we formed a partnership with these other government departments. That is now referred to as the North America platform program. You may have heard of it as the enhanced representation initiative, where all these departments came together with DFAIT to enhance our representation in the U.S.

From that fund we have about \$1.5 million, with which we focus on both business development and what we call commercial advocacy, some of the things we've just been talking about with regard to promoting Canada's position on things like COOL, on APHIS—

Mr. Peter Julian: I'm sorry to cut you short, but I have other questions.

So the total would be \$3.4 million?

Mrs. Deborah Lyons: The total would be \$3.4 million.

Mr. Peter Julian: Okay. That contrasts with Australia, which puts about \$0.5 billion into product promotion. The European Community, just in its wine exports alone, puts in \$125 million.

So if, in the largest trading relationship in the world, we're only investing \$3.4 million—

Mrs. Deborah Lyons: For business development.

Mr. Peter Julian: No, I'm talking about direct product promotion.

• (0955)

Mrs. Deborah Lyons: Then you're quite right; it is for product promotion.

Mr. Peter Julian: I appreciate that, because I've asked other departmental officials to come forward to give us figures. It has been very difficult to get them. It is helpful to have this, because it shows that more investment is needed, definitely.

Mrs. Deborah Lyons: I'm aware that you've asked for Europe numbers, and we have them for you.

Mr. Peter Julian: Great. Thank you.

Now I'd like to move on to two other questions, and then I'll turn the floor over to you.

First, we've had a major shift in trade policy with the U.S. Essentially, I don't think I can underscore enough that Obama campaigned on a fair trade agenda. That was in clear contrast to McCain, who was campaigning on Bush-style free trade. I'm wondering how the department is adjusting to what is very clearly a fair trade agenda before the U.S. Congress—a lot of fair traders were elected to the U.S. Congress as well—and to the administration pushing for stronger social, environmental, and labour standards, pushing for Chapter 11 provisions that Mr. Cardin referenced as well. How is the department adjusting to that new reality, which is no

longer the old-style free trade but rather a much more balanced fair trade approach?

My last question is around softwood lumber. I'll have to disagree with the comments Mr. Stephenson made in his opening remarks. Outside of the Ottawa bubble, the softwood lumber agreement, the softwood sellout, is very controversial. In fact, in B.C. it's quite likely that the B.C. government's support for the softwood lumber sellout will contribute to their being defeated on May 12.

Given how large the anti-circumvention clause is, given the fact that essentially it means every time we go forward on any type of arbitration, we've lost, I'm wondering what the upcoming cases are—we've just had a \$68-million fine toward Ontario and Quebec—and what the risks are if we lose in that arbitration. What are the costs to Canada likely to be? I'm talking about Ontario and Quebec. I'm also talking about B.C. and Alberta.

Thank you, Mr. Chair.

Mr. Don Stephenson: Let me try them in reverse order.

With respect to the softwood lumber agreement, when I took this job on the first of September—I tried to get through a whole career without dealing with softwood lumber, but I didn't quite make it—the first thing I needed to do was go meet the lumber industry. So I went to British Columbia and then to Quebec to meet with the principal producers on the one hand, but also their industry associations. I have since met with all of the provinces and all of the provincial associations representing the industry.

They told me unanimously that my first priority should be to protect and preserve the agreement. The reason they told me that was because in the current economic climate, the agreement gives them a little bit of stability and predictability in the marketplace.

I can only report to you what I heard from those representatives of the industry.

Mr. Peter Julian: Yes. Well, we'll have to disagree on that.

Mr. Don Stephenson: You can't disagree on what I heard.

Mr. Peter Julian: No, no, I have to disagree—because certainly I meet with producers, and I've seen the plants that are shut down in B. C.

But my specific question was on the upcoming cases. If they go against Canada, and likely they will, what are the costs going to be?

Mr. Don Stephenson: The only other arbitration under way is with respect to Ontario and Quebec provincial support programs for the industry. The claims made on both sides are so wildly different. On the one side, Quebec and Ontario have submitted that the value of these programs can be measured in single-digit millions of dollars, whereas on the American side, they have a range of the effects between \$400 million and \$1 billion. So it's very difficult to say, with any confidence whatsoever, what a panel might determine in that circumstance.

The other question was with respect to the anti-concentration clause, I think you said...?

Mr. Peter Julian: No, it was more a comment—that it's because of the way the anti-circumvention clause is worded that we keep losing, and that this was why it was a bad idea to sign the agreement. But it was more of a comment, it wasn't a question.

The other question was regarding the fair trade approach of Mr. Obama.

Mr. Don Stephenson: When the Prime Minister met with the President, he indicated that Canada is open to a discussion of how to strengthen the provisions in respect of environment and labour. The President, on his side, first of all didn't raise this in his discussion with the Prime Minister; it was raised only in the questions and answers, after the meeting.

The President has indicated that his interest is in strengthening those provisions, and the Prime Minister indicated his willingness to engage that discussion, but not in a manner that would put the entire agreement at risk. To date, we have no proposal from the American side about what it is beyond the general comment that they'd like to strengthen the agreement perhaps by bringing environment and labour into the body of the NAFTA. I interpret from this that what they're looking for is stronger dispute settlement provisions in respect of the obligations that are taken in environment and labour.

I would have to say that if we do engage in such discussions, those discussions would, on the Canadian side, be led by the departments responsible for environment and labour, not so much the Department of Foreign Affairs and International Trade, so there's not much to report yet in respect of that discussion.

The Chair: Thank you.

Thank you, Mr. Julian.

That concludes the amount of time we have for Mr. Julian's questions and also for Mr. Stephenson's appearance before the committee—unless you wanted to comment on the B.C. election.

Thank you for your appearance here. It is 10 o'clock, or just after. Your colleagues, I understand, are going to remain for the next round.

Again, thank you, Mr. Stephenson, for joining us.

Mr. Don Stephenson: I want to give my apologies to the committee. I am off to meet the provinces. It's our regular quarterly meeting with respect to all trade policy matters, and today's discussion will be to pursue, in particular, last week's decision with the European Union and how to move forward in a trade discussion with them. That's the principal issue for today. Yesterday the principal issue was responding to the softwood lumber arbitration case.

That's just to make the point that, with apologies, I leave you in order to work—and to work, as always, effectively with the provinces.

Thank you very much.

• (1000)

The Chair: Thank you.

We will move on to Mr. Cannan.

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

Thank you, Mr. Stephenson, and the rest of your colleagues for being here this morning.

My colleague Mr. Harris and I are members of Parliament from British Columbia, so we have an appreciation for the softwood lumber agreement. We know it does provide that stability. Since certainty for the industry is difficult in the challenging times it is facing today, we know it would be a lot more difficult and challenging if we didn't have that agreement in place. I know that our predecessor, Mr. Emerson, worked hard to secure that agreement, and we're thankful it's in place.

I just wanted to follow up on my colleague Mr. Brison's comments about security, the thickening of the border. It's a real concern. As a British Columbian, I know we're hosting the 2010 Olympics, and also from a tourism perspective—tourism being a big economic generator for our province and our country—vehicle traffic is down significantly across our borders.

In terms of the discussions we've had, from your administration to President Obama's new administration, I know there was talk about the border being open for legitimate trade. Some barriers have been thrown up for agricultural businesses, for example, on the pretext of security.

I'm wondering if there is any change of thought in the Obama administration, versus the Bush administration, on how they're going to address agriculture and the movement of goods and services across the border.

Mrs. Deborah Lyons: The border issue has been, obviously, a very important one for our department and other departments throughout the Government of Canada. We've been working very closely with DHS and other interlocutors in the U.S.

In terms of commenting on the change between the previous and the present administrations, I think it's still very much early days, but I'm sure you're aware that when President Obama was here, he made the comment about his own concern about the border, about the importance of a smart border, and of ensuring we have a border that allows security to be well addressed but not impeding trade. So I think that was very positive to hear.

Secondly, with regard to Mr. Brison's comments about the northern border and the new secretary for DHS, Janet Napolitano, what we're hearing from her—in the discussions that some of our senior people have had—is that she's very interested in understanding the northern border. She's very sensitive to the issue of trade. This, as you all know, is the former Arizona governor. She's very sensitive to Canadians. In fact, she visited here over a year ago and met with then Minister of Trade Emerson, and spoke at that time about the importance of ensuring we have a border that works well for the business community, for the free movement of people and goods.

You'll recall, I'm sure, that she has asked for a briefing on the northern border. I think when it appeared, there was some concern about that, that perhaps she was attempting to make great announcements about the northern border. She clarified very quickly that this was simply meant to be a briefing to bring her up to date. She set in place a 30-minute press conference with Canadian media to explain her situation and the fact that she was trying to better understand the northern border.

Again, I think some of these are indications that we do have an administration, as I would say we had with the previous administration, that wants to try to work with Canada, its most important partner in trade, on making sure the border works in a way that provides the protection that's necessary in terms of whatever the issues may be with regard to immigration or trafficking or what have you, but also ensures that we continue with the very strong trade relationship.

We're obviously very concerned about how we proceed with regard to the Olympics in 2010, but there again, we're working very closely with our interlocutors in the U.S.

As I said, it's early days in the administration, but I think we were very pleased with the President's comments, and Secretary Napolitano, I am sure, will be engaging with our senior people once she has completed her briefings.

• (1005)

Mr. Ron Cannan: To follow up, I know that Mr. Stephenson alluded to the February 19 visit by President Obama to Canada. With the rock star celebrity status of the President, we were all proud to be the host. And we were obviously very proud to see our Prime Minister head down south the following week to keep Canada front and centre on the radar.

I know that the Mexican and United States chambers of commerce are meeting next week in Washington to discuss the border issues there. That's why it's so important that we continue to work with our northern colleagues on the north-south border. Perrin Beatty is the CEO from the Canadian Chamber of Commerce. I listened to him speak at an event, and he's looking at other ways we can differentiate our border.

I wonder if you think Canada should revisit the idea of creating a security perimeter around the U.S. so that the pressures of the Canada-U.S. border will be alleviated.

Mrs. Deborah Lyons: That has been part of the discussions with the U.S. Again, it's just one of the options we're looking at. At this stage of the game, we're trying to work through the specific issues we have on the border. I think we've been very successful in doing that over the last couple of years.

There does seem to be an adaptation by business to the changes that have taken place along the border. Wait times are improving. Both governments are putting much more money into infrastructure at the border.

We are concerned about how things will proceed with the passport deadline in June. But again, I think we have established a very strong working relationship with the U.S. in trying to work through each of these issues as they come up.

The perimeter is certainly an option, and it is being looked at, but it has complexities to it, as you can well imagine.

Mr. Ron Cannan: Thank you.

I'll share my time with Mr. Holder.

Mr. Ed Holder (London West, CPC): I have a couple of brief questions.

Thank you to the witnesses for attending.

Ms. Lyons, I want to come back to this border issue. I know I'll be the third person speaking on this, but I'm quite concerned when I hear Mr. Brison make the comment that at the political level there are real concerns in the States—and certainly there are here—in relation to the ability for individuals to go across the border. Of course, with the June 1 deadline date for passports, I'm worried that there are two sets of messaging. At the political level we recognize there is an issue, and yet at the administrative level, it looks like June 1 is a *fait accompli*.

I'm quite concerned for Canada's sake in terms of the Americans coming over. If they can't get back, I suppose until they run out of money it's okay to keep them here a little longer. But I would say there is a genuine concern in terms of the free passage of people back and forth, notwithstanding security issues and the like. I don't know if the answer is an extension of time; I'm not certain of that. But I'm terribly concerned that we're sending different messaging from the political and the administrative levels.

I'm trying to get a feel from you about how concerned we really are. I would say, as a politician, that I'm terribly concerned, and yet I don't get that same feeling.... Can you expand on that and help me understand the messaging to the administration in the United States?

Mrs. Deborah Lyons: Certainly. On all these issues, at the political level and the administrative level—anything having to do with the U.S.—there is always a high level of concern, because our relationship, our partnership is so important. It's part of the reason we have the extensive network in the U.S., with our consulates there and our heads of mission. Our various consuls general are involved on a daily basis in going out with their teams and advocating Canada's position on these many issues.

Mr. Ed Holder: But going back to the passports, what is the issue, then?

Mrs. Deborah Lyons: On this one specifically, we've had a fair bit of experience in the last couple of years on the WHTI in terms of the air implementation. We went through an adjustment period there, which we had to deal with.

On the land implementation, we worked very hard, again with our interlocutors in the U.S., to try to get a delay in the deadline, which we were successful in achieving. They themselves saw it was going to be a problem for their own citizens. They moved it to June 1, 2009, and at this stage it looks like that deadline will hold.

I'm not saying we're not concerned. Of course we are concerned. We're watching it very closely. We, both ourselves and our Public Safety people, are working with the various entities in the U.S., the State Department and DHS—

•(1010)

Mr. Ed Holder: I understand that.

I apologize—I don't mean to interrupt you—but I'm mindful of our time.

Are we then, from an administrative standpoint, asking for an extension beyond June 1, from your perspective?

Mrs. Deborah Lyons: At this stage of the game, I think what we're monitoring very carefully is the uptake of passports. We're in close discussion with our business associations, with our business communities—you mentioned Perrin Beatty—with the Canadian Manufacturers' Association and others, to make sure we're monitoring their concerns as well.

At this stage of the game, we are not asking for an extension. We would certainly be asking for an extension if we thought it was necessary. But again, I think it's something that we watch very closely. What we're hearing from the U.S. is that they feel the passport uptake has been sufficient such that they will be able to meet the June 1 deadline.

That is not saying we will not end up with an adjustment period, and that we won't in fact push for an adjustment period, but at this stage of the game, it looks like the June 1 deadline is going to hold.

Mr. Ed Holder: Do I have a final question, Mr. Chairman? I'm mindful of the time.

The Chair: Sure.

Mr. Ed Holder: Thank you.

By the way, I recognize that some 85% of Canadians have passports, I think, but my concern is really from the American perspective back and forth.

Mrs. Deborah Lyons: Oh, absolutely. That's what we're monitoring as well.

Mr. Ed Holder: My final question, then, relates to the softwood lumber agreement.

It's rather interesting in that, if I heard correctly, it doesn't seem that the New Democratic Party wants a softwood lumber agreement, so I'm a little confused, Mr. Julian.

But here's what I'm—

Mr. Peter Julian: I'd be pleased to answer.

Mr. Ed Holder: If you were a witness, I would be pleased to ask you.

This struck me when I read Mr. Stephenson's comments. I'm disappointed that he's not here to answer this, but perhaps someone else can. I was compelled by his comments that Canadian producers strongly support the secure access to the United States, but the comment was made, in terms of the United States, that the Coalition for Fair Lumber Imports is lobbying Congress to press for an aggressive line with Canada on enforcement of the softwood lumber agreement.

Can I just ask you briefly to expand on this? I think this is an important point. I'm not sure who of the witnesses would respond to that.

Mr. Martin Moen: I can expand somewhat on that. It's not my area of speciality. Mr. Stephenson has followed it a lot more closely. For many years, the dynamic has been that the coalition will lobby Congress quite hard and also lobby at the local level through governors to try to apply pressure to the administration to do what it wants.

Right now, it's not clear exactly what that's going to mean and how this administration is going to respond. Certainly, the position we've taken with the administration is that we want to continue the agreement and we want to continue to work with them, and we are continually meeting and discussing with the administration. That's the current dynamic. Where that's going to end up in six months or so is not so clear in terms of the kinds of pressures the coalition is exerting.

I'm not suggesting that there's a risk to the agreement or anything. That's not what I'm talking about. I'm just saying that there is that pressure there, and it's not going to go away.

Mr. Ed Holder: Thank you.

The Chair: Thank you, Mr. Moen, Mr. Holder, and Mr. Cannan.

We're going to have make this a rapid round, with less than five minutes for each participant.

I understand, Mr. Cannis, that you're going to share your time with Mr. Silva.

Mr. John Cannis (Scarborough Centre, Lib.): That's less than five. I'll go fast, then, Mr. Chairman.

The Chair: There you go.

Mr. John Cannis: Thank you.

I want to pick up on what Mr. Holder was saying in terms of the softwood lumber.

If I may repeat your words, they were “apply pressure...to do what it wants”, Mr. Moen. I think that's what you just said a minute ago .

We're working very hard on this side to make sure that we comply with, for example, the rules, etc. It wasn't easy to leave a billion Canadian dollars behind last time. It wasn't easy. It was a difficult situation. I remember chairing the committee prior to our chairman here. It was very difficult.

There's a question my constituents are always asking me. I don't have a constituency that has the lumber industry, but I have a constituency that cares overall about what happens, either in the western part of Canada or in the eastern part of Canada, and in Ontario as well, wherever the lumber industry is. Here we have a rules-based agreement. We have an agreement, yet again, with this new administration—it's just a comment—we're having a lot of pressure applied, as Mr. Holder just alluded to. It seems to me that this administration is about to be influenced. I hope that on our side we can stand firm with what we've agreed upon and move on. That's just a comment.

I'm concerned. I want you to help me respond to my constituents. In Mr. Stephenson's comments, he said that "Canada and the United States must continue to work together to promote the recovery and the strengthening of our economies". Who's kidding whom? And I don't blame them: they're out there and they have a mess. There's 8% less, I think it is, from last month, as was discussed in terms of business reporting an 8% drop in December sales. That's a lot.

We know, at least in my constituency, that the Americans are going to look after their home first, as we're trying to look after our home, but if you can explain this to me, there are circumstances, whether it's in auto or other industries, that need to be addressed first on their side before we can start addressing them on our side. Is that the case, do you think? I named the auto industry. Are there other industries that you can talk to us about?

• (1015)

Mrs. Deborah Lyons: I'm sorry, what was...?

Mr. John Cannis: The question is very simple. We're trying to move forward, for example in the auto industry, to try to turn this around. But there are integrated industries. Automotive is one. There are others, but I'll leave that to you.

Can you help me respond to my constituents on how we are going to work together when we get the impression here in Canada—at least my constituents do—that they are going to look after their own hide first, and justifiably so?

So how can we move forward, and what industries can we move forward on, that are not dependent on what happens with the American decisions first? It seems like they have to decide, they have to make a move, they have to make those investments before we can move, with automotive being an example.

Mrs. Deborah Lyons: The comment I'd make is that you are partners and neighbours in good times and in hard times. These are hard times for everybody. At the same time, because we've been partners and neighbours, we do have a very integrated economy, there's no question. We have integrated sectors and automotive is one of those. They're attempting to address their issues with the auto industry. They're meeting with them regularly, as you know, looking at various types of packages, but they're doing that in concert with us.

Again, I can't speak to that because that's really the purview of Industry Canada and the Minister of Industry. Clearly there have been many meetings with the minister to discuss what the U.S. is looking at and how Canada would respond.

I think it is very much an integrated dialogue for an integrated solution for an integrated sector that is in trouble and requires the attention of both governments. We're seeing the Canadian and the U.S. governments working together on trying to solve that. There are a number of other sectors where, because of how our economy has become enmeshed in the last several years, particularly as the result of NAFTA, a solution for the U.S. is a solution for Canada, and vice versa.

In these economic hard times, there is a sense of everybody having to look after their own. Clearly what we have in a number of the sectors is a business community that works together. Many of our advocacy issues, when we take them forward to the state-level and

the federal-level governments, are led by the fact that we don't just export to one another, we don't just do business together; we make things together. We build things together. We invent together. I'm trying to put a bit of a positive spin on what I know is a difficult situation, and your question reflects that.

In the area of environmental recovery and clean technologies, Canada and the U.S. are looking, with this stimulus package that they have in place and this economic crisis, at how we can be working together to address energy security and to address the environmental issues that are being presented. We're looking at the clean technologies that both countries have through the businesses that are now offering these products and these services. Further to that, we're doing research together on a number of these areas to look at how we can address these issues.

The same thing is true in life sciences and biotech, where we're looking at a number of opportunities for both sides of the border. It is truly a situation where we are part of one another's solutions. I think what we're seeing with this administration, as we did again with the last and with our government, is a real attempt to try to address these solutions together, in the same way that our business community is attempting to do.

• (1020)

Mr. John Cannis: I shall tell my constituents that we are fully and proactively engaged with this concern.

Thank you, Mr. Chairman.

Mrs. Deborah Lyons: If I may, I would really encourage you, particularly with regard to your business community and your constituency, to tell them to get in touch with our missions in the U.S. We're working very hard, particularly at this time, to look at where the opportunities lie in this stimulus package, and to particularly look at where these new sectors are coming on board.

The Chair: Mr. Silva.

Mr. Mario Silva (Davenport, Lib.): I'll be very brief with my statement and question.

To the witnesses, just remember, it's five minutes between you and me.

Mrs. Deborah Lyons: Oh, yes. I'm sorry. It's my Irish background, I apologize.

Mr. Mario Silva: Okay.

Mrs. Deborah Lyons: I was going to say it's my Maritime background.

Mr. Mario Silva: Given the fact that we're by now in a terrible economic situation in Canada and the U.S., and of course around the world; given the fact that we're each other's largest trading partners; given the fact that we know that the Western Hemisphere Travel Initiative obviously will create some uncertainty and complicate matters even further economically; and given the fact that, as of June 1 of this year, the initiative comes into place, has the government stated publicly—and also got it to U.S. officials—and asked for an extension beyond the June 1, 2009, date?

Mrs. Deborah Lyons: I very much appreciate your comments this morning on WHTI. Frankly, as I'm sure is obvious by now, I am not a WHTI expert. But what I'm hearing from you loud and clear is a great concern about the June 1 deadline.

I will take it upon myself, Mr. Chair, to go back to the responsible office and confirm what our position is on this. Really, I'm reflecting what I'm aware of from my work with the business community. I do not want to misspeak on a subject that is clearly is so important and that obviously has the concern of this committee.

Mr. Mario Silva: It would be important for us, Mr. Chair, as a committee to know what the government's position is on this issue as soon as possible.

Mrs. Deborah Lyons: Yes.

Mr. Mario Silva: You'll take it upon yourself to find that information.

Mrs. Deborah Lyons: I will speak to other people in our department who work more closely on this subject and get back to you.

When I did discuss this with them yesterday, my understanding was that they were hearing from their U.S. counterparts that the June 1 deadline was firm; that the U.S. felt comfortable that they were going to meet it; and that we were monitoring it very closely with our business community here and our colleagues in the U.S.

But please allow me to respond back to the chair on that.

The Chair: Great. Thank you.

Mr. Harris.

Mr. Richard Harris (Cariboo—Prince George, CPC): Thank you, Mr. Chair.

I guess, coming from B.C., I have to go back to the softwood lumber issue, lest there be some confusion about the value of that agreement. For a number of years, when the old agreement ran out, we spent several hundreds of millions of dollars, I believe, in lawyer fees and in negotiations. We arrived at this agreement, which guaranteed producers secure access, via the quota system, to the U.S.

I think it's fair to say that even if that quota system were doubled and that Canadian producer could ship twice as much, these days, because there's no market down there, they probably wouldn't be shipping twice as much. As a matter of fact, they're even having trouble shipping what they're allowed right now, because the more they ship, the more money they lose. That's the way the market is right now.

My colleague from B.C. has mentioned that this would be probably in the best interest of softwood producers if we didn't have

that SLA right now. It's causing us a lot of grief. Isn't it realistic to consider that, given the very difficult times in the housing market in the U.S. and the starts that are dismal, if there was no softwood lumber agreement, the lumber coalition down there would be working overtime to prevent any softwood going down into the U.S. from Canada? That would be certainly in their best interest that they were able to supply all of what little there is to supply to that market down there. Of course, that's what they're there for. They're protecting their end of the business, but it's more about the market right now than the agreement. The agreement is actually keeping us in there.

Without the agreement, is it realistic to think we would have trouble shipping any wood down there, given the current market situation?

• (1025)

Mr. Martin Moen: Certainly; without the agreement, the risk to Canadian producers would be substantially greater. Certainly; that's about all I can really say.

Mr. Richard Harris: That's a good point. I thank you for the comment.

That's all I have, Mr. Chair.

The Chair: We are running a little tight on time.

I have time for a very short one from Mr. Guimond.

[*Translation*]

Mr. Claude Guimond (Rimouski-Neigette—Témiscouata—Les Basques, BQ): Thank you, Mr. Chair.

We spoke earlier about the COOL Act. It is well known the economy of the agricultural sector is very integrated. A few months ago, members of Parliament looked into the question of labelling Canadian products. The government disregarded the recommendations made by parliamentarians and introduced new labelling rules that displeased a number of sectors, including the agricultural sector. We the Bloc Québécois think that the percentage required in order for a product to be labelled "Product of Canada" is far too low.

Could you give some details about the labelling standards in place in the U.S. at the moment?

Ms. Callie Stewart: I will answer you in English because I don't know the technical terms in French very well.

[*English*]

The final rule that will come into place in March is the rule that was published on January 15, which allows for flexibility for packers and producers to not have to segregate their animals should they not desire to do so. It should allow a packer the option of running U.S.-product-only animals or the option of running mixed-origin labels, packages, without having to go through really extensive segregation—for example, Canadian-born animals in this pen over there—and in the slaughterhouses, not having to do one day of one slaughter and then one day of another, and so on. The hope is that under the rule that was published, which will be law as of June 16, business practices, more or less as usual, could continue.

The complication is that under the voluntary guidelines that have been provided, Secretary Vilsack has asked for that segregation to be put in place. In fact, he has asked for something that goes beyond what was in the 2008 Farm Bill—as Canada read it—back to what was in the 2002 Farm Bill—which is that not only must you say that this animal is a product of Canada or product of the United States, but also you must say that this animal was born in Canada, raised in the United States, slaughtered in the United States, or whatever it may be. You have to have a narrative history of the animal, which means the animal needs to be tracked from birth onwards. This is much more burdensome for processors, for producers, for packers, and for retailers.

We were just hearing stories that part of the problem is that the machines that run labels in grocery stores don't actually have the space to type up the number of characters required to have this narrative history. So that's going to have to take place.

That's one of the elements of the Secretary Vilsack voluntary guidance. Another has to do with ground-meat regulations. Under the final rule that was published in January, processors are allowed an inventory of 60 days, meaning if they've had meat in their inventory from Canada or Australia or New Zealand within the last 60 days, they may label it mixed origin—Canada and the United States, Australia and New Zealand. But under the voluntary guidance it goes back down to 10 days. You must have had product from those countries within the last 10 days in your inventory in order to use that country's name on a label.

Finally, the voluntary guidance proposes to expand the definition of what must be included under country-of-origin labelling to include more processed products, more cured and smoked products.

Essentially, the voluntary guidance goes back to COOL at its origins in 2002, which many parts of the industry in the United States were very unhappy with as well. But it's not legally binding. Perhaps the industry can speak to it better than I, but what is going on now is that people in the United States and in Canada are really trying to understand how they're going to deal with this very novel approach that the United States has taken where they have a rule that is legally binding, and voluntary guidance that is not, but that comes with something of a threat hanging over it.

It's not clear to anybody right now exactly what country-of-origin labelling is and what it means, and how it's going to be enforced. A telling date will obviously be March 16, when the final rule comes into force. And we will start seeing

• (1030)

[Translation]

Then we will see what the COOL really is.

[English]

The Chair: Thank you very much, and thank you for that answer.

We have run out of time for this portion of the meeting. I do appreciate the answers today from all of the witnesses. Again, thank you, Mr. Stephenson, Ms. Lyons, Ms. Stewart, and Mr. Moen for your appearance.

I'm going to move on now. We'll just take a minute to distribute a draft schedule that we had talked about last week, and then we'll move on to committee business.

• _____ (Pause) _____

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• (1035)

The Chair: Gentlemen, we're going to have to return to our agenda here. We have a couple of items to discuss. There were two items distributed while we were at break. One is a notice of motion from Mr. Julian, which I will have him speak to in just a moment. The other one is the draft committee schedule.

I'm thinking that because of the time here, we may not get through this draft committee schedule, but I want to make a couple comments before we proceed.

One is that, as we saw today, a discussion of Canada-U.S. relations is such an enormous topic that I think it's going to be imperative that we define the focus of this discussion. Otherwise we'll be all over the map. I don't wish to restrict committee members in any question they want to ask at any time, but in terms of our specific study this time around, I think there was some suggestion at the previous meeting when we discussed agendas that we would focus on perhaps four areas of Canada-U.S. relations. I thought that before we proceeded further with Canada-U.S. relations, we might want to define that and come to an agreement that we are going to limit our discussion to perhaps four areas.

I'll just run by the areas according to my recollection. And when we get into discussion of the draft committee schedule, I will ask for some consensus on that.

Those areas were the Western Hemisphere Travel Initiative; country of origin labelling; northern border and security; and, although somewhat tangential to the WHTI, the 2010 Olympics and related matters vis-à-vis the United States.

It was my thought that there had been some consensus that we were going to pursue those four areas in our discussion of Canadian-U.S. relations, and I think to go beyond that would just widen the scope to a point where we don't really get anything done.

I'm not asking for a decision right now. I just want the committee to consider that and also to consider this draft committee schedule. When you do so, may I again suggest to the committee that it was my suggestion, and obviously that of the analyst, to put together this draft committee schedule based upon a consensus of the views of the past meetings. Also, the points that I have just raised with you—those four areas of consideration for the agreement—were also based on that consensus. If there is any dramatic difference from that, I would welcome discussion of it, but we could go a long way to try to define the agenda and not get any business done. I would hope that we could stick to some consensus.

In any event, those are merely to try to save time later for the committee. We will turn to the draft committee agenda, and specifically the boundaries of our Canada-U.S. trade relations discussion, following discussion of Mr. Julian's motion.

Did you want to say something before that, Mr. Julian?

•(1040)

Mr. Peter Julian: Now that the motion is coming forward, no.

The Chair: All right. There you go.

With that, I'm going to now begin with the first item, and hopefully we'll get to the second item as well. We have about 15 minutes.

I'm going to ask Mr. Julian to move his motion and speak to it briefly.

Mr. Peter Julian: Thank you, Mr. Chair. I'll speak very briefly to it.

As everyone around the table knows, Dow AgroSciences has filed, under chapter 11, an investor state lawsuit that challenges the ban on pesticides in Quebec. This is something that I think all parties have raised in question period. The intent of the motion is to have one meeting on this, to which those who have expressed concerns about this would be invited. Potentially we'd also have government representatives to explain how the government is intervening on this chapter 11 case.

I'm suggesting that it's an issue of important public policy that has ramifications beyond Quebec. It could mean implications for other cities that have pesticide bans, like the City of Toronto. For those reasons I'd like to offer this as a topic for a stand-alone meeting of this committee.

The Chair: Can you read it into the record?

Mr. Peter Julian: Sure:

That the Standing Committee on International Trade hold a two-hour meeting with representatives of civil society and other groups concerned by the filing of a Notice of Intent by Dow AgroSciences under Chapter 11 of the NAFTA, with regards to the banning of lawn and garden pesticides in the province of Quebec, which would include the David Suzuki Foundation, Toxic Free Canada, Environmental Defence, Equiterre and the City of Montreal.

The Chair: Thank you.

Comments?

Mr. Brison.

Hon. Scott Brison: Thank you, Mr. Chair.

I'm actually interested in chapter 11 and this specific case. I'm also interested in the Newfoundland government case with AbitibiBowater. I'm not certain whether Mr. Julian would be amenable to this, but perhaps this would be a constructive amendment. They're both chapter 11 issues. I think we can all benefit from a deepened understanding of chapter 11 in two distinct cases, but at least understand the implications of chapter 11.

Further, in terms of witnesses, I'd suggest someone like Gordon Ritchie, one of the negotiators of the FTA, as somebody who could help, and Barry Appleton, an international trade lawyer who's won cases on the chapter 11 situation while representing clients. It may be beneficial to us to understand the implications of chapter 11 in two distinct cases that are before the public right now.

The Chair: Thank you.

Mr. Harris.

Mr. Richard Harris: Surprisingly, I have some appreciation of Mr. Julian's motion. I think it's a subject that we're going to have to deal with, because we do have the ban already, I think in Toronto, and now Quebec, and it's for sure that this is going to continue across Canada. I would be interested in hearing witnesses on this so that I can get a better understanding of it and how it affects us with the free trade agreements, etc.

I guess I'm wondering what date or what timing Mr. Julian had for his motion. Is there a particular time?

We have a lot of other stuff that we want to do.

The Chair: Monsieur Cardin, did you have a comment?

[*Translation*]

Mr. Serge Cardin: There would have been just as much support for the motion if I had presented it myself.

I cannot help making a link between this specific case and what the representatives from the European Union told us last week about standards. At some point, countries must establish standards and comply with them in their international relations. These standards may have to do with the environment or health, two areas that are impacted indirectly.

It is important to analyze chapter 11 based on this example. This is also an opportunity to evaluate what we should be doing to protect the standards we should establish as a society. International trade must not allow private companies to interfere directly with these standards. We have to be able to uphold these standards. It is therefore relevant to discuss this. This discussion will take up the full two hours.

•(1045)

[*English*]

The Chair: Fine, thank you.

Perhaps I could just interrupt for one minute and get the attention of the committee. It seems to me there could be a consensus here, with a constructive amendment proposed by Mr. Brison—if that were to be accepted by Mr. Julian. I think we do have an eye on our schedule and our time. This may just fold in with our next discussion, and that is our draft committee schedule.

Could I ask the committee if we could maybe get a straw vote at this point? We might perhaps consider this in one meeting, bringing a number of witnesses, if there are two sides to the issue, but more in terms of information for the committee. We would do that on the first meeting back after break week. That would be the week of March 23 to March 27, so it would be March 24. I think that would give the clerks time to get witnesses to come in.

In any event, I don't want to lead the committee too far. I was just getting the sense that, in regard to time, this might be a consensus for people.

Did you have something to add, Mr. Keddy?

Mr. Gerald Keddy (South Shore—St. Margaret's, CPC): Yes, Mr. Chairman. I do have a question for Mr. Julian and Mr. Brison.

The only question I have...and I would expect that we're going to stay to our parameters here. Our parameters are trade. So how does chapter 11 work? It's not about the efficacy of 2,4-D versus other pesticides. We keep the questions to trade, not to the environment or biology. We keep to how chapter 11 works, and whether countries or provinces have a right to ban products that they feel should be banned. We stick to the issue of trade, not to the debate over pesticides.

The Chair: That's a good point.

Mr. Brison, and then Mr. Julian—very briefly, if you might.

Hon. Scott Brison: Further to the point, in Newfoundland and Labrador we have a totally different situation, but a similar challenge to chapter 11. I want to have a better understanding of what the weaknesses of chapter 11 are and what we ought to be looking at in terms of future trade agreements.

Although I think all of our witnesses are good witnesses, and from organizations that I have great respect for, I think the principle is not whether or not pesticides are bad. In terms of our deliberations, the principle is whether or not chapter 11 is impeding the capacity for sovereign governments within Canada, federally or provincially, to make decisions that are legitimate to defending their interests.

I want to study chapter 11. I want to study this issue and the Newfoundland issue. I'm wondering whether there's a way to start with a briefing from the department on chapter 11. Maybe we could have a couple of experts on chapter 11 and a couple of cases, including these two current ones. I'm wondering whether that may have more benefit.

On the specific motion where you get very granular in terms of specific witnesses, I think we agree in principle, but we're not necessarily sure. If we do a two-hour session with just these witnesses, it will be more focused on the environment side as opposed to the chapter 11 side. I support in principle the idea of doing chapter 11, although I think the witnesses in this case are heavily focused on the environmental substance as opposed to the trade substance, which is what I'd like us to drill down on. We'd probably agree on outcomes.

•(1050)

The Chair: I will ask you to comment, Mr. Julian, after my comments. Let me just step in here.

I'm sensing that we might just amend the motion by eliminating the "granular" part, as Mr. Brison referred to it, and saying only that the standing committee hold a two-hour meeting on chapter 11 of NAFTA. I think you could then add that the meeting would take specific interest in the filing of a notice of intent by Dow AgroSciences, and the Newfoundland and Labrador issue.

I think that would be the motion, and then we could, just by consensus and the lists that are provided to the clerk, sort out a balanced two-hour meeting for discussion in that regard. But that's just a suggestion.

Mr. Julian.

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

I think very clearly we would want to see the City of Montreal and Équiterre here. I think they would be taking discussions that are focused on the trade element and the decision by the City of Montreal to support the pesticide ban.

I agree with Mr. Keddy and Mr. Brison that we're focusing on chapter 11 and not on the advisability or not of a pesticide ban. The democratic decision I think is the one that's impacted here.

Mr. Brison's case is quite compelling around Newfoundland and Labrador, but I would suggest that perhaps we'll be looking at more than two hours if we want to bring in all these elements. I think the Newfoundland and Labrador case on its own is a quite compelling one. We can look at extended hours, perhaps a three-hour meeting, if we wanted to work both in or over two meetings.

I think we all agree with the principle of dealing with chapter 11 and agree on having witnesses who address the chapter 11 provisions specifically. I'm flexible on some of the witnesses, but not on all of them. I think a couple definitely need to be here.

The Chair: We have a list. First is Monsieur Cardin, and then Mr. Keddy.

[*Translation*]

Mr. Serge Cardin: Thank you, Mr. Chair.

I think the discussion should really focus on chapter 11. Of course, the idea came to us more quickly as a result of the Dow AgroSciences situation, but if we add other dimensions of the issue, I think we could easily discuss all of the issues in two hours. Since we are studying Canada-U.S. relations, it is particularly relevant to take a very close look at chapter 11 using specific examples. It is quite likely that the meeting could last more than two hours.

[*English*]

The Chair: It sounds as though we have a growing consensus here. The only question is how much time we will have.

Mr. Keddy, go ahead.

Mr. Gerald Keddy: Thank you.

My only suggestion, Mr. Chairman, is that we have a two-hour meeting. We schedule an hour on Dow Chemical in Quebec, an hour on Newfoundland, and if we find that's not sufficient, then we can talk about another one.

When you have a motion that gets beyond one meeting, then you're getting into a study by the committee, which is fairly in depth. My suggestion is that if we do an hour for each and we find that's insufficient, then we can come back, after one two-hour meeting, and try to find another meeting.

•(1055)

The Chair: I don't wish to cut off debate here, but we are running out of time.

I think we're going to get a consensus. I think what was expressed by Mr. Keddy probably does sum up where we are.

Mr. Silva.

Mr. Mario Silva: Can you possibly also move, at the same time as the motion, the draft committee's schedule? I'd like to adopt that as well. I think it works perfectly fine within the motion.

The Chair: Yes, I do think we have a pretty good consensus on the draft committee's schedule, but we'll get to that, Mr. Silva, as soon as we wrap this up.

I think we're okay with this. Perhaps I can just suggest this and see if we can get it done in the next couple of minutes: that the Standing Committee on International Trade hold a two-hour meeting on chapter 11 of the NAFTA, with particular reference to the notice of intent by Dow AgroSciences regarding the banning of lawn and garden pesticides in the province of Quebec, and the Newfoundland and Labrador AbitibiBowater matter....

Give me a nice way to put that, Mr. Brison.

Hon. Scott Brison: Well, it's the current chapter 11 challenge by the Province of Newfoundland with regard to the—

The Chair: And the current...that's right. Okay, very good.

I think, then, we have to limit it to that, and leave it to the clerk to get witnesses. We will take note that Mr. Julian has specifically requested Équiterre and the City of Montreal. Other than that, please submit your list to the clerk. The clerk will determine whom we get to.

We will go with one meeting on that matter. If it needs to be...the committee will so determine thereafter. This meeting will be on March 24.

Mr. Julian, are you okay with that?

Mr. Peter Julian: Well, I think I understood the wording. Did you mention Équiterre and the City of Montreal?

The Chair: No, I didn't; I mentioned it following. I just said that it was an interest to get those two specifically, Équiterre and the City of Montreal. I would rather not put any witnesses in the motion, but I certainly have given direction to the clerk to add those two specifically.

Mr. Peter Julian: I'll accept that as a friendly amendment from you, Mr. Chair. We can go to the vote.

The Chair: Good.

I think everybody has the content. Do I need to read it again?

No? All right.

(Motion agreed to [See *Minutes of Proceedings*])

The Chair: We have such unanimity today. It's just lovely.

Now I go to Mr. Silva. He was moving acceptance of the draft committee's schedule as amended.

Mr. Mario Silva: Mr. Chair, on the travel to Washington April 20 to April 24, Mr. Brison has mentioned the fact that on the 24th, which is a Friday, it's very hard to get meetings. So maybe we can do it from the 20th to the 23rd. That's just a minor amendment.

The Chair: We don't have time to discuss it now, and this is again a draft, but the sense was that we would probably have to leave Ottawa on the Sunday or meet in Washington on the Sunday evening and maybe have the first briefing on the Sunday evening.

Mr. Mario Silva: I'll adopt it.

The Chair: Go Monday and Tuesday, returning Tuesday night.

Mr. Mario Silva: I'll adopt the agenda.

Thank you very much.

The Chair: All right. We may not have time to get through.

Mr. Julian.

Mr. Peter Julian: I just want to address this question to the parliamentary secretary through you, Mr. Chair.

Canada-Colombia, Canada-Peru: is the assumption that those agreements would not be coming forward this spring?

Mr. Gerald Keddy: No, that's not the assumption.

Mr. Peter Julian: So it's possible they would be coming forward; there would have to be committee consideration of those agreements.

● (1100)

The Chair: They are not on the agenda at this time.

Mr. Peter Julian: No, I understand that, but I think that's helpful. I think, then, the issue of Canada-Brazil is something that is less certain. If there is potential for these agreements to come forward, I certainly would not feel comfortable undertaking a new study if we have those agreements, witnesses, and, I think, some considerable committee deliberations on those issues.

The Chair: I agree.

If I could just follow up on Mr. Silva's motion, this is just kind of a rough outline as to what we know now. We have to get proceeding. I think we have a pretty good consensus. None of this is chipped in stone, and that's why I've left it as a draft. I just wanted some direction from the committee.

So with Mr. Julian's comments, can I ask for acceptance of Mr. Silva's motion?

(Motion agreed to [See *Minutes of Proceedings*])

The Chair: Thank you.

This meeting is adjourned.

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