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Chair

Mr. Kevin Sorenson

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• (1530)

[English]

The Chair (Mr. Kevin Sorenson (Crowfoot, CPC)): Good afternoon, colleagues.

This is the fourth meeting of the Standing Committee on Foreign Affairs and International Development. Today we begin our review of key elements of Canadian foreign policy.

On behalf of the committee, I want to welcome our guests and our witnesses here today.

As a witness in our first hour, we have, from the Norman Paterson School of International Affairs, Dr. Fen Osler Hampson, chancellor's professor and director. Dr. Hampson is the senior adviser to the United States Institute of Peace, a member of the board of directors of the Pearson Peacekeeping Centre, and the social science foundation board at the University of Denver. Dr. Hampson is the author or co-author of eight books and editor or co-editor of more than 23 other volumes. In addition, he is the author of more than 80 articles and book chapters on international affairs.

We also have with us today Mr. Michael Hart. He holds the Simon Reisman chair in trade policy at the Norman Paterson School. He is formerly from the Department of Foreign Affairs, specializing in trade policy and trade negotiations. He is the author, editor, and co-editor of more than a dozen books, and he has numerous articles and chapters in books on international trade issues. His latest book is *From Pride to Influence: Towards a New Canadian Foreign Policy*.

Our committee provides time for an opening statement from both our witnesses, and then we proceed into the first round of questioning. We don't rule too tough on the timelines, but we try to keep close to 10 minutes for the opening statements, and then we go into the first round of questions, which is seven minutes per party.

As a reminder to the committee, in our second hour we're going to hear from the Department of Foreign Affairs. We'll introduce them when they come.

Welcome.

Mr. Hampson, I believe you've drawn the short straw and will begin, so we look forward to your comments.

Professor Fen Osler Hampson (Chancellor's Professor and Director, Norman Paterson School of International Affairs): Thank you very much, Mr. Chairman.

Both Professor Hart and I will be speaking to some of the themes that appeared in Carleton University's report, a blueprint for a new

engagement with the United States, copies of which were sent to all members of Parliament. It is a two-volume report. I would encourage the members, if they haven't seen it or read it, to refer to it.

What I am going to do in my remarks is focus on some of the general foreign policy challenges of the Canada-U.S. relationship. I will also discuss broadly what some of the key elements of our new strategy should be in dealing with the United States on global economic and security issues.

Professor Hart is then going to speak to some of the very specific economic challenges in managing our bilateral relationship with the United States, just so that everyone is clear on what our dog and pony show is going to do for you.

The first element of our strategy with the United States should be to engage America's leadership at the highest level and to continue to do so in order to advance a mutually beneficial agenda. That obviously began with the short working visit that took place last week. But I think it's going to be absolutely critical in the weeks, months, and years ahead to maintain the positive tone and momentum of that meeting.

We need to regularize the bilateral summit process on an annual basis. Summits with a high-level agenda, with deadlines, goals that are endorsed by the Prime Minister's office and the White House are key to galvanizing the bureaucracy and to supporting a serious dialogue between the two countries. I think it's fair to say that permanent consultative institutions have long been a key missing ingredient in our bilateral relationship, certainly in the recent and not-so-recent past.

The second key element of our strategy should be to engage America's leadership with adroit diplomacy and inspired ideas for managing the major economic and security challenges of our fast-changing international system. As we all know, the global economy is in trouble and there are a large number of major security challenges that both we and our American partners face.

That being said, I think it's fair to say that there are many potential avenues of engagement on the global agenda, but we have to be selective and we also have to play to our strengths. There are three specific areas of engagement that I would like to draw your committee's attention to.

The first one is the reform and strengthening of international economic institutions. The current global financial crisis, stock and commodity market gyrations, and impending deep recession are corroding the structures and traditions of international economic cooperation that were constructed over the last half century. I think it's fair to say that the G-20 meeting that was convened by George Bush last November underscored that there are still some major divisions and disparities as to how to move ahead and how global governance is perceived. What we're seeing right now are some key differences that are emerging between ourselves—that is to say, Canada and the United States—and the European Union about what the nature of new financial regulatory initiatives should be, about the depth and breadth of governance at the international level. I think there's a real risk that different views about how to deal with the current crisis, if it's not handled properly, are going to exacerbate international tensions and make cooperation more difficult. That's an opportunity for us to not only work with Washington but also with our European partners to realign some of the machinery of global governance, particularly in the financial area.

• (1535)

The second area for intensified cooperation is to recalibrate the mission in Afghanistan by strengthening the role of diplomacy and development to ensure that al-Qaeda does not gain a stronger foothold in the region. As we all know, the administration is moving quickly to ratchet up the level of its diplomatic engagement with Richard Holbrooke's appointment as special representative for Afghanistan and Pakistan.

The biggest problem right now is that neither the United States nor NATO has a clear political strategy for dealing with this escalating conflict. As a major combat-troop-contributing country, Canada can and should play a constructive role in defining the goals of this new diplomatic offensive. For example, we could take the lead ourselves in establishing an eminent persons group that might include, for example, individuals like former UN envoy Lakhdar Brahimi and former European Union envoy Francesc Vendrell—individuals of that calibre—who know Afghanistan and the region well. By convening and supporting the work of such a brain trust, Canada could help broaden the base of the U.S.-led political process that is under way right now and also bring new ideas to the table that are constructive and not necessarily American.

I think one of our challenges is to convince the United States that it's important to widen the circle of the conversation around Afghanistan and Pakistan's future, and that Mr. Holbrooke, in spite of his many diplomatic talents, cannot and should not carry the torch alone. Canada can play a key role in opening up additional avenues for dialogue and discussion with key constituents and affected parties, help with the engagement of other external actors—the neighbours, and that includes Iran—and also with the testing of ideas and political solutions before they are formally put on the table. A group of wise persons supported by Canada could help ensure that the new U.S. diplomatic offensive in the region gets off on the right foot and stays on course.

The third area for intensified cooperation is the area of nuclear non-proliferation. Secretary of State Hillary Clinton identified the gravest threat facing the United States as the danger that weapons of mass destruction are going to fall into the hands of terrorists. To

address this threat, the new administration has indicated that it is going to look to negotiating reductions in nuclear stockpiles with other countries, particularly Russia, while strengthening the current nuclear non-proliferation treaty regime. It's also going to revive negotiations on the Fissile Material Cut-Off Treaty, and it will urge the U.S. Senate to ratify the comprehensive test ban treaty.

One of the biggest problems with the current nuclear non-proliferation regime is that countries such as Iran can play both sides of it by blurring the distinction between possession and non-possession of nuclear weapons capability while staying within the NPT regime. As the world's leading exporter of uranium and a major supplier of nuclear technology, we clearly have a key role to play. We have been long-standing champions of the nuclear non-proliferation regime and a key supporter of the International Atomic Energy Agency and of the development of nuclear safeguards. We are very well positioned to work with the new administration to strengthen and preserve the integrity and structure of the NPT regime so that there are proper firewalls in place for countries that have or that intend to pursue nuclear energy programs.

• (1540)

One final observation before I turn to my colleague is that the third element of our strategy with the United States is to redefine the sovereignty-security equation in our overall defence relationships, and also in the north. These have traditionally been especially sensitive areas in our relationship with the United States, but I think it's going to be important as we look to the future, and particularly to the security challenges that we face at the border, that we also look and keep pace with the broader security challenges confronting the North American continent.

One of the recommendations in our report is to look at ways of broadening the scope and command of current structures and existing partnerships, particularly around NORAD, looking perhaps to a NORAD or a new set of arrangements that would secure the North American perimeter on land, sea, and air. And I think if we were to begin to move in that direction, or at least begin to have a discussion about moving in that direction, we could alleviate or begin to alleviate some of the concerns the United States has about a porous and vulnerable northern border.

Thank you.

The Chair: Thank you, Mr. Hampson.

We'll turn to Mr. Hart, please.

Professor Michael Hart (Simon Reisman Chair in Trade Policy, Norman Paterson School of International Affairs): Thank you, Mr. Chairman, for this opportunity to provide some testimony to the committee.

I'll be fairly brief. I want to make two broad points. First, I want to sell my book, and, secondly, I want to speak to some of the points that are in the report that Professor Hampson has already mentioned.

The broad theme of the book that I did while I was on sabbatical at the Woodrow Wilson International Center for Scholars in Washington was to look at Canadian foreign policy and Canada-U.S. relations at the same time. The theme of the book is that Canadian foreign policy, if it is to succeed with our wider partners around the world, must be grounded in a constructive, well functioning relationship with the United States. Our ability to influence our partners around the world is considerably enhanced if we're able to demonstrate at the same time that we have a constructive, well-functioning working relationship with the United States. In the absence of such a relationship, our ability to influence the rest of the world is much diminished. So I think that job number one of the department and the government is to pursue that constructive relationship. I think that was one reason we undertook the project that we did at Carleton, to look at what are the themes in the relationship that need some work. So let me turn to them now.

Professor Hampson has already indicated the broader foreign policy issues, the global security issues, and the bilateral security relationship. I want to emphasize the economic relationship.

We have, over a period of more than a century, developed a very intense trade and economic relationship between our two countries, to the point where we now trade, as I think we heard perhaps once too often last week, somewhere in the neighbourhood of \$2 billion Canadian in goods and services across the border daily. We have somewhere in the neighbourhood of 400,000 people who cross the border every day. That's indicative of a very intense economic relationship.

We have made a lot of progress over the last 25 to 30 years in making sure that relationship works to our mutual benefit. The Canada-U.S. Free Trade Agreement in 1988 and the NAFTA in 1993 were key components of that strategy. But I think it is a job that is not quite finished yet. If we're going to have the benefits of that relationship, we need to work on a few other issues. Let me explain why, before I turn to the issues that I think we need to deal with.

One of the things that has happened as a result of deeper integration between our two countries is that it is really not accurate to speak of it as a trade relationship or an investment relationship; we have gone beyond that. Canada and the United States make things together. We are deeply integrated into the U.S. economy, and the U.S. economy in turn is deeply dependent on what we contribute to it.

Just to give you one typical example, cars made in North America are no longer Canadian or U.S. cars, but North American cars. The typical car now crosses the border seven times. Also, in a project that I did a few years ago on the impact of the BSE crisis on Canada, one of the things I discovered was that even in the beef industry, we're deeply integrated. One of the problems seen in the fallout from that crisis was that we had developed a relationship where we did some of the work and they did some of the work, which was then interrupted by the crisis we had.

So given the extent of our integration, the extent of our interdependence, I think there are four issues that are especially important at this particular time.

The first is that we have to make that border function much better than it does. From about the 1920s through to the end of the 1990s,

the trajectory of how we managed the border was to make it gradually an easier place to cross. From 2001, we have done the opposite; we have made it an increasingly difficult place to cross. That is an inconvenience to tourists, and I'm sure all of you have experienced the same silent dialogue with yourself as you're going across the border, asking why is all of this necessary—and I won't repeat what I say, just that it's frustrating. However, think of someone whose business or livelihood depends on that border functioning well, sitting in a truck hours at a time, waiting not at the border, because they now require you to let them know ahead of time if you're going to come to the border and you have to get cleared before you can leave for the border, but before the border. That way the statistics look better; they can say that trucks are crossing the border much more quickly than they used to. No, they are not, because trucks are being held in holding patterns far from the border, sitting there wasting time.

So this is a very expensive process and we need to get our act together with the U.S. We need to sit down with the new Secretary of Homeland Security and see if there isn't some way in which we can learn from what the Europeans did to make a much better working border in what's known as the Schengen Agreement.

● (1545)

If you go to Europe now and you land at Charles de Gaulle Airport and rent a car, you can then drive all over the continent without ever having to tell anybody your name, your purpose, whether you bought anything, or what have you. And I think we should aspire to do the same thing.

In order to do that, I think we need to do some work on the security front. I think it is critical that the Americans have confidence in us as a security partner before they will be willing to talk about opening up the border. But we also need to do something else. One of things I think people may not understand sufficiently is that the border is no longer a customs facility. That's what it used to be. It used to be a revenue device, particularly on the Canadian side where we wanted to make sure that people were paying their share of customs taxes. It has long ceased to be that. The amount of tax that's collected at the border now is slightly more than the cost of collecting it. It is now largely a regulatory control mechanism. On the Canadian side of the border, customs officials are responsible for ensuring compliance with over 100 statutory instruments, and on the U.S. side of the border they're responsible for ensuring compliance with over 400 statutory instruments. So that's what we do at the border. We use it as a regulatory compliance mechanism.

The question then arises: are our regulations very different from theirs? The answer is no, but just enough to keep civil servants working. I think we need to put together a very aggressive regulatory convergence exercise where we look at what we are doing, what they are doing, and how different are they?

I just completed a paper for the C.D. Howe Institute that looked at the auto sector. In the auto sector we have benefited from the Auto Pact for almost 45 years, and you'd think that is a sector where we would have pretty well got to the point where the differences between us were quite small. The truth is they're not. There are still 22 major regulatory differences between cars made in Canada and cars made in the United States, and it's not just a matter of the fact that we have a metric system and they still have the old mileage system. There are quite a number of small differences, which are just enough to make sure that Canadians pay more for their cars than they should. And it also keeps people in the Department of Transport employed.

I don't wish them ill, but I do, as a citizen, wish them to do less. I would like to move towards a better functioning regulatory regime in North America.

In order to do that, it brings me to the third point I want to make. If we're going to have a higher level of cooperation both at the border and on regulations, we need a better set of institutions to ensure that we're working together to reach common decisions. We need to make sure we have a privileged position in the decision-making process in Washington, and they at the same time need a privileged position in the decision-making in Canada. That way we are working not at cross-purposes but towards a common set of regulations in as many areas as possible.

Finally, I want to say something about energy and the environment. I think those are the two most important areas of regulatory activity over the next decade or so, and I think it is critical that in this area the two governments work together. I was very happy to see that at the end of Mr. Obama's visit last week the government pledged that this is now firmly ensconced on the agenda, and I think it is critical that there be success along those fronts.

That's all I want to say by way of introduction. Thank you.

• (1550)

The Chair: Thank you very much, Mr. Hart.

We'll proceed into the first round, and we'll go to Mr. Rae, for seven minutes, please.

Hon. Bob Rae (Toronto Centre, Lib.): Thank you very much, gentlemen. It's great to see you again and have you back.

I have just a couple of questions. I'll try to do one for each of you, and I'm sure that will use up the time. It seems to go very quickly.

To Dr. Hampson, I want to focus on the second idea, if I may. John Manley has talked about this. We've talked a great deal about diplomacy, development, politics taking a stronger hand in Afghanistan. Why do you think it's been so difficult to get what is really a pretty basic idea more firmly entrenched in Canadian and, I might add, NATO thinking?

Prof. Fen Osler Hampson: I think one of the challenges, certainly historically, is that until quite recently Afghanistan was not an American preoccupation, and that affected the entire NATO mission.

Towards the end of the Bush era, Afghanistan, with the impending drawdown of U.S. troops in Iraq, came to be a much greater area of

focus and attention. And you may recall that it was President George Bush who made the decision to increase U.S. troop deployments in Afghanistan.

That being said, and I think it was said in spades by the Manley Commission, we still have a problem of not only herding cats in NATO but the absence of any kind of clear political strategy coming out of Washington, which, after all, is the leader of the pack.

Special Representative Holbrook has been tasked with coming up with a political strategy. I think it's fair to say that it's also part of what President Obama would like to have as an exit strategy from Afghanistan. He has made it very clear that he doesn't want to be there for the long haul, and he has recognized that the notion that we can export full-blown democracy to Afghanistan is not realistic given the social, economic, and political circumstances, not just in Afghanistan but in the region as a whole.

The point of my remarks was that there is no political strategy in place right now. Holbrook's challenge is to develop one. I think we have to be there. I think it may be difficult to do that. Mr. Holbrook is not one known to carry the torch with others, if you look at the history of his previous intermediary interventions in Bosnia and elsewhere.

But that being said, nature abhors a vacuum. And I think we could be creative and bring together, under Canadian auspices, some of the best minds, who really understand the politics of the region and the politics of Afghanistan, and that includes people like Brahimi, who was the mediator of the Bonn process that brought the *loya jirga* and the current government to Afghanistan, and others like Vendrell, who again knows the region well and who has been very critical of the absence of any clear diplomatic and political strategy. And I think there are some Canadians who could also contribute to that. Now is the time to do it.

I don't think we need to appoint another special envoy. The Americans have one, the British have said they're appointing one. Special envoys are sprouting up like fortune cookies in different parts of the globe. But I think there's a real window of opportunity there.

• (1555)

The Chair: Thank you, Mr. Hampson.

Very quickly, Mr. Rae, and allow Mr. Hart the opportunity to finish.

Hon. Bob Rae: Michael, just to focus on this question, you talked about how we need a better set of institutions. Can you fill that in a little bit more? What are you talking about here?

Prof. Michael Hart: If you look, for instance, at the Canada-Europe relationship, there are a number of formal institutions. There's a formal annual summit, there is a formal semi-annual meeting of senior officials, there are a number of committees. There is nothing between Canada and the United States of a similar nature. But given the extent and the depth of that relationship, it's a relationship that just cries out for better management.

So what you have is an awful lot of informal, below-the-radar relationships, hundreds of relationships among officials and so on, but none of them are provided with a kind of from-the-top political guidance as to what the objectives are. So I'd like to fill that gap between the adhocery, which we have seen, and that vast network of relationships by setting up a number of institutions that would require reporting by these people, on an occasional basis, on what they're doing and why they're doing it, and by providing them with instructions as to what the priorities should be.

• (1600)

Hon. Bob Rae: Do you share the view that's in your report, but widely out there as well, that we can't allow the NAFTA formalities to get in the way of a stronger bilateral relationship with the U.S.?

Prof. Michael Hart: My view is that the NAFTA was an excellent agreement. It served its purpose. It's 15 years old. It's all implemented. The issues that we have identified in the report are bilateral issues, not trilateral issues, and to hold them hostage to the equally complicated but different Canada-U.S.-Mexico relationship I think is the wrong way to go. I'm not saying ignore Mexico, but let's do what we need to do in order to get the Canada-U.S. relationship right and to speak to the issues that now confront the relationship.

The Chair: Thank you, Mr. Hart.

We'll move to Mr. Crête.

[Translation]

Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ): Thank you for the quality of your presentations.

If I understand your comments correctly, Canada will have influence in the rest of the world as long as the rest of the world is under the impression that Canada is able, not just to carry messages for the Americans, but to maintain a dialogue with them. In recent years, for example, the Security and Prosperity Partnership of North America seems to me to have been pretty much a failure, in the sense that it stayed behind closed doors and was not something in which the population as a whole was involved.

You mentioned the importance of economic relationships, of an integrated economy and of border operations. Would it not be really useful on both sides of the border to get the people a little more familiar with the importance and the realities of these things?

[English]

Prof. Michael Hart: Let me make two broad comments on that. The first one is on the security and prosperity initiative, which dominated the agenda over the last seven or eight years. I think that agenda has been largely met. It was an agenda to see what could be done within existing regulatory strengths by the two governments. It was largely exhausted three or four years ago because the two governments took the view that they were not going to pursue anything that would require them to seek legislative change, and they had exhausted that particular agenda. I think they need to move beyond that agenda because I think there are things they need to do that may require legislative changes.

In order to do that, we need to have an open dialogue among Canadians, but also among Canadians and Americans to look at what we're doing, why we are doing it, what we are achieving. I see no reason that cannot be done in a much more transparent way than was

the case with the security and prosperity initiative, although to tell you the truth, I don't think there was nearly as much there as people feared. I think there was much more talk about what might be there than what actually was there, and there wasn't all that much to it.

[Translation]

Mr. Paul Crête: Along the same lines, Mr. Hampson, you mentioned that we should play a leadership role in Afghanistan and you talked about forming a brain trust. That assumes from the outset that there is a recognized common objective for Afghanistan. It implies a stage when the past is left in the past in order to pursue a specific objective. In my opinion, at the moment, the objective in Afghanistan is far from clear.

[English]

Prof. Fen Osler Hampson: I would agree with your last observation that the objective has not been that clear. But that said, I think we are seeing convergence of both Canadian and U.S. interests in the region. Canada has announced that it's going to withdraw troops in 2011, and everything I hear coming out of Washington today suggests that the Americans don't want to be there for that much longer. I think President Obama is all too aware that this is a quagmire.

The focus has really shifted from trying to have a military solution that would obliterate the Taliban and al-Qaeda forces in the region to one of some sort of political settlement that would stabilize politics in Afghanistan to allow for a withdrawal of NATO forces. That may well mean, as many have argued, engaging in dialogue with those elements of the Taliban not closely associated with al-Qaeda to come to some kind of political arrangement that, at the end of the day, Afghanis themselves have to live with and can live with.

Again, by creating a forum that is led by skilled, eminent practitioners, wise persons who have credibility in the region, there's an opportunity to engage in dialogue with elements of the political equation in Afghanistan and also Afghanistan's neighbours in a constructive way.

• (1605)

The Chair: Mr. Crête.

[Translation]

Mr. Paul Crête: The relationship between the United States and Canada is often compared to the relationship between an elephant and a mouse. When the elephant turns over in bed, it is the mouse's interests not to be underneath. I use the image because I would like to know if that is your impression too, but I would also like you to tell us how you feel that the mouse can make sure that the elephant listens to it and knows that it needs a mouse around.

[English]

The Chair: Mr. Hart—and I don't know if that was for Mr. Hampson as well.

Go ahead.

Prof. Fen Osler Hampson: I have a short answer to that.

If you think of yourself as being a mouse, you're always going to be a mouse. Our challenge, quite frankly, is to start thinking big in a selective way, along the lines that I have suggested in terms of global economic and security issues, and really to start ratcheting up the level of our diplomacy and engagement where we have something to offer, where we have clear interests, and where we're seen as having something to offer. And that is a challenge of leadership and diplomacy.

The Chair: Mr. Hart, do you want to make some comments?

Prof. Michael Hart: I'm just going to add to that.

The Chair: Very quickly.

Prof. Michael Hart: In 22 years of negotiating with the Americans, bilaterally and multilaterally, I have never felt mouse-like. These were negotiations among people who had very common objectives; we were working together. I think more often than not we had the good ideas and had to explain to the Americans what we were doing and why, and they'd say, "Yes, we like that; let's do that."

One of the reasons we were a very effective player in the multilateral system from the late 1940s through the 1980s was that we were very good at preparing the ground by putting forward good ideas early in the game and therefore leading negotiations toward areas that were of interest to us. So never, never did I feel mouse-like, nor did I see them as elephant-like.

The Chair: Thank you, Mr. Hart.

We'll move to Mr. Goldring and Mr. Lunney, who will split the time.

Mr. Peter Goldring (Edmonton East, CPC): Thank you for appearing here today.

I agree with you. We're certainly not a mouse geographically, and I think that certainly is a very substantive reason we're being viewed as very important economic partners.

My question is more about the Arctic region and perhaps to add a little bit of clarity to it. We know the Russians were there and planted flags on the sea floor. Do we have to do something like that to establish territory?

It seems to me there are three issues. One is the sovereignty of the territory itself, the land territory and how that extends. Then, of course, there's the question of the international shipping access to the waterways. The third one is deciding the delineation of the coastal seaways territorial boundaries.

Are there other issues? And considering these much more amiable relationships with the United States, is there an opportunity to take any of these issues off the table and work with them?

The Chair: Mr. Goldring, whom are you directing that to?

Mr. Peter Goldring: Mr. Hampson.

Prof. Fen Osler Hampson: I would refer all of the committee members to a very good paper in the second volume of our report by Don McRae, who is one of Canada's most distinguished international lawyers. It's a paper that's focused on sovereignty issues in the Arctic. Let me just summarize what his argument, and the main argument of our report, is.

When it comes to sovereignty over the land, it is not contested, period. The issue has been one of transit rights in the Northwest Passage, and since 1988 we've had an agreement, in effect, to disagree quietly and privately on that issue.

The main challenge, I think, for Canada is to stop worrying about property rights and to start getting responsible about stewardship in the Arctic. The Arctic, and particularly the waters of the Arctic, are, at the end of the day, part of the global commons. Working with the United States and the other circumpolar countries, we have to start getting a stewardship regime in place that will address mounting environmental problems in the Arctic—which don't respect national boundaries—and the issue of marine stocks, which, again, don't respect national boundaries.

• (1610)

Mr. Peter Goldring: Was NAFO involved in that type of research before? I think it was polar continental shelf research. There were several places in the Arctic where they were located, including Resolute Bay, I know, and perhaps Tuktoyaktuk. But were they not engaged in that type of research?

Prof. Fen Osler Hampson: Absolutely. And we in fact need to ratchet up the level of our research and engagement with other Arctic countries as part of a new stewardship approach for dealing with the Arctic.

The Chair: Thank you, Mr. Hampson.

Mr. Hart, were you going to respond as well?

Prof. Michael Hart: I agree completely with what my colleague has said, and I recommend the paper too. It's a very fine piece of work.

The Chair: I might also advise the committee that Dr. McRae will be appearing before our committee on March 9.

Mr. Lunney, please.

Mr. James Lunney (Nanaimo—Alberni, CPC): Thank you, Mr. Chair.

Well, Mr. Goldring took this right in the direction I wanted to go in, and that is the Arctic and Canada's relationship with the U.S.

I just have to say that I appreciate the comments from both of you regarding the mouse and the elephant metaphor. It's perhaps over-utilized, and it's time we grew past it, so I appreciate your remarks related to that.

As for the relationship in the Arctic and stewardship, I appreciate the way you framed that, Mr. Hampson. We're making great efforts, at least in trying to move in that direction with the permanent scientific research centre up there and with creating a facility for vessels to patrol up there and so on. We certainly think we have to make our presence felt in the north, and it's really past time for that—but not too late, hopefully. You can't go back, so we have to move forward.

Do you have any other suggestions, other than getting on with the job and fulfilling what we've already laid out in our direction, as to how to make better use of our presence in the Arctic? We're increasing the number of Canadian rangers up there and our presence up there, training more soldiers and trying to get more facilities in the Arctic. Do you have any other suggestions on how we can improve our utilization of the north and move ahead our own agenda up there?

The Chair: Mr. Hart, did you want to have an opportunity to respond here?

Prof. Michael Hart: I think you will hear this from Don McRae as well, that one of the challenges we have is to sit down with the Americans and say, what can we do together in the Arctic? Given the fact that they have a very large share of the Arctic as a result of Alaska, and we do as well as a part of the islands and so on, there are a number of areas where our interests segment. In fact, we have some disputes over the 200-mile economic zone.

Given the fact that technology is advancing to the point where there are many things that can be done now in the Arctic that could not be done before, I think we would gain a lot more than we would ever threaten if we sat down with the Americans and said, what can we do together? Then together we can approach the Russians and the Europeans and so on, who also have a stake in the Arctic and who are part of the circumpolar panel.

I think you will find that your discussions with Professor McRae on that should be quite fruitful.

•(1615)

The Chair: Mr. Hampson, did you want to add to that as well? No?

All right. We'll move then to Mr. Dewar.

Mr. Paul Dewar (Ottawa Centre, NDP): Thank you, Mr. Chair, and thank you to our guests for appearing at committee today.

I have many questions. Maybe I'll start with Afghanistan.

I liked your idea. It has been floated particularly around Mr. Brahimi. Actually he was here in Ottawa just last June, and I had the opportunity to speak with him. He was at a conference here on Islam, with Ahmed Rashid, the Pakistani journalist. It was interesting because he was not only the UN representative post-9/11; he was also there in 1998, and he reported to the UN three things that were of concern in Afghanistan. He said there was a problem with drugs; there was a problem with the terrorists being trained; and there was a problem with human rights. He was dutifully ignored, particularly by the U.S.—he told me this—which said drugs in Afghanistan weren't a problem they were worried about because they were worried about Colombia and cocaine; the training of terrorists wasn't something that was happening in their neighbourhood in particular; and regarding the area of human rights, there were cultural nuances so they were not going to really go there.

You know well his work in Bonn. One of the things he said to me was that he was very specific about the role of the UN, and he said again he was ignored in terms of what he recommended and what happened.

I am concerned that if we don't have something other than NATO to offer, we certainly won't be able to use this institution to forge what you're describing. After all, NATO—even just in name, let alone what it does—isn't sufficient for next steps.

Mr. Hampson, talking about eminent persons, would they then engage the countries in the neighbourhood for peace talks, to then forge some sort of agreement? What would happen after that, in your mind?

Prof. Fen Osler Hampson: The first comment I would make is that we shouldn't be looking too much into the rear-view mirror when it comes to Afghanistan, because with the change of administration in Washington there is a desire to turn the page and move forward with a new policy. That creates a window of opportunity.

Second, the idea of an eminent persons group that would include people of the stature of Brahimi is really to do, at an informal level regionally and internationally, what we did in Canada with the Manley panel, which was a domestic exercise; it wasn't an international exercise. To pay for and support the creation of a group that can, on an ongoing basis, feed ideas into a diplomatic initiative that is going to be led by the United States, and that has just started...we want to make sure it gets off on the right foot and that it stays moving in the right direction.

Mr. Holbrook cannot talk to everyone in the region. His mandate is actually Afghanistan and Pakistan. He probably will talk informally to others in the region, but he's not going to be able to do it all alone. The fact is we are one of the key countries that have troops on the ground. We need to be part of that process. The challenge is to become part of that process in a way that is constructive, that will be accepted by the Americans.

One of the other things you could do is to try to set up a contact group. There was that model in Bosnia, but this is a somewhat different situation because we're not talking about a peace process as yet. We're talking about getting a political dialogue going, making sure that the issues you have just identified are properly on the table, trying to get a handle on those issues and a dialogue around those issues, and also begin to form a consensus on how we collectively move forward.

•(1620)

Mr. Paul Dewar: Thank you. I agree with you on looking forward and not in the rear-view mirror. I was just giving you his description of his experience.

I couldn't agree with you more. In fact, I agree with those who don't see it as the elephant relationship. That party is gone now from Washington, as a matter of fact, if you look at how things are represented through symbols; the party of the elephant is even gone. I'd like to see us more as roommates.

If I could turn to NAFTA, I might take exception with Mr. Hart about what SPP was and what happened. I actually have no idea, because we weren't allowed in and the window was rather foggy—what they were negotiating. You may have had a better insight as to what they were negotiating. But on NAFTA—and I'm not sure whether both of you may want to respond to this—we heard from Mr. Obama that there's still an interest in taking the side agreements, particularly on labour and environment, and putting them into NAFTA.

I would like your take on whether you see problems for Canada in doing that—not for the government, but for Canada as a country.

The Chair: Go very quickly, please, Mr. Hart.

Prof. Michael Hart: No, I don't see that as a problem, and I'll tell you why. I think that to Mr. Obama and to the union movement to whom he is speaking—this is a domestic message for Mr. Obama—NAFTA is a word you use to talk about broad trade and investment problems. It is not to talk about specific issues between Canada and the United States.

In fact, it really speaks more to China and India than it does to Canada and Mexico, because that's the fear, in places such as Ohio and Michigan, about the erosion of the U.S. industrial base. NAFTA is taken as a symbol, and what can you do about NAFTA? Then they say, “We don't like the labour and side agreements.” I would be surprised if Mr. Obama has yet received a briefing on those side agreements and what they do.

Last week I took the time to sit down and read the provisions of the Australia-U.S. agreement, which is one of the later ones, to see whether there is any material difference between the side agreements we negotiated in 1993 and what the Australians have in their new agreement, and there isn't one. There is no difference. It's a very similar kind of thing, to say that both countries agree that they will fully implement their domestic laws relating to labour and the environment, and that if there is a problem, there is a dispute settlement discussion phase permitting them to say, we think there's a problem here and could you do something about it? And that's it.

If you sit down with the United States and ask exactly what their problem with Canadian labour laws or Canadian environmental laws is, they'd have a very hard time identifying what it is, because we're talking about a symbol.

Probably, this will ultimately have to resolve in something symbolic rather than something substantive. It's not even with Mexico; it's really with China and India.

The Chair: Thank you, Mr. Hart.

We'll move to Ms. Brown, please.

Ms. Lois Brown (Newmarket—Aurora, CPC): Thank you.

I really enjoyed those presentations. Not to be left behind with the discussion about the mice, I would suggest that all of us pick up the satirical little book that was written some years ago called *The Mouse that Roared*, a mythical story about a little duchy in Europe that had a product it was trying to sell, but they were up against the great European market. It's quite funny, actually.

The question I want to raise with both of you is this. Both of you talked about the economic issues we share, both with the NAFTA

agreements and in areas you both talked about where we need to find clear interests. Given that Canada has been recognized by so many countries in the world now as having strength in our banking institutions, strength in our financial institutions and in the regulatory processes that have been put in place, do you think there is a place now for Canada to roar, as it were, in these areas, to work with the United States and to take leadership? Is this an area where we can really find our feet and show leadership in this economic time?

The Chair: Thank you, Ms. Brown.

Mr. Hart.

Prof. Michael Hart: I had some diplomatic training before I joined Carleton, and I was trained not to roar but to work quietly.

Quietly, yes, I think we have a very good story to tell. When it comes to our banking and other regulatory things, I think there is a broad consensus that what we have done is about right. When we begin the process, and I don't think we have started it yet, of looking at what kind of international cooperation is required to deal with the financial crisis—with the banking issues and so on—I think we have a very good story to tell, and we should not be shy about telling that story. It doesn't mean there aren't some areas for improvement even in Canada, but I think we can build on this.

But I think it's important to not jump to too many conclusions. You read in the paper now, “Let's redo the Bretton Woods institutions.” People forget that the Bretton Woods institutions, when they were negotiated in the 1940s, reflected 20 years of quiet work, first in the League of Nations and then outside of that process by a group of allies who had worked together to defeat the axis powers. They didn't just spring up quickly; they were the result of a lot of quiet diplomacy over the years. I think if I were the Canadian government, and particularly the Department of Finance, that's where I would begin: with some quiet diplomacy on the strength of our institutions.

•(1625)

The Chair: Mr. Hampson.

Prof. Fen Osler Hampson: I think it was last week that Paul Volcker, the former chairman of the Federal Reserve, held up Canada as kind of the poster child of how to get financial regulation right and in fact argued that Canada is a good model for the United States. That being said, lecturing others on the Canadian model may make you feel good, but it tends to make others feel rather nauseated.

I think our bigger challenge—because we do have credibility in these areas—is to translate that into effective diplomacy in what is going to be an ongoing series of negotiations about the reform of international financial institutions. And right now there's a lot of hysteria. The European Union is rushing into high regulatory mode; the Americans continue to be resistant to it, largely for domestic political reasons. I think we can bring a stable, sober, measured voice to those discussions.

The Chair: Thank you, Mr. Hampson.

I would just like to close with one quick question here.

Mr. Hart, when you were speaking you talked about our border and how since the early 1920s, 1930s, 1940s, we realized we needed to improve the border relations, allowing more vehicles across, and then all of a sudden in 2001—bang—everything started to slow down, and since then we've talked a lot about security.

You then said that we need to get back to where we ask how we can allow this kind of commerce and trade to take place, recognizing the numbers and the integration of the two countries. And there was general agreement all around the table, everyone was nodding their head. And then you said that we need to do some work on security first, and all of a sudden the nodding stopped. What do you see are the big needs here to complement maybe what the States has but to satisfy their concerns?

Prof. Michael Hart: The United States faced a real problem on September 12, 2001. They had a real security problem and they reacted. And they reacted by bolstering resources, by introducing new programs, and by introducing new technologies, without really thinking about long-term consequences on their relationship with Canada.

I was astounded to learn from one of the papers we commissioned for our project that the United States has sextupled the human resources on the Canada-U.S. border, which to me is a very threatening number and which indicates a lack of confidence by the United States in our ability to ensure that the border is handled not only as an economic border but also as a security border.

Now we've introduced quite a number of programs where we've worked together. We have a lot of people working together, for instance, at the Port of Halifax and at the Port of Vancouver, where we're looking toward ensuring that stuff coming from outside of North America enters North America and is safe. I think that's the kind of thing we need to do. We need to build confidence with the United States by building together not only institutions at the border where we're confident in each other but also on the perimeter. We need to make sure we do these things together, that we don't do them separately, along two separate paths with the result that we don't meet. I think we need to do it together, and we need to, first of all and foremost, build confidence in the United States that we will be a partner in ensuring not only that Canada is safe but that North America is safe.

• (1630)

The Chair: Thank you, Mr. Hart.

Mr. Hampson, last round.

Prof. Fen Osler Hampson: I think we need to get very concrete about how we're going to speed movement across the border. And I would suggest that one of the things we could do with some of the new infrastructure money that is being made available not just in Canada but in the United States is to look toward some new pilot projects that—for lack of a better word—could be called fast and safe border approaches.

That is to say, if we're going to start building some new bridges or new tunnels to replace the very creaky infrastructure that's there, let's invest in using some new technology and some new approaches to speeding transit across those bridges—or a bridge that will make use of new technology to speed up pre-clearance. And if we can show that it works and that we can cooperate in a way that makes it work,

then that's something that you can sell as an existence theorem to the public, that there are ways of doing business and that we're going to start changing the way we're doing business at the border.

The Chair: Thank you very much.

That concludes our first hour. It went far too quickly.

I just want to do a little advertising for Mr. Hart. This is the book that he authored, *From Pride to Influence: Towards a New Canadian Foreign Policy*.

Hon. Bob Rae: Can I bring my books next time?

The Chair: You must have piles of them somewhere that were never sold, Mr. Rae.

Hon. Bob Rae: They're in my garage, ready to go.

The Chair: I haven't had the opportunity to look through this, but please take the opportunity, if you can, to pick up a book. They can be ordered off the website. The last time we looked, it was only in hardcover, but this is a softcover. They must be available there now, or coming soon.

Thank you very much. We'll suspend for a minute and allow the departmental officials time to take their seats.

• _____ (Pause) _____

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• (1635)

The Chair: Good afternoon. We've gone a little over time in our first hour here. In our second hour we're going to hear from the Department of Foreign Affairs and International Trade. Ms. Feldman is our assistant deputy minister for North America. I apologize that I didn't get a chance to get over and meet you prior to your taking your chairs. We also have with us Kim Butler, director general of North American general relations, and Deborah Lyons, director general, North American commercial affairs.

Perhaps you heard part of the first hour. We are conducting a little bit of a review and a study of Canada-U.S. relations, and we look forward to some of your comments.

Welcome. Ms. Feldman, please proceed.

Mrs. Elaine Feldman (Assistant Deputy Minister, North America, Department of Foreign Affairs and International Trade): Thank you very much, Mr. Chairman. Honourable members, thank you for this invitation to speak to you about the Canada-U.S. relations dimensions of Canada's foreign policy. As you know, it is a topic that has received an enormous amount of attention across the country in recent weeks.

You are all aware, of course, that President Barack Obama was in Ottawa last Thursday for a working visit with the Prime Minister. The visit, which underscored the importance of the Canada-U.S. relationship, provided an important opportunity for the leaders to explore ways in which Canada and the United States can 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, as well as our respective economic recovery packages and how we can work together—including through the G-8 and the G-20 processes—to restore confidence in international markets and to help our economies recover. 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 to our relations with the new U.S. administration. As both the Prime Minister and the Minister of Foreign Affairs have indicated, we are seeking to renew our bilateral relationship with our most important partner, the United States. The continued good health of this relationship is vital to Canadian prosperity. The new U.S. administration presents an opportunity for both countries to find new ways to work together on shared priorities and challenges—on the economy, on climate change and energy, and on international security and foreign policy.

As assistant deputy minister for North America in the Department of Foreign Affairs and International Trade, I can assure you that we have been working towards engaging the new administration in Congress for some time now. Through our embassy in Washington and our 22 missions in the United States, we have been very active in advocating Canada's interests and engaging the incoming key players 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 to key American opinion leaders that Canada is a key economic and security partner and their largest energy supplier, that both countries will benefit from working together to strengthen our integrated economies during these difficult times, and that collaborating to protect our shared environment is in our best interests.

Here at home, the department has played a leading role in supporting the Government of Canada's efforts to engage the new administration for the benefit of Canadians, to coordinate the advancement of Canada's policy priorities, and to ensure that no U.S. actions negatively affect Canadian interests. We have also been working with the provinces and territories, including on visits to the United States by premiers, given that they too play an important role in advancing Canada-U.S. relations.

Since his election in November, President Obama has signalled an open, collaborative, and pragmatic approach and has indicated that the United States is looking for allies and partners on key issues. This is important for Canada's foreign policy, as it presents an opportunity for Canada to advance our interests by working with the United States to achieve our goals—for example, at the Summit of the Americas.

In fact, 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: from enhancing North American competitiveness to the defence and security of our continent, to international security priorities such as

Afghanistan and nuclear non-proliferation, to our priorities in the hemisphere and the stewardship and protection of our shared environment. We also share the largest bilateral flow of goods, services, people, and capital between any two countries in the world.

● (1640)

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 the recovery and strengthening of our economies. More than \$1 million of goods and services crosses the border every minute and well over 300,000 people each day. The economic outlook is challenging for the United States in the short and medium term, with some forecasters suggesting that the nation's GDP will contract by 6% in the first quarter of 2009. More than 600,000 jobs were lost in January. We have seen the fallout in Canada already as Canadian manufacturing, heavily dependent on U.S. business, suffered in December, dropping 8% in sales compared to the previous month. The auto industry, one of the sectors with the closest integration on the continent, is especially vulnerable.

We will continue to support Canadian businesses seeking assistance in the United States market, whether they want to deepen and secure current relationships or find new opportunities. 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. We have greatly increased resources focused on the United States and have a stronger focus on the attraction and retention of greenfield investment, for example, but have also moved into completely new areas such as working with scientists and venture capitalists in the commercialization of emerging technologies. We've expanded our capability to conduct effective and targeted advocacy by using advanced research and database tools.

In order to protect and expand our commerce, there's 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 and police forces have been cooperating for decades. This cooperation must continue as the management of our shared border remains a key element of our close economic and security partnership with the United States. This 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.

It is also clear that environmental, climate change, and energy issues are policy priorities for both countries and present opportunities for collaboration. We have a long history of joint stewardship of the environment from air and water quality to wildlife management. This includes at least 50 federal bilateral arrangements, more than 100 arrangements at the state and provincial levels, and the 1909 Boundary Waters Treaty, which celebrates its 100th anniversary this year.

President Obama has been clear that the environment is one of his highest priorities and on the need for the United States to reduce its dependence on foreign energy supplies. Last week, during the visit of the president, the two leaders agreed to establish a senior level Canada-United States clean energy dialogue that will cooperate on several critical energy science and technology issues, including expanding clean energy research and development, the development and deployment of clean energy technology, and the building of a more efficient electric grid based on clean and renewable generation.

Looking beyond our continent to our wider foreign policy objectives, there are additional opportunities for collaboration to advance the interests of both countries. Canada has been and will continue to be an active partner to the United States through a number of multilateral fora and upcoming summits, including the G-8, the G-20, NATO, and the Summit of the Americas process. We are in a position where we can contribute to multilateral solutions to ongoing challenges and the government will seek to enhance our cooperation regarding our shared peace and security concerns, for example, on Afghanistan and on non-proliferation issues.

• (1645)

Our defence relationship with the United States has grown over the years and is central to our future security and well-being. Canada has benefited immensely from this defence partnership and we will continue to work with the United States at home and abroad. Indeed, defence cooperation has assured both our countries greater security than we could have achieved on our own.

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 United States' 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.

Thank you.

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

We'll move to the first round.

Mr. Rae, please.

Hon. Bob Rae: Thank you very much.

I have to confess, Mr. Chairman, I'm somewhat at a disadvantage because Ms. Feldman and I worked for many years on the softwood lumber file. I don't want to damage her future prospects by indicating what a terrific job she's done. She's a tremendous public servant and we're very lucky to have her working for the country.

I have a question that may strike you as a little odd, and maybe you're not the person to answer it. When we went through the last recession, I was in another job. One of the things we had to do right away was set up an early warning system on plant closures, and more particularly on investment decisions that companies were making. It's true that we're collaborating with the United States, but we're also competing with the United States. We're competing with states for plant locations; we're competing with states for where jobs and investment will go. Right now, in corporate boardrooms across the country and across North America, decisions are being made about where to cut, how to cut, where to allocate, where to focus production. What is the strategy of the Government of Canada with respect to those decisions, which are being made on a daily basis?

• (1650)

Mrs. Elaine Feldman: I don't think I can answer all of your question, but I can tell you what we're doing in the United States. As I think I said in my statement, we have a network of 22 missions, plus the embassy, in the U.S. Some of them are consulates general, some are consulates, and some are trade offices. All our people recognize that the economy is the number one priority. The sorts of things you're talking about—plant closures and investment decisions—are what our people are focused on and reporting back to us on a continual basis. So we hear early about what is being talked about and bring it to the attention of the business community and our partners across the government so that appropriate action can be taken.

Hon. Bob Rae: Is there a focused group in Ottawa that works with the provincial governments across the country to deal with these decisions, before they get made, in a sense?

Mrs. Elaine Feldman: Certainly within the Department of Foreign Affairs and International Trade we reach out to the provinces all the time. I'm new in this position, so I will be continuing a tradition of my predecessor in holding regular conference calls with the provinces and territories. My first one is next week. The Deputy Minister of International Trade does the same. He will be having a federal-provincial-territorial deputies meeting this week where these sorts of issues are number one on the agenda.

Hon. Bob Rae: As an organizational question, we went through a period where the department was supposed to be broken up, and then we went through a period where it was supposed to be integrated. Where does the department stand today?

Mrs. Elaine Feldman: We're integrated. In my position as assistant deputy minister for North America, I'm responsible for both the general political relationship and the commercial relationship with the United States.

Hon. Bob Rae: And you report to both deputies?

Mrs. Elaine Feldman: I report to both deputies and both ministers.

Hon. Bob Rae: And that works?

Mrs. Elaine Feldman: Yes, it does.

Hon. Bob Rae: I'm not sure you'd tell me if it didn't, but that's okay.

Did either of your colleagues want to comment on that?

Mrs. Elaine Feldman: Deborah reminds me, of course, that we also have a part of the department that focuses on investment and is very involved in investment retention in Canada.

Hon. Bob Rae: And where does that connect with the Department of Industry?

Mrs. Elaine Feldman: It connects at all levels, from the deputy down to the officer in charge of a particular issue.

Hon. Bob Rae: We're in a very critical moment now. The next several months we're going to either hang on to a bunch of jobs or lose a bunch of jobs. It's a really tough time, and it requires a very different kind of strategy to hang in there.

I'm asking whether you feel confident that you're on the kind of footing you need to make the case to the corporate world that this is where the jobs should stay, we produce more competitively than anybody else, and this is why this company should be locating here and not somewhere else.

Mrs. Elaine Feldman: That's a major part of our day-to-day work. As I said, I think it's quite clear to our network across the United States that the economy is the number one preoccupation. That's the information we're looking for and that we're receiving from them.

•(1655)

The Chair: You have a couple more minutes, if you want.

Hon. Bob Rae: We had a very interesting presentation from Frank Graves. He was making the point that it's going to take something big to get the American's attention and that we should be looking at a broader engagement with the Congress and the administration, as well as with American public opinion. He wasn't persuaded that we have the means to do that, that we aren't sufficiently aware of what is

moving American opinion and how American opinion needs to be engaged.

Has anybody seen his presentation or heard his comments, and would you have anything to say about that?

Mrs. Elaine Feldman: We haven't seen it, so I would be interested. As I said, we have been focused for months now on engaging with the new administration and Congress. If there are people who think we're not doing a good job, they should talk to us about where we're falling down. It is our number one priority.

I'll refer again to our network. Not only are we engaging with Congress and the administration, but we engage at the local level. That's why we have so many offices across the United States: to influence state and municipal governments to make sure they carry that message to Washington.

We have found that it is often more effective for the message to come from an American than a Canadian. If you have a chance to make your pitch at the local level and that message is then carried back to Washington, that has more influence at times than a representation from the Government of Canada.

The Chair: Thank you, Ms. Feldman.

We'll move to Madame Deschamps.

[*Translation*]

Ms. Johanne Deschamps (Laurentides—Labelle, BQ): Thank you, Mr. Chair.

Welcome to our committee.

Ms. Feldman, in your remarks, you said: "In order to protect and expand our commerce, there is no question that the Canada—U.S. border remains a policy priority for Canada..."

A little earlier, we had Mr. Hampson here and he referred to the problems associated with the border between Canada and the United States. He felt that we should loosen the rules that have been tightened since the events of September 2001 and harmonize them, including those dealing with the automobile industry.

Do you agree with him?

Mrs. Elaine Feldman: I did not hear Mr. Hampson's remarks. So it is a little difficult to say whether I agree or not. But I can tell you that the border is one of the issues that the federal government is very concerned about. We think that there has to be a balance between questions of security and questions of trade, as the Prime Minister said during Mr. Obama's visit.

Ms. Johanne Deschamps: Mr. Hampson referred to the European model, which could, among other things, make trade easier between Canada and the United States. Have you anything to add to that? I wanted to tell you what he said about it.

On a different matter, Canada's position on international relations has been perfectly in line with the United States' position since January 2006. Since President Obama's election, can we see any changes in Canada's position vis-à-vis American government policies?

The President is very popular. In his stimulus plan, he favours “buy American”. Should Canada be worried about that? Do we have possible irritants to look forward to, such as we had during the softwood lumber crisis?

● (1700)

Mrs. Elaine Feldman: On a number of occasions, the President has said that he is against protectionism and that the “buy American” program was going to comply with the standards of international law. It is something that we must look closely at. So far, the President has been clear: he is against protectionism in the United States.

[*English*]

The Chair: Okay, thank you, Madam Deschamps.

We'll move to Ms. Brown.

Ms. Lois Brown: Thank you, Mr. Chair. I believe I'm sharing my time with Mr. Lunney.

Thank you very much for that. I think we have some really valuable information here.

Ms. Feldman, you've already talked about how Mr. Obama has tried to mitigate the concerns about protectionism. Are there other things in the U.S. stimulus package that Canadians should be concerned about? I guess my second question, if we can kind of wrap that in because of time, is whether there is a need for Canada to be working on a North American stimulus package with the United States. We see that in our auto industry. We have cooperation between the American government, the Canadian federal government, and the Ontario government, so it's kind of a prototype. Are there other areas in which we should be looking at working together in order to get this economy back on track?

Mrs. Elaine Feldman: With regard to your first question about whether there are any other concerns, we're watching the implementation of the stimulus package very closely to ensure that should there be any concerns, we get a chance to address them head-on. This is something we're following very closely, because the devil will be in the details of implementation.

With regard to your second point on working together, I think it was quite clear, coming out of the visit of the President, that there is an opportunity for Canada and the United States to work together on a number of economic proposals, for example, whether there's some money that can be spent on border infrastructure coming out of both the U.S. and Canadian stimulus packages that would be valuable for both Canada and the United States. I think there's a clear recognition that we are an integrated economy and need to work together to ensure that what we're doing is complementary, and as you say, not just in the auto sector.

The Chair: Thank you.

Mr. Lunney, please.

Mr. James Lunney: Thank you, Mr. Chair.

I wanted to pick up on your comments about management at the border and smart and efficient border management.

I'm referring back to Mr. Graves' presentation earlier. That would be Frank Graves from EKOS Research Associates, the polling firm.

He presented some polling data about cooperation and American and Canadian perceptions of international issues. On the same level, three of the eight major concerns raised by the American population involved borders: managing our shared border, national security, and, immigration.

Post 9/11 there was, and still is, a perception that some of the attackers came from across the Canadian border. Even though that turned out not to be true, there still seems to be a perception in the United States across quite a broad section of the U.S. that our border is somewhat porous.

Now, looking at immigration practices in Canada, we don't actually detain anybody who comes in. They get on the plane and they have to have papers, but if they show up at our borders and they don't have papers, we don't detain them. We investigate them, but usually they're released the same day into Canadian society.

My question would be, and this might be a little outside your realm perhaps, but given this perception within the U.S., would you suggest that our immigration practices are a concern and should be reviewed in light of addressing these concerns?

● (1705)

Mrs. Elaine Feldman: Well, as you said, immigration is outside the realm of what I'm responsible for.

In terms of perception, I think the Prime Minister made it very clear in his press conference that threats to the United States are threats to Canada. So if anybody has any perceptions that somehow there's a difference vis-à-vis security concerns in Canada and the United States, I would hope that the remarks of the Prime Minister would clear those up.

Mr. James Lunney: I appreciate that, but it was a very good political answer.

My concern would be more of a practical nature, that we actually have people showing up who must have papers to get on the plane but don't have them and are showing up and are not being detained. Having made the point, I'll let it go at that and move in another direction, because I recognize it's not your primary responsibility.

I wanted to ask about our relationship with NATO. I was just over in the U.K. recently, and reading some of the local coverage over there, I see that both the U.K. and the U.S. have some concerns about our involvement in Afghanistan.

My question is really about Afghanistan and our future cooperation with the U.S. in relation to Afghanistan. In terms of our NATO partners, I see that NATO agreed at its recent meetings to ramp up aid and support for Afghanistan, but there were actually no commitments made involving combat or any military involvement.

Again, it's a bit of a stretch of your primary responsibilities, but how are Canada and the U.S. going to deal with the fact that there are three countries, the U.S., Canada, and the U.K., carrying the military responsibility for NATO? Our NATO partners seem to be willing to talk and to offer up a little money, but they don't seem to want to share the heavy lifting.

Mrs. Elaine Feldman: Again, it's an area that's a bit outside of my responsibilities. But I can say, because this has been said publicly by a number of Canadian ministers, that they believe there is, as you say, a need for other NATO partners to step up to the plate. There will be a NATO summit in early April, and I am quite sure that this subject will be on the agenda for the leaders at that NATO summit.

Mr. James Lunney: I guess, just for the record, I'll leave it with the comment that this was covered in the media over in the U.K. as well. There's certainly a concern or perception in the U.K. media that "we" are carrying the burden. I suppose that if we don't address this, we'll have to be looking at NATO redefining itself as something other than a military alliance.

The Chair: Thank you, Mr. Lunney.

We'll continue with Mr. Dewar, please.

Mr. Paul Dewar: Thank you, Chair, and our guests for being here today.

I wanted to start with a couple of questions about the numbers we use when we define trade between Canada and the U.S. One number that has been thrown around is \$1.5 billion. I think you referenced the fact that \$1 million in goods and services cross the border every minute.

What is the percentage we use these days for trade between Canada and the U.S.?

Mrs. Elaine Feldman: The percentage of Canadian trade—

Mr. Paul Dewar: With the U.S., sorry.

Mrs. Elaine Feldman: It's 74%, approximately.

Mr. Paul Dewar: I'm glad you mentioned that, because it has changed significantly. In conversation recently in Ottawa someone corrected someone who was saying it was 85%. I think it's important to note that 74% of our trade is with the Americans. In other words, it has changed significantly as we've entered into trade with other countries; the BRIC is often mentioned. The reason I mention that is that our focus certainly has to be with the United States, but it also bears to look at the rest of the world, because the percentage changed.

I'm looking toward our relationship with the United States and some of the conversations that would have happened last Thursday around stimulus. We had the G-20 number, which I thought was a commitment, of 2% of GDP as a goal. What was the number we referenced when we were talking to the Americans about our stimulus package? What did we say we are investing? How much of our budget?

• (1710)

Mrs. Elaine Feldman: In his press conference, the Prime Minister referred to 1.9%.

Mr. Paul Dewar: And did we define what that meant? In other words, did we say that was 1.9% fully federal dollars or did we just say 1.9% as an aggregate general figure?

Mrs. Elaine Feldman: I have the language here somewhere, but I believe it's an aggregate number.

Mr. Paul Dewar: Thank you.

Did we get from them what they were spending in their stimulus package as it relates to the GDP? Do we know that?

Mrs. Elaine Feldman: We know the number that's been out there, which is in the order of just under \$800 billion, but as a percentage of GDP, I don't know that number.

Mr. Paul Dewar: I would drill down a bit farther and ask you if you're doing an analysis about how much is being spent of their stimulus package on things like environmental investments versus our budget. Is that kind of study being conducted, or are we looking at that?

Mrs. Elaine Feldman: Within Foreign Affairs and International Trade we would be looking at where the U.S. is spending its money, but we're not responsible for domestic spending.

Mr. Paul Dewar: No, certainly. But you'd have access to that data. The reason I'm asking you this and where I'm going with this is because of this so-called dialogue, which I think everyone supports. We also want to be informed in the dialogue; everyone should be informed in any dialogue. My concern is the amount of money we've dedicated to stimulus versus the Americans. We're not spending as much—and that can be a debate we have between parties—but it's also where it's going to be spent. Mr. Rae talked about not just being cooperative but competitive, and my concern is that we are seeing economies changing significantly, trying to deal with economic crisis, but we're also in a transformative phase, I think most people would agree. I think it would be important to understand where we have common linkages in terms of the vision we've heard from Mr. Obama and his administration and make sure we're not left behind. I would hope our government would look at that, do a juxtaposition between where they're spending their stimulus and where we're spending ours.

I had another question. Is looking at the cap and trade market something your department has been tasked with, as it relates to the continent and the United States, or is that shared with another department?

Mrs. Elaine Feldman: Environment Canada would have the lead on environmental issues, including a potential continental cap and trade. We're following it, of course, because a number of United States states have already come together to look at a potential cap and trade, along with a number of Canadian provinces. So, yes, we're involved in that regard. Of course, the Obama administration has spoken of cap and trade, as have a number of influential congress people. So, yes, it's something we're following closely.

Mr. Paul Dewar: But your department isn't the lead department; it's something that's being done in Environment. I'm just trying to get an association of who's taking the lead.

Mrs. Elaine Feldman: We're not the lead on cap and trade. We're not the lead on environmental issues.

Mr. Paul Dewar: Right.

Mrs. Elaine Feldman: But we would work very closely with Environment Canada and on the clean energy technology dialogue with NRCan.

Mr. Paul Dewar: So it's safe to say that...I should be going through the chair.

The Chair: That's fine.

Mr. Paul Dewar: It's safe to say that relationship might be changing as we move along. In other words, you might take more of a role in this area than at present?

Mrs. Elaine Feldman: Any time there is a discussion with the United States that might lead to an eventual agreement between the two countries, the Department of Foreign Affairs and International Trade would be very involved.

Mr. Paul Dewar: I have another question. I will just move from the environmental file to one around trade itself. We had an interesting presentation just before yours. I'm not sure you were here for the comments. On the whole issue of NAFTA, Mr. Hart basically said NAFTA is there, don't worry about it, and as to taking the side agreements on the environment and on labour that Mr. Obama was talking about and vetting in NAFTA, so what, we can do that. Is it something the department has looked at—in other words, taking those side agreements on labour and on the environment concerning what it would take on any concerns we would have about putting them directly into NAFTA?

• (1715)

The Chair: Very quickly, Ms. Feldman.

Mrs. Elaine Feldman: Our concern would be about reopening the NAFTA and the possible unravelling of the NAFTA. In the press conference I think it was the President who indicated that officials could look at these issues, and we would wait to hear from the United States about what they have in mind.

The Chair: Just before we go to the next question, I do want to tell you that as far as committee business goes today, we do have to pass a budget that allows us the opportunity to bring these witnesses in and actually pay for their expenses while they are here, so we want to leave a little time.

I don't know if there are any other motions that anyone is intending to bring forward. If not, I'll leave the last five minutes for the budget, and we're going to talk about the supplementary estimates (C) as well. That could probably be done in five minutes.

Mr. Goldring.

Mr. Peter Goldring: Thank you very much, Mr. Chairman.

Ms. Feldman, maybe you could elaborate a bit on whether these restrictions at the border are both ways, or how they would compare, coming and going. Also, it seems to me that a lot of these holdups and delays are due to a lack of capacity as part of it. It seems to me there was some work being done on an initiative on the east coast, somewhat like the Pacific gateway. It would open up more deep-water trading, interaction with seaboard states as well as with our Atlantic ports. Could you also elaborate on whether this isn't some way that will help to offset and take the pressure off the main north-south border? In particular, with shipments that are going by, say, rail or going across the border straight through to Mexico or through to the Caribbean, is there any real movement to take that deep-water trade out of our Atlantic and Pacific ports instead of trying to squeeze it all through the United States?

What other initiatives, perhaps along this line of developing infrastructure to do so, are on the books or are being discussed and talked about, like harbour, infrastructure, maybe new highways? I understand there is a new bridge for Windsor. Are there other bridges and access points? In other words, are there efforts being made to develop other ways to move product through the border until perhaps some of the security issues can be taken care of?

Mrs. Elaine Feldman: Again, a number of the points you raise really fall within the jurisdiction of the Department of Transport. There is a lot of work going on in terms of developing both an Atlantic and a Pacific gateway, for exactly the reasons you've mentioned, in order to provide opportunities for the movement of goods through the ports of Vancouver and the Pacific and then on the east coast through Halifax, in order to speed the movement of goods through the Atlantic and Pacific gateways.

Mr. Peter Goldring: With the drop that had been mentioned, the percentage of Canada-U.S. trade from 85% to 74%, how much of that is due, or is there any way of determining how much of that is due, to border restrictions? Has that had any influence on that cross-border trade, or is this because we're looking out to other initiatives around the world?

Mrs. Elaine Feldman: One thing I should say is that while the percentage is lower than it was a few years ago, the dollar value of the trade is higher, so that's one thing to keep in mind. The other, of course, is that our percentage share goes down as other countries increase their exports to the United States. For example, China has taken a larger share of the U.S. market.

But of course Canada does have the global commerce strategy, which is designed not only to increase our trade with the United States but to increase our trade with a range of key partners around the world, including, as Mr. Dewar referred to, the BRIC countries: Brazil, Russia, India, and China.

• (1720)

Mr. Peter Goldring: Is there anything specific you can mention that would dramatically help with a freer flow of material across the board in the future? Specifically, are there any specifics on some of the congestion at the border?

Mrs. Elaine Feldman: There's a lot of work going on at the officials' level. We work very closely, and when I say "we", I mean the whole of government approach, Foreign Affairs and International Trade, Transport, CBSA, Public Safety, with counterparts in the United States to ensure that flows across the border are as efficient as possible. Whether there's anything dramatic coming, I can't answer.

Mr. Peter Goldring: The other question I had was, is this both ways that the restrictions are approximately even or is there any difference between our importing of material as opposed to their importing of material?

Mrs. Elaine Feldman: We each have our own regulations....

Mr. Peter Goldring: Is there anything out there that would be different, or is it different?

Mrs. Elaine Feldman: I'm looking at my colleague who has more expertise in these sorts of matters, but nothing stands out in particular.

Mr. Peter Goldring: So the difficulty is fairly even on both sides?

Mrs. Elaine Feldman: I think the answer is we each have our own regulatory systems, which are sometimes coordinated and sometimes not.

Mr. Peter Goldring: Thank you.

The Chair: Thank you very much, Mr. Goldring.

I think that's probably where we will leave it for today. We want to thank you very much for coming in. I think everyone with great expectation watched the President of the United States come here last week. Again, it seems like a renewed enthusiasm for recognizing the leadership of that country here, and it's good that we've been able to have this discussion to help us understand a little bit more about the challenges that go together with having a trading partner so close and an ally and all those things that go along with it.

Thank you to the department for being here and helping us to understand the study a little better.

We're going to suspend for about a minute, and then we're going to come back to committee business, where we have a budget and some other work to quickly look at.

- _____ (Pause) _____
-
- (1725)

The Chair: We'll call this meeting back to order and we'll go into our committee business portion. I don't think we have any defined agenda. We do have one printed, but I know we have a couple of things we want to let you know about.

First of all, you have in front of you a budget and it is the study budget. This budget allows for witnesses to be brought. We have some coming from different parts of the country, so this is fairly routine. We would just ask the committee for comment or if somebody would move this budget.

Mr. Deepak Obhrai (Calgary East, CPC): It's too expensive, but if Paul Dewar approves the stimulus package, we'll let it go.

The Chair: All right, so do we have a motion then to accept this budget as presented by the clerk? All in favour?

(Motion agreed to)

The Chair: There are a couple of other things I would like to tell you about. First of all, did everyone get a copy of the agenda for who's going to be coming in the next little while? Wednesday, again, we continue on this study, and we have Dr. André Plourde and Thomas D'Aquino, David Stewart-Patterson, Sam Boutzouvis, and also Colin Robertson. Then next Monday we have Peter Harder and James Taylor, and we'll just keep going down, and then Perrin Beatty and a number of others.

Are they circulating this? All right. So you'll have received that now.

I also want to mention—and maybe Mr. Dewar wants to introduce it—that the supplementary estimates (C) are....

Paul.

Mr. Paul Dewar: It's very simple. We've just received supplementary estimates that have the letter "C" on them—for those who hadn't seen the previous ones when we had talked to the

minister. I just want to ensure that we will have an opportunity to have the minister here to talk about the estimates.

This came out just before we left for the break week. I'm not sure if the clerk knows this, but were the main estimates tabled today?

The Chair: No. I think it will be either today or tomorrow, but very soon.

Mr. Paul Dewar: Regardless—and maybe we could do two together, because there's a lot in this—I don't know if people had a chance to look through it and then the main estimates, but I would like at some point very soon, because it's part of our job, to have ministers representing—

The Chair: What I can say is, because the main estimates are going to be tabled here in the next little while, personally—and again, this is just an opinion—we've always had ministers who have been willing to appear, and I'm sure they would be willing to appear on the main estimates. They're coming down, and any question in the supplementary estimates can be brought forward on the main estimates. I don't know if it's necessary that we have a minister for the supplementary estimates and then a week later make another request for the main estimates.

Mr. Paul Dewar: My intent is to be reasonable on this. That's why, when I initially got these, I thought we should be doing our job as a committee and, understanding that the main estimates are coming, put them together. So I just want to make sure we've put that on our agenda, to invite the minister for, I would suggest, both, and to do it as soon as possible. I thought the main estimates were coming out today when I heard at lunch that they might be.

The Chair: They're coming very soon, and we have until May, I think, to have a minister appear for them. Again, those supplementary estimates can be brought up as well when the minister is here on the main estimates.

- (1730)

Mr. Paul Dewar: I don't think this is controversial, just to have the minister invited to the committee to go over the estimates in a timely fashion.

One other point I would like to bring up is, where are we at with the subcommittee on human rights? I would like personally to get that going as soon as possible.

The Chair: They are meeting. In fact, in the House today, just from what I overhead, Mr. Marston, Mr. Reid, and a couple of others from the other party were getting together to discuss the next little bit.

So we have not necessarily a motion, but I think Mr. Dewar is saying that when these main estimates come out, we can expect a minister to come and—

Mr. Paul Dewar: I'm saying to invite the "ministers".

The Chair: To invite the ministers.

Mr. Obhrai.

Mr. Deepak Obhrai: I'm going to lose sleep over agreeing with the NDP, but it's fine with us.

The Chair: So that's agreed on the main estimates. Thank you.

If there's no other business, we will adjourn. Thanks, folks.

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