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Chair

Mr. Kevin Sorenson

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• (1530)

[English]

The Chair (Mr. Kevin Sorenson (Crowfoot, CPC)): *Bonjour, chers collègues.* This is meeting five of the Standing Committee on Foreign Affairs and International Development, on Wednesday, February 25, 2009. Today we will continue our review of key elements of Canadian foreign policy.

On behalf of the committee, I want to begin by welcoming our guests and our witnesses today and thanking them for appearing.

As a witness in our first hour, we have, from the University of Alberta, André Plourde, a professor in the department of economics. He has served at the University of Toronto and the University of Ottawa. He spent a year as director of economic studies and policy analysis with the federal Department of Finance. During academic year 2003-04, Mr. Plourde took a one-year leave and was appointed associate assistant deputy minister for the energy sector at Natural Resources Canada. He has served on numerous advisory committees. His research interests have centred mainly on energy economics and on Canadian energy and environmental policy issues.

From the Canadian Council of Chief Executives, we have Thomas d'Aquino, chief executive and president. Mr. d'Aquino serves on boards and advisory committees in Canada and abroad. He has been considered one of Canada's most effective global business ambassadors and has been a regular commentator on radio and television and a frequent speaker in Canada, the United States, Europe, Asia, and Latin America. He is accompanied by Mr. David Stewart-Patterson, executive vice-president of the Canadian Council of Chief Executives, and Mr. Sam Boutziouvis, vice-president of economics and international trade.

In our committee structure, we look forward to an opening statement of approximately 10 minutes. Then we'll proceed into the first round of questioning, which is seven minutes per party, and into the second round, five minutes.

I'm not certain who we had decided would go first. Being a fellow Albertan, perhaps I would show my preference today to Monsieur Plourde from the University of Alberta. I should also say that in my riding of Camrose we have Augustana university, which is a great campus and part of the University of Alberta.

With that, Mr. Plourde, we look forward to your comments.

Professor André Plourde (Professor, Department of Economics, University of Alberta): Thank you very much. Maybe the fact that I'm from New Brunswick will balance the presentation.

[Translation]

Mr. Chairman, ladies and gentlemen members of the committee, I want to thank you for your invitation to speak to you today.

President Obama's arrival in the White House marks a change in the dynamic of energy and environmental relations between Canada and the United States. The coming months will constitute an opportunity that the Canadian government must seize to influence major development trends in public policy on the links between energy and the environment at the North American continental level, so as to ensure that the interests of Canadians are represented and considered.

With your permission, I'll continue my presentation in English. However, I will be pleased to answer your questions in the official language of your choice.

• (1535)

[English]

Because of the absence of the requisite transportation infrastructure, the United States offers the only viable export markets for Canadian energy production, a situation that will prevail for many years to come. Access to U.S. markets is critically important for Canada's energy industry.

As you know, the energy independence and energy self-sufficiency rhetoric heard during the recent U.S. presidential election is nothing new. It is an old theme of U.S. energy policy, one that dates back at least to the middle of the previous century. However, it is as illusory now as it was then. The cost of energy self-sufficiency is so high as to make it an unachievable objective for the United States in the foreseeable future.

Since Canada is the most important provider of imported energy to the United States, the situation of mutual dependence thus exists between our two countries. Canadian energy producers need access to U.S. markets, and U.S. consumers need import flows from Canada to enhance the reliability of supply patterns and help keep energy-related costs relatively low.

In this context it would be unwise for the Government of Canada to use energy exports as bargaining chips in policy discussions with the United States. Simply stated, in the absence of viable alternative markets, the costs to Canada of curtailed U.S. energy exports are so high as to make the threats of policy-induced reductions in export flows not credible.

A much more promising approach would be to leverage this mutual dependence to position Canada as a secure source of energy supply for the United States and thus to highlight the possibility of mutually beneficial policy action. The key goal of such an exercise would be to aim for something that is consistent, at least with the spirit, if not the actual letter, of the North American Free Trade Agreement, namely to have Canadian energy production treated no differently from U.S.-based production from a U.S. policy perspective.

And we can go much further. Canada and the United States can act to develop a joint approach to managing the relationship between energy and the environment and thus address one of the greatest policy challenges facing us today. Granted, the development of new technologies aimed at reducing the environmental effects of energy production and use is an important objective, but it must be set in the context of a broader approach to policy, one that leads energy producers and consumers on both sides of the border to make energy-related choices that are more respectful of the environment. This is where a joint Canada-U.S. approach to policy can be quite attractive.

As you know, a key concern of Canadians in the policy debate surrounding climate change has been the possible deleterious effects on Canadian competitiveness that could result from a more aggressive policy approach being adopted in Canada than in the United States, by far our largest trading partner. The development of a joint Canada-U.S. policy approach obviates most, if not all, of this concern. A common policy approach would most likely result in effects on the cost structures of goods and services production that would be quite similar in both countries. Canadian producers would thus not face a policy-induced competitive disadvantage vis-à-vis their U.S. counterparts.

Where Canada and the United States would adopt a joint approach to climate policy, it would also be easier to ensure that all Canadian and U.S. sources of greenhouse gas emissions, including those related to energy production, are treated consistently and similarly in both countries. There would thus be no need to single out specific types of energy production, such as that from Alberta's oil sands, for special treatment. Such a policy approach could be designed to explicitly link the environmental consequences and the treatment extended to different energy sources and to do so in a manner that would be consistent and predictable from a policy perspective.

The time for the Government of Canada to act is now. Efforts need to be made, before U.S. policy directions are firmly established, to ensure that it is possible for the overall policy approach and the design of the specific instruments of implementation to be respectful of Canadian interests.

• (1540)

President Obama has recently signaled his interest in an approach to managing the relationship between energy and the environment

that brings together all three NAFTA partners. Canada should be responsive to these stated U.S. interests, despite the challenges created by the fact that the agreement's energy provisions do not apply to Mexico. Despite these differences, Canada and Mexico may still have common interests since both countries produce a lot of heavy crude oil and export much of it to the United States. A common policy approach to managing the environmental consequences of energy production and use that would result in continued non-discriminatory access to U.S. markets could be quite appealing to both Canada and Mexico.

The Government of Canada needs to seize this opportunity to help shape the future of energy policy and of energy environment policy in North America. Now is not the time to threaten non-credible actions, nor is it the time to let others adopt policy approaches that could be damaging to Canadian interests without seeking to influence their decisions. Canadians from coast to coast to coast will best be served by a government that is engaged in the development of energy policy and energy environment policy jointly with our largest trading partner.

[Translation]

Thank you for listening to me so closely.

[English]

The Chair: Thank you, Mr. Plourde.

We'll now proceed to Mr. d'Aquino.

Mr. Thomas d'Aquino (Chief Executive and President, Canadian Council of Chief Executives): Committee members, fellow witnesses, ladies and gentlemen, it's a great pleasure to be before this committee again. We salute the hard and very important work you do here.

I need hardly remind any of you that these are very bleak times for the global economy. We're living through the first synchronized global downturn since the Great Depression, a crisis that is affecting families and communities around the world.

The global nature of this crisis clearly demands an unprecedented level of international cooperation. For that reason, I'm delighted that this committee has undertaken to review the key elements of Canada's foreign policy and, in particular, is examining Canada's relationship with our closest friend and ally, the United States. The fact that we are meeting here a few days after the first official visit to our country of President Barack Obama makes these hearings especially timely, and I want to thank the committee for inviting me and my colleagues to share some of the perspectives of the Canadian Council of Chief Executives.

The organization I lead has championed closer cooperation between Canada and the United States for some 30 years. We were the private sector leaders in the campaign for the Canada-United States Free Trade Agreement and the North American Free Trade Agreement.

The council and its member companies are also active globally. We were in the forefront of Uruguay Round negotiations on behalf of the Canadian private sector that led to the creation of the WTO, and we continue to support progress on the Doha development agenda. We've been active within regional trade initiatives such as APEC. Indeed, we hosted the first ever APEC CEO summit in Vancouver in 1997, and we have played a key role in launching bilateral initiatives such as the Canada-Mexico partnership, the CMP. The CMP is continuing to do good work in bringing together both our governments and our business communities to address important economic issues, but I believe that even more can and should be done to broaden and deepen Canada's relationship with Mexico. We are also devoting special attention right now to the efforts to forge closer economic partnerships with the European Union, China, and India.

In the case of the European Union, we and our counterparts in the European business community have called for a wide-ranging accord, one that would include the elimination of all remaining trade barriers, the opening of financial and other service markets, broader reciprocal access to public procurement, and an ambitious agreement on regulatory cooperation, among other elements. Government officials are currently sorting out what will and will not be included in the talks, and we are hopeful that formal negotiations will begin this spring. The importance of this initiative cannot be overstated. The 27 member states of the European Union represent the world's largest market in terms of GDP, and a broad Canada-EU accord would offer huge benefits to Canada across many sectors.

The time has come also, ladies and gentlemen, for a much stronger relationship between Canada and India. Last month our Minister of International Trade, Stockwell Day, and India's Minister of Commerce, Kamal Nath, agreed to begin exploratory discussions toward a comprehensive economic partnership. We at the Canadian Council worked with the Confederation of Indian Industry to develop a joint report last year on the potential benefits of such a partnership, a draft agreement that was seen by both governments at the highest level.

Now, underlying all these initiatives is our fundamental belief that global trade and investment liberalization are and will remain powerful forces for human advancement and social development. I say this knowing full well that in today's environment there are some, perhaps a growing number, who question the benefits of international economic integration. Some have gone so far as to argue that the global financial crisis exposes the failures of globalization.

In my view this analysis is wrong on two counts. First, it ignores the fact that the process of global economic integration has been going on for thousands of years and is propelled not by governments and elites but by the innate human desire to reach out to build and to interact. Secondly, it overlooks the countless ways in which open markets have contributed to human progress and democratization, reducing inequality and lifting hundreds of millions of people out of

poverty. As former United States President Bill Clinton has observed, globalization is "the best engine we know of to lift living standards and build shared prosperity". Or to quote a former United Nations Secretary General, Kofi Annan, "I believe the poor are poor not because of too much globalization, but because of too little."

● (1545)

As I mentioned a few moments ago, the economic challenges we now face demand even closer cooperation among countries. The year ahead will be painful and full of surprises, but eventually fear will dissipate and confidence will return. The speed with which we return to better times will largely depend on sound policies, a willingness to accept transformative change, strong and principled leadership, and a commitment to both renew and strengthen the multilateral trading system on which prosperity depends.

In that context, I want to endorse Prime Minister Harper's comments at the conclusion of his meetings with President Obama last week with regard to the importance of the Canada-United States partnership. The Prime Minister noted that the ties between us are stronger than those between any other two nations on earth, and we need to continue our efforts to improve cooperation and to open doors of opportunity bilaterally, regionally, and globally.

Turning specifically to the issue of Canada-United States relations, my colleagues and I at the council outlined our immediate priorities in a statement a few days prior to President Obama's visit to Ottawa. In it we said that the global economic crisis makes it especially important to launch bilateral initiatives in three areas: the economy, energy and the environment, and defence and security. With your permission, I will briefly summarize our views in each of these areas.

First, Canada and the United States must work together closely to speed economic recovery. Governments should do their best to ensure that measures to support industry are complementary, and they should avoid any action that would impede trade between us or add to the costs of production. At the same time, our two countries should accelerate efforts to reduce the cost of doing business across our shared border, both by upgrading border infrastructure and by taking steps to eliminate minor but costly differences in regulation. In addition, we need to begin talking now about measures to strengthen our competitiveness once the recovery takes hold.

The second priority is the need to launch a bilateral energy and environment initiative. Both President Obama and Prime Minister Harper have expressed the desire to explore the potential for a North American market in greenhouse gas emissions, and we recommended that they launch formal discussions toward this goal. A coordinated approach to the management of greenhouse gases is essential to the ongoing competitiveness of our economies. Our countries are also natural allies in moving international climate change negotiations toward a sustainable and truly global solution.

Related to this, we recommended that Canada and the United States forge a joint strategy for improving clean energy technologies and expanding the secure North American supply and distribution of all forms of energy while reducing their overall environmental impact.

Our third priority focuses on the need to enhance bilateral and international security cooperation. Canada and the United States are natural partners in promoting human rights and respect for the rule of law, and we remain firm allies in the worldwide struggle against global terrorism.

Closer to home, we recommend that Canada and the United States begin discussions on measures to improve joint management of our borders. In particular, we support the idea that the full NORAD mission of surveillance, warning, and control be extended to the land and marine domains to create a unified and seamless system for North American defence.

Let me conclude, Chair. As business leaders, we were pleased to see that significant elements of all three of these priorities were reflected in the statement released by Prime Minister Harper and President Obama after their meetings last week. In particular, we welcomed the President's strong disavowal of protectionism and beggar-thy-neighbour policies that would only worsen the current global economic downturn. Of equal significance was the decision to launch a new clean energy dialogue that will address the energy needs of the 21st century as a key element of broader economic recovery and reinvestment efforts.

To sum up, we hope that last week's meeting between the President and the Prime Minister will mark the beginning of a new era of cooperation between our two countries. Much more work lies ahead, but we in the business community are committed to doing our part to ensure that Canada and the United States overcome the economic challenges we both face and emerge stronger than ever from the current downturn.

By way of emphasizing the urgency of our efforts, I am pleased to report that my organization will be convening a Canada CEO summit in Washington, D.C., on March 23 and 24, during which our members will meet with a wide range of senior administration officials and key policy-makers.

• (1550)

Thank you, Chair and members of this committee. This concludes my opening remarks. We would be pleased to answer any questions you might have.

The Chair: Thank you, Mr. d'Aquino and all, for being here.

We'll proceed to our first round.

Mr. Rae.

Hon. Bob Rae (Toronto Centre, Lib.): Thank you, Mr. Chairman.

It's good to see Mr. d'Aquino again. He and I have been around quite a long time together. I'm glad to see him here.

Mr. d'Aquino, my sense is that the border is getting a lot thicker, not thinner, and I wonder whether that's a view you also have and

whether you would have some specific suggestions to make as to how we might be able to deal with that problem.

Mr. Thomas d'Aquino: Thank you, Mr. Rae. I'm equally happy to see you.

The thickening of the border is an issue that we've been deeply concerned about, really, since 9/11. You all know what happened and I won't review that—the fact that trucks that had taken eight to ten minutes to cross the border were taking 18 hours to cross the border. I'll tell you, that was a huge wake-up call to all of us, not just to those of us in Canada, because we ship so much across the border, but to the 39 states that consider Canada their most important market.

Ever since then, despite the smart borders initiative that was initiated by the former government, which contained many excellent elements to it—Mr. Manley and Mr. Ridge—and despite all the efforts since, this enormous apparatus called the Department of Homeland Security, which I'm told is larger than the entire public service of Canada, has developed a momentum of its own. It's a momentum where, I have to say—given that I attended two summit meetings involving the two Presidents and the Prime Minister, one at Montebello in 2007 and one in New Orleans in 2008 where this issue was squarely on the table—despite the strong assurances on the part of the President of the United States and strong efforts on the part of the President of Mexico and our Prime Minister to say, "Let's do something about it," and the President in full view of those of us who are here saying to his homeland security secretary, "Let's get on with it," the fact of the matter is that we are falling behind rather than going forward.

So in answer to your question, Mr. Rae, I think we have to push very, very hard. I know that Prime Minister Harper did so with President Obama. I think it's important that the two business communities continue to intensify their efforts. And it's not easy. We've been at this now for three or four years, really starting back in 2001-02, and often we run up against a brick wall with a lot of people, including congressional and Senate representatives who say, "We're on your side; we want to do it," yet it doesn't happen.

Dealing with the inertia and dealing with it quickly, in our view, is crucial. This means taking infrastructure money on both sides of the border and improving the infrastructure access to border points. It means looking at the tunnel and the bridge, including a bridge that is privately owned—which, incidentally, greatly shocked the President of the United States, who couldn't believe that a bridge that was so important to our two countries was actually privately owned—but that we get on with the job of improving links that should have been improved even before the 9/11 attacks. Whether it's done under the umbrella of the security and prosperity partnership, which is now under a great cloud, or through some new intensified bilateral effort—although I think the Mexicans can help as well—we really, really have to intensify our efforts, set some clear goals, and get on with it.

If I may conclude, the reason we have to get on with it is that we have to thank our lucky stars that there has not been another major terrorist strike. We would have run into huge problems once again. Depending on the severity of the strike, it could be almost fatal to two-way trade. We're lying here hostage to the possibility that such a strike might take place, and we're still dealing with the thickness of the border.

The second thing we have to do is ensure that officials on both sides of the border, the border security people, utilize the smartest and the best technology to make the border work better. And you know what? That technology has been around now for a decade. It's just that we're not using it rapidly enough, and somehow there does not seem to be the sense of urgency to deal with it.

Smart card technology on dealing with the borders, which is being used in various forms of cross-border transportation, should be extended right across the board, and most of all, at the highest political level—and I think the Obama-Harper statement helped to do that, and I'm assuming that Mr. Ignatieff did the same thing—

• (1555)

Hon. Bob Rae: He did.

Mr. Thomas d'Aquino: Good. And we should acknowledge that the interdependence of these two countries and the jobs and the industries on both sides of the border means that need to get that border thinned out as quickly as we possibly can.

To use one little line that I think was used last week by someone cleverly, how many terrorists are we trying to stop—one, two, three, five? You know, last year, 220-odd million people crossed the border. We must not hold a huge relationship hostage to the fear of trying to catch a few people.

Hon. Bob Rae: I'm going to share my time with Mr. Patry.

The Chair: Thank you.

Monsieur Patry.

[Translation]

Mr. Bernard Patry (Pierrefonds—Dollard, Lib.): Thank you, Mr. Plourde and Mr. d'Aquino.

Mr. Plourde, in your statement—and this was repeated by Mr. d'Aquino—you said that the energy produced in Canada contributed to the national and energy security of the United States. It seems that, since his election, President Obama has wanted to proceed very quickly on the greenhouse gas issue. There could be a very credible energy policy approach by the United States very soon.

In your view, is there any danger that Canada will be outstripped by our southern neighbours in that thematic policy area? That would greatly harm our economy.

Mr. d'Aquino, in your second recommendation, you talked about launching a bilateral energy and environment initiative. How do you view what will be happening very soon?

The Chair: Thank you, Mr. Patry.

Mr. Plourde, go ahead please.

Mr. André Plourde: I believe it is possible that Canadians may be overtaken by energy and environmental policy developments in the United States. That's clearly a danger that has been around for some time. We're seeing a different rhetoric and approach to these aspects of relations between Canada and the United States.

Canada must establish a policy on climate change that is perceived as credible because otherwise we could jeopardize existing relations on energy. That's why I advocate a joint or cooperative approach between the two countries. We must ensure that Canadian interests

are defended in the development of U.S. policy and that the much broader issues are acknowledged in the political debates.

[English]

Mr. Thomas d'Aquino: *Permettez-moi de répondre dans la langue de Shakespeare et non pas celle de Molière.*

In a nutshell, Canadians and Americans are amongst the highest users of energy per capita in the world, as you know. You also know that our carbon footprint is amongst the highest in the world. We are two federations, and we therefore have to deal with what we have seen in both countries: American states moving much more rapidly in some cases than the government in Washington; a situation in Canada that has caused us great grief in the business community for quite some time, which is that instead of having a cohesive approach to fighting climate change we have provinces going off in different directions, we have members of various parties in Parliament very much at odds, and the result is that we've lost years.

I say years. When I think back to the 1990s, Canada was not only seen as a global environmental leader but also as being in the initial stages of trying to build a response to global climate change, in the work of the Brundtland commission. Even in those early days we were world leaders in terms of our voluntary efforts. We as an organization were the first business organization in the world to acknowledge the principle of sustainable development.

Since then, we've lost a lot of ground and a lot of credibility. I think we now have a marriage of both interest and opportunity—a new leader in the United States, a Prime Minister and a leader of the opposition who are certainly willing to work closely with the Americans—and we have to get on with it. It's crucial to our competitiveness. It's crucial to bringing together what is a natural alliance in the international forums that are dealing with the next stage in the fight against climate change, and bringing to those forums the joint technologies, whether carbon capture and sequestration or other forms of technology, that we in North America can be leaders in developing. The more quickly we do it, in conjunction with our American friends as part of a very closely integrated economy not only in energy but in industrial terms, the more credible and more influential we're going to be in the world.

• (1600)

The Chair: Thank you, Mr. d'Aquino.

We'll move to our next questioner. But before I do, I want to advise the committee that the guest who was to appear in the second hour went in for emergency surgery last night, and so he will be unable to be here. We're going to reschedule him at a later date. This means that we can have extra time here, so everyone will have ample opportunity to ask other questions and have a second and maybe a third round.

Monsieur Crête.

[Translation]

Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ): Thank you, Mr. Chairman.

Mr. Plourde, you have a name that is very well known in Rivière-du-Loup. My Conservative political opponent, whom I've beaten twice, had your name, but I won't hold it against you.

With the incredible lag that Canada has developed on the environment with Mr. Bush in the United States and Mr. Howard in Australia, will we be able to get enough of a kick start to meet the target that Mr. Obama put on the table last week, that is to arrive in Copenhagen in December with a position demonstrating that we will be making up the lost ground?

How are we going to ensure that efforts previously made will be recognized on both sides? For example, Quebec has made significant efforts in recent years, as have a number of American states. They'll want those efforts to be recognized. Without going too much into the details of the targets set, such as 1990 or 2006, how do you view matters? Is it possible to make up this lag?

Mr. André Plourde: Since my ancestors were originally from Rivière-Ouelle, it is possible that my namesake is related to me.

As regards lost ground, we can take an optimistic view of the next few years. U.S. policy will evolve differently and Canadian reaction to the potential outcome of the climate change policy has been broadly influenced by the U.S. reaction. Over the next few years, it will be possible to do a great deal to make up the lost ground. However, we'll have to consider the fact that we've lost a great deal of ground on our approach to the negotiations in Copenhagen.

We'll have to review our position that we're going to Copenhagen because of commitments made in Kyoto. As Mr. d'Aquino mentioned, it will definitely be important for Canada and the United States to have a common approach and position on climate change, if they want to have an international impact. Will we have enough time to do that? That's another question. Both countries are federations, and there has to be cooperation between the provinces and the states, but some time is needed in order to do that. I believe we should be able to reach an agreement on the main points and have a common approach when we get to Copenhagen.

Previous efforts are important in certain regions of the country and vary considerably from one region to the next. We have to develop a Canadian or North American approach to these issues, and it must include efforts previously made to address policy aspects. It is probably too soon to draw any specific conclusions, but this is clearly an important factor in the structure of the resulting approach.

• (1605)

Mr. Paul Crête: Mr. d'Aquino, you said that Kofi Annan believed that the poor were poor not because of too much globalization, but because of too little. If Mr. Annan were here today, he might add "and because of too little intelligent regulation". No one is opposed to globalization, but we are all feeling all the major consequences of unregulated globalization.

I'd like to know, from your members, whether we have moved away from the idea that economic development is at variance with environmental requirements. Are we really headed toward a

perspective of sustainable development and consideration of the opportunities afforded by sustainable development as an instrument of economic development? We're really having a lot of trouble getting it into the government's head that this isn't a contradiction, but rather an opportunity. And moreover Mr. Obama very clearly expressed that.

Mr. Thomas d'Aquino: Thank you, that's a very good question.

[English]

We have argued from the time of the Brundtland report... And that's why I say, with great pride, that we were the first business organization in the world to endorse the concept of sustainable development. What do we mean by sustainable development? Obviously it's the coming to terms on this planet with the need to create jobs and allow for growth at the same time as respecting the environment.

Now, fast forward. We created in 2007 a task force made up of 33 chief executives, representing all areas of both production and consumption, from the largest companies in Canada. And we called for something very bold. We said that we believed Canada should be an environmental superpower as well as an energy superpower.

One of the components of that was our very strong belief that the concepts of economic development and respect for the environment are not in fact inconsistent, and that the creativity of men and women has to be put to work to ensure that where there are frictions between those two goals, they are reconciled.

This can be done in a variety of ways. The first, obviously, is through conservation. We know how incredibly important conservation is. Another one would be through the effective use of technology. Another one would be to ensure that new forms of production in a consumer-driven world are much more respectful of the environment. Another one was that we will only solve this problem if we come at it from a planetary point of view.

We took issue with those who said that the developed world must do its thing without any commitment from the developing world. The reality is that we will not solve the problem of global climate change, nor will we come to terms with major environmental challenges, unless China, India, Mexico, Brazil, and others are engaged as well.

This does not mean that we should not show leadership; by all means, we should. But we did say—and I said this in a speech in 1989—that the reconciliation of the economy and the environment is the single most important challenge facing the planet. I haven't changed my views. And many of our members—certainly the members of our task force on environmental leadership—are of that view as well.

[Translation]

Mr. Paul Crête: I'd like to talk about an issue of great concern to Canadian businesses to which U.S. businesses say they have decided to do business with an American supplier because they've been asked to do so. Mr. Obama told us that he would comply with international agreements, but he nevertheless said in an interview that he couldn't prevent a state governor or a mayor of a large city from making certain choices.

What specific efforts should Canada make to ensure that the idea of free trade and the rejection of protectionism can penetrate all decision-making levels responsible for corporate decisions and that we don't just have the words of a head of state, but an actual situation that ensures the benefits of the Free Trade Agreement will last?

• (1610)

Mr. Thomas d'Aquino: That's a very good question.

[English]

In my view, the issue of how we recapitalize our banks and deal with the very issue that's started today, the stress-testing of financial institutions of the larger than \$100 billion size, is of critical importance. You have to think of the financial system as getting it whole, as getting the blood flowing again in the arteries so that the parts of the body can come back to life. This is the problem that has to be dealt with, and it is being dealt with. I predict that it will not be easy to deal with, but it will be dealt with.

The greatest menace facing us all, which may sink us all, is protectionism. I acknowledge to every member of this committee that protectionism is a very human thing. When people are out of jobs and you see unemployment spiking and businesses being lost and shutting down, people become very afraid. When taxpayers' money in large quantities is being used to bail out industries or when responsibility for those tax dollars is being taken onto the shoulders of the government, then I think it's very, very important that when individuals say, "Look, if it's my taxpayer money that's going to be used to bail out industry X, I don't want industry X sourcing in Canada or sourcing in Mexico", we have to speak out strongly against that, especially in the case of Canada and the United States. In the case of Canada and the United States, the level of integration is so high that by insisting you shut out Canada in industry X, Y or Z, ultimately you'll be shooting yourself in the foot.

I know that's raised this issue: what if the United States, under its reconstruction and recovery act, were to offer Canada a waiver? In principle, we should be opposed to any form of protectionism. If we accept the waiver, which some people argue would be in our national interest to do, because much of that money is being spent at the state level, I would say that we would be compromising our principles. Either you're for protectionism or you're against it. I think we have to be against it. It has to begin up here. That's why I was so very pleased to see President Obama and Prime Minister Harper speaking out against it.

The G20 leaders met in Washington last November. What did they promise? They promised they would try to fix the system and they also promised that they would resist any new form of protectionism. They were hardly home, in some cases, when they started endorsing protectionist actions. These have to be resisted. It requires political courage. It's not easy. We acknowledge that.

Then, on the way down, we have to say what we all say within our own councils: don't go to Ottawa, don't go to Quebec City, and don't go to Queen's Park and say, "Protect me, but at the same time keep everybody else out." The moment you start to do that, you're on the slippery slope.

This has to be done at the very top, but I think it has to be said again and again. When these buffoons like Lou Dobbs get on CNN

every night, throwing out all of this stuff about jobs being lost, suggesting that most of them are being lost to Mexico when in fact they're being lost to China or elsewhere, it's people like that who have to be rebutted. Frankly, we've been concerned that at the political level, not to mention the business leaders level, we haven't been nearly strong enough at rebutting the assumption that somehow protectionism will save us.

Here's one little statistic. Maybe you've heard it and maybe you haven't. When the Smoot-Hawley act was introduced and tariffs were put on 22,000 items in the United States, within an 18-month period the total amount of world trade had dropped by two-thirds. We don't need any lessons from the past to teach us how dangerous protectionism is.

The Chair: Thank you, Mr. d'Aquino.

We'll move to the government side, with Mr. Lunney.

• (1615)

Mr. James Lunney (Nanaimo—Alberni, CPC): Thank you, Mr. Chair. Thank you for leading us in a very interesting discussion so far.

I want to first pick up on the comments from our CEOs and Mr. d'Aquino. I appreciate that you outlined three main concerns—energy, economy, defence and security—very appropriately and adroitly. We've had a good discussion about those. I want to pick up on the defence and security aspect that was discussed.

I noticed in your report that you talked about joint management of borders, a full NORAD mission. I think we've missed some opportunities there, and we're revisiting that. In terms of protecting our own huge borders, we're a little skinny on our own defences. It makes perfect sense to work on our perimeter of North American defences.

I think one of our sticking points really is the border. We had some discussions earlier about the thickening of the border, and we talked about the huge apparatus in the U.S. on homeland security, which is said to be bigger perhaps than our whole Canadian public service.

My concern would be this. You mentioned the US, with 9/11, and how that drastically changed our border. There was a remark about maybe 300,000 or 400,000 people a day crossing that border and that we're looking for maybe three to five potential threats. That single one—that's the whole problem with terrorism—actually has tremendous power, even though they don't succeed in interfering with our normal society's functioning. We had a very close incident with Ahmed Ressam. He was caught at the border with weapons that were headed for L.A. airport.

The challenge is how we deal with this border between us. We've been pretty skinny in our own monitoring of the border and probably very under-represented in terms of any serious protection there. With 9/11, the U.S. obviously has its own immigration challenges with people coming across that border. What do we do in terms of beefing that up? We're making efforts to arm our border guards and to establish more border infrastructure; those things were mentioned. How do we address that issue to facilitate trade and still maintain our sovereignty?

Mr. Chair, by the way, I'm sharing my time with Lois.

The Chair: We will have lots of time for two or three rounds.

Mr. James Lunney: Mr. d'Aquino, please.

Mr. Thomas d'Aquino: First, I come back to the issue of perception. I know many of us in this room were probably offended, not once but sometimes twice or three times, by people who should know better, not only by the assertions in the United States—not to mention what was carried on the talk shows—that the perpetrators of 9/11 were people who came from Canada or across the border, but that even when this was pointed out to be clearly incorrect, some people in very high office right now repeated it.

What is deeply disconcerting about that is that these perceptions, once established, can really begin to run. And how do you get at it? In those particular cases, our ambassador and other officials went to see them and said this was not the case, that these were the facts, and they said they understood. But we're dealing here with a big country, where talk shows...and Americans, I think, are even more obsessed about sovereignty than we are. That's always been my argument. So unless the word goes out to the contrary again and again, we're going to have difficulty winning that battle.

Secondly, there is a perception that Canada historically has been a little looser in its treatment of refugees, in its treatment of immigration, and so on, and this perception has sort of gone out. I always like to shock our American friends by saying, "Hey, just stop in your tracks. Government figures estimate that you have roughly 15 million individuals that you know to be in the country, but you have no idea where they are, who they are, or what they're doing." I say, "You know, when I go to bed at night, I should be a lot more worried about people coming north than you should be worried about people coming south." I know that sometimes it works, sometimes it doesn't, and sometimes they look at me in total disbelief. And I think Prime Minister Harper, in his joint conference with President Obama, very strongly emphasized the point, which is often lost on Americans and some Canadians, that the security of the United States is as important to us as it is to Americans, and vice versa.

So I think trying to get that across, but doing it intensively, constantly, has to be done.

I think the second thing that has to be done is this. Where we do have obstacles to cooperation, we have to be really sensible about them. One that has really befuddled us is the argument over privacy, where we had almost reached an agreement on how to deal with individuals who are identified as suspect—that coupled with the issue of who carries guns, who does not carry guns.

The way I tend to look at these things is that these are different times. And as long as the civil rights protocols can be respected on both sides of the border, surely coming to terms with who can carry weapons and who can't carry weapons, who might come to a border point and then decide to walk away, the Americans insisting that that person may be a terrorist and we saying we really have no hold on that individual... We came up with an idea that said, why not simply take that individual aside, ask him who he is, what he does, where he is, draw your own conclusions, and give a report to the Americans? Anyway, all that came apart, Homeland Security withdrew the opportunity to do some serious cooperation on that, and it continues. To my knowledge, unless my colleagues know otherwise, it continues to be unresolved.

So I think there are some very practical things we can do where, if we apply common sense, we're going to be okay.

And then finally there is the answer of technology. Technology, to me, is the big answer, because you cannot have a 4,000-mile-plus border, huge empty expanses, without using technology. We don't have enough people, nor do the Americans, to police that border all the way across. Now, they've got Predators up in the sky—fortunately, they don't have missiles on them—looking down. But the use of technology, in one way or another... I'm not offended by the Predators, as long as they're looking on both sides of the border.

● (1620)

The Chair: Thank you, Mr. d'Aquino.

Do you have another question, Mr. Lunney? In fairness, I'll give you the same time as I gave the others and come back to Ms. Brown.

Mr. James Lunney: Yes, thank you. I just want to make a quick comment about Canada's energy footprint and pick up on that.

While we have a large energy consumption and output for a small population, when you consider the size of our country and the actual factors, I don't know why we apologize for the fact that we are big energy consumers. On a per capita basis, that is the nature of our country. We're just a large country, huge. So we have transportation concerns. Members of Parliaments here have these concerns, just coming to our Parliament, unlike most of our colleagues around the world. The U.S. of course has challenges that way, but other parts of the world are not travelling multiple time zones just to come to Parliament. So we have the huge transportation concerns in Canada. Also, we have a cold climate in the winter and warm in the summer.

So by nature of who and where we are, we are large consumers. Having said that, I think we need to be perhaps a little less apologetic for the fact that it's part of our life—not that we can't be responsible and still recognize that the world is changing.

Coming around to the question of the models with climate change, I want to ask you this thing. With anything with a scientific background around it, and when you're dealing with models and you don't have all the information, models are always only as good as the assumptions. I'm sure in the business world they have to consider assumptions all the time. It's a challenge making economic forecasts today.

It's just an issue we want to throw out there. Recent information has come out on underwater sub-Arctic volcanos, for example, that wasn't considered when these models were established in the international committees that were discussing these things. A huge range of volcanos in the Gakkel Ridge there, reported recently in December 2008 in *Nature* magazine—a 17-kilometre range and eruptions going up two kilometres under the Arctic ice, scattering shards of rocks for kilometres around there—could affect huge volumes of carbon dioxide associated with that, starting with eruptions in 1999, coincidentally when Arctic ice had accelerated melt.

The Chair: Thank you, Mr. Lunney.

Maybe we'll come back to it in the second round.

Mr. Thomas d'Aquino: Mr. Chairman, I know exactly what you're getting at. I have to tell you, as my colleagues will confirm, you have no idea the number of hours we spent, going way back into the early 1990s, debating the issue of the science. At issue there was this idea that we don't know. There are scientists on both sides. In fact, we kept a ledger of who said what, who was for, who was against, who could prove, who could not. While we know that a lot of people played fast and loose with the numbers and the credibility of those numbers, the conclusion we finally came to was that, while I personally find it intellectually stimulating, to continue to debate the science would really hold us up from doing a lot of things we should be doing anyway.

We've adopted, collectively as an organization, 150 CEOs who collectively administer \$3.5 trillion in assets and are responsible for the vast majority of GDP... The conclusion we came to is that we should be prudential on the science. In other words, we don't know for sure, but we do see evidence that increasingly is disturbing. So what did we conclude? We said, "Look, instead of dissipating energy in these huge debates about whether it is real or not, why don't we do things we should be doing anyway?" Why don't we invest in smart technologies? Why don't we invest in environmental innovations? Even though you're right that we're a big cold country with huge spaces—God, we've lived through these winters when we would pray for global warming sometimes—and also demographics that are working in our favour to increase CO₂ emissions, we came to this conclusion. Why not adopt the new technologies and new sciences, which is in the direction we should be moving in anyway, in order to make us less reliant on petroleum-based resources?

Once we got out of the corral of that debate, then whether it was coal, or ethanol, or nuclear, or oil and gas, or oil sands, or hydroelectric power, or biomass, we all said, All of these sources of

energy are relevant. I don't want anybody in this room, one CEO arguing with another one...." You would not believe the degree of saying, "Listen, I'm in oil sands, so I'm okay; you're in coal, so you're not." And we said, "None of that, because we all have to contribute to the energy needs of the planet in one way or another, but let's try to do it in the smartest way we possibly can."

That way we left the science debate behind. It's not that we don't read it still. It's not that whenever there's a new study we don't pay attention to it. That's what we've chosen to do. It's what I call the prudential approach, which in the final analysis will make us all more responsible, more effective citizens applying and using the best of technologies.

Here is the last point. We recognized this in a major study we did in 1990 with Professor Michael Porter. The quicker we adopt environmental sustainable technologies, the quicker we do that, the more competitive we're going to be into the 21st century, we argued, and that's the way we feel now. I don't think we've done nearly enough, but we can and should be doing more.

• (1625)

The Chair: Thank you, Mr. d'Aquino.

We'll move to Mr. Dewar, please.

Mr. Paul Dewar (Ottawa Centre, NDP): Thank you, Chair, and thank you to our guests for taking the time to be here today.

I actually wanted to start on the issue of energy, the environment, and the economy. It's a different triple-e than the one we're used to hearing around here. I think it's one that is welcome. Certainly if you look at the approach that we put forward—not in this past election, but in the election before, and the election before that—it was one that looked at the environment and embraced the idea of a cap and trade system.

I'll be posing my question to you, Mr. Plourde, to start.

The reasons we put forward the cap and trade model for the environment were threefold. One, it was being used in Europe, though we're still working out some of the kinks. Secondly, it acknowledges the nature of the problem of climate change, which doesn't have passports, as you are dealing with a continent. The third one was that when you're looking at greenhouse gas emissions and at how you deal with climate change, it seemed to us that there was a similar phenomenon before between Canada and the U.S., and that was the one dealing with acid rain. When you put hard caps on acid rain and you say, "This is it; if you don't meet this threshold, then we'll fine you...." Of course, we know what happened in due course.

I must say, it was through a lot of political pressure. I remember standing outside as a university student protesting against Bill Davis at the time, saying he should do something about acid rain. It wasn't something they embraced. At first they said, "Go away and leave us alone." Businesses didn't really embrace it initially either. They said, "You're going to bankrupt us." That's why we looked at cap and trade, because it makes sense.

We're now facing a bit of a dilemma. With all due respect to the success of the trip—and I agree with the comments made about Mr. Obama being here, and the fact that it was his first visit and was good news—the problem I'm finding is that we're a little bit behind in embracing this.

I wanted your take on this, because I read your comments here. You think it is right to have a continental approach, but when it comes to a cap and trade system, if you think that's the way to go—and certainly that's the direction we're going—what are the component parts that we need to catch up on, number one?

Number two, who should be leading this within government? Maybe you don't have an opinion on this, and I appreciate it if you don't. What department should lead? Or is there a model you can put forward that indicates it's maybe not a departmental approach?

• (1630)

The Chair: Thank you, Mr. Dewar.

Mr. Plourde.

Mr. André Plourde: Thank you.

Whether we use a cap and trade system or any other type of economic instrument—either putting in a charge, a levy, a tax, or a cap and trade, or whatever you want to do—basically what it does is distribute the risk differently. So with a cap and trade system, if you design it one way, you know exactly how many emissions you're going to get. You're not too sure how much it's going to cost you to get there. If you put in a tax, you know roughly how much you're going to pay per emission and therefore what kind of technological and behavioural response you're going to get, but you don't know the exact level of emissions you're going to get.

You can, of course, marry the two systems by having a cap and trade system, where the cap is something that you can buy your way out of at a relative price, with somebody becoming the issuer of permits.

So I think in some sense that there are big advantages, whatever approach you use, in having as broad a mandate as possible for this; hence, the continental approach—in part because it allows you to find what the cheapest ways of reducing greenhouse gas emissions are by the people who actually know a lot more about this than people sitting in offices like me, or public servants. I have no qualms about that. So I think it puts the onus of action where there's the most information to deal with it.

So whether you go with a cap and trade system or something else, the key thing is to design it in a way that will allow the individuals who participate in it to find the cheapest way of addressing the problem.

The second thing is to try to have this as coordinated as possible, in the sense that what you don't want to have is what we tend to observe now, this plethora of little states, and little cities in some cases, taking initiatives on problems that are, as we've put it, planetary or continent-wide, at least. So I think it's important to find a way where you can act in an integrated fashion at the level of the continent, but also within individual countries, so that we're not redoing different things.

In some sense, the question of who should be leading this is a bit of a moot issue, because it really depends on which instrument you pick and what kinds of constraints you put on the instrument. If you basically have a permit system, where you don't freely allocate anything but where everybody has to bid within an auction system, it doesn't really matter who administers it. In a big-picture sense, you can probably create an agency and let them do it, even if it's a private sector agency under some government oversight.

More importantly, the issue, I think, is that you shouldn't try to do too much with a single instrument. That's the kind of problem we've run into for the last 15 years, at the very least, with this policy. We've tried to design a large final emitter system that was so complicated in how it was supposed to work, in terms of the allocation of permits and permissions and all kinds of things, that they essentially cratered in on themselves. It was too complicated to administer. If you think there are distributional problems and you don't like how the burden is shared, and you feel there are poverty issues, for example, or competitiveness issues, use other tools to deal with those. Don't try to lump too much onto the one tool that you want to use to deal with the problem at hand.

The Chair: Thank you.

Mr. Dewar, you have lots of time.

• (1635)

Mr. Paul Dewar: Thank you for that.

I wanted to establish the approach, certainly, and I would agree with you that you don't want to put too much on this: it is to design to reduce greenhouse gas emissions, not to provide you with all of your social policy instruments, etc. I agree with that.

In fact, I think of a provincial experience, and it is from Manitoba—I happen to have a brother who lives there and knows a bit about it. They used conservation as the way to go and provided very low-interest loans for retrofits. They then allowed people to pay those off through savings in their energy bills, and of course that reduced the amount of energy that consumers and businesses were using. For Manitoba that was good news because it meant they had more excess energy to sell.

I want to go to this point, because what they've done is successfully reduce up to 40% of their consumption in energy, which they then are able to sell. The sad part is—not sad for Manitoba but for Canada in some respects—that they seem to have only buyers as of late, though it's changed a bit, from the northern States. Quebec has the same phenomenon.

The direction I want to go in with this is that we heard that the President and the Prime Minister were discussing investment in a smart grid. We applaud that. One of the things we'd been pushing for in the last two elections was to have an east-west grid built.

How do you—and anyone else can please chime in on this—see the conversations that have taken place to date on energy policy and infrastructure? In other words, where should we be putting our investment dollars when it comes to the grid? The east-west grid seems to need some work, if we're going to go that route. But some might say, just do it north-south; that makes more sense. It seems the Americans are going to be going there. They've certainly announced a lot of money for this, and it's been front and centre in their energy policy.

Where should Canada be when it comes to that particular file? Should we be doing just east-west? Should we do a bit of both? How should it work?

Mr. André Plourde: It's clear that a problem Canadian utilities or Canadian owners of transmission facilities have shared with U.S. owners of transmission facilities has been an under-investment in transmission for quite some time in both countries. Some of this is for regulatory reasons; the shift in models of regulation has in some sense left very unclear what the incentives for transmission investments are. I think this is an issue that needs to be addressed.

In terms of the structure of the grid, what we need to let emerge is what makes the most sense from a commercial perspective. Set up the regulations or the framework you want in place and then allow people to make decisions as to where reasonable investments make sense. In some sense, if the customers are relatively close, it makes more sense to have transmission investments working that way than to decide, for example, to use hydro power from Manitoba to replace coal generation in Alberta. So we need to think.

If we think of this as a security system argument, we need to recognize again that Canada and the U.S. are integrated in various bits within the electricity system. The best investment for consumers as a whole is where it makes most commercial sense, to strengthen reliability and to make power available at relatively low prices once the policy framework is in place.

The Chair: Thank you, Mr. Plourde.

Mr. Boutziouvis.

Mr. Sam Boutziouvis (Vice-President, Economics and International Trade, Canadian Council of Chief Executives): Just as a brief additional comment to Mr. Plourde's excellent response, it seems to me that regionally—in the Pacific northwest between the provinces and states, in the U.S. midwest, in the east between Quebec and New York State and Quebec and other states—there already is tremendous collaboration. Pragmatically speaking, we should build on that collaboration. In fact, the leaders both agreed that it might be a good idea to build a grid stakeholders group to get together to discuss how to in fact improve reliability, as was suggested earlier by Mr. Plourde, but also to plug in...because we haven't done this yet. How do you plug wind power into the main grid? How do you plug clean, renewable sources of energy into the grid? It seems to me that, being practical and pragmatic, you use the existing collaboration, which is excellent.

We've had people from PNWER come in to see us, and they're doing fantastic work in the Pacific northwest, trying to build some of these transition grids from the northern tip of British Columbia right into Washington and into Oregon. The same is true in the U.S.

northeast. The eastern provinces, with the five eastern states, are doing fantastic work together in this particular area.

• (1640)

Mr. Paul Dewar: [*Inaudible—Editor*]

The Chair: Thank you.

Madam Brown.

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

I would really like a comment from both Mr. Plourde and Mr. d'Aquino on this, because both of them commented on this in their remarks. And just to preface this, last June I had a rather nasty hand accident, and it became a bit of a metaphor for me of what is going on in our market. I see the invisible hand of the market having been seriously injured with some of the policy decisions that we have made and government intervention into it, and Mr. d'Aquino, I sort of build on your comment about the need to get the blood flowing again. I certainly had to do that with my hand injury.

Mr. Plourde, you talked about having common policy decisions; and Mr. d'Aquino, you talked about the intertwining of our economies. What I would like you to comment on is, as our economies become more and more integrated, how do we ensure that these policy decisions that we make are not going to intrude into our economy in terms of the way the economy needs to work?

Mr. Plourde, you talked a little bit about that in your discussion of cap and trade and letting the market work. How do you see that happening with the policy decisions we need to make as two federations in North America, but seeing the intertwining of our economies?

Mr. André Plourde: In terms of simply energy, I'm going to talk about Canada-U.S. energy relations, not about environment aspects, which I'll come to later on.

In terms of Canada-U.S. energy relations, we've done a lot of market liberation over the last 25 years, and in some sense, it has resulted in exactly the kinds of things we should have expected: huge increases in Canadian energy production, huge increases in exports of energy from Canada to the United States. What has emerged over the last while, however, is that there are clearly regulatory issues both within Canada across jurisdictions and between Canada and the U.S. Building transmission capacity, building pipelines, building energy-related infrastructure of those kinds becomes much more difficult, in part because of the regulatory approaches that have been taken in Canada, within the provinces, and in the U.S. as well.

That, I think, would be a really important part of a policy agenda, to ensure better regulatory cooperation within Canada and across the international border to address those kinds of issues in the future. It is complicated, because it includes first nations issues and all those kinds of things, but the federal government has a duty, a responsibility, to take a leadership role in this area.

On the environmental side, I think it is not possible to solve or address this problem in an effective and meaningful way without government intervention. The government is the agent in the economy that can set the rules to make the behaviour. Whether it's technological development and adoption, or whether it is how energy producers behave or consume energy, or how energy consumers behave, government is the agent in the economy that must set the context. The responsibility, I would argue, of a government is to set the context in a way that allows us to deal with the problem in the cheapest way possible, and in that sense, that has been the struggle of Canadian environmental and energy policy for the last many, many decades. We've not been able to find the right coalition to bring together an effective and credible policy approach that will deliver real progress on the agenda, but also in a way that delivers results at the cheapest cost.

The Chair: Thank you, Ms. Brown.

Did anyone else want to venture quickly into part of that question?

We're going to Mr. Pearson, then, please.

•(1645)

Mr. Glen Pearson (London North Centre, Lib.): Thank you, Mr. Chair.

Welcome.

Mr. d'Aquino, you've been around a long time. You've seen a lot of administrations come and go. You've seen various administrations up here come and go. I would like to ask a political question. Obviously, in your modelling of what you do, and over the years that you have been doing it, you sit and watch the states fight against an administration of the United States as provinces here develop different standards. You watch as groups like the auto industry, for instance, try to meet all of these various standards and have great difficulties doing it. Also, you're watching as federal administrations north and south of the border are not providing the grid kind of framework that is needed for the kinds of things that are being built.

You talk about two federations and how we need to harmonize. I understand that. But the question of politics always enters into it, and this picks up a little bit on what Ms. Brown said. We live a life here in Canada, it seems to me, of successive minority Parliaments. So every time you do a model of something you want to do for your organization, suddenly there's an election and something gets switched again. I know this is happening. I'm glad I'm not in the boardroom listening to you guys as you talk about this, but I know it must be deeply frustrating. Every time you think you're getting somewhere, all of a sudden something changes.

Here is my question for you. In regard to the institutions that we have as a federal government, regardless of who is in power at that particular time, how do you see strengthening those institutions so they survive those transitions? In other words, you would have a federal government come in and you might have a totally different

environmental standard, or other things. I know you look at that. You're trying to be in it for the long haul. We often play for the next year, up to the next election. What are the ways in which you, in your organization, can help us to transition, so that whoever is in power at that particular point has institutions there that can help us build on the successes you've already put out there?

Mr. Thomas d'Aquino: You're absolutely right that we do have those conversations on a regular basis, but then again, I don't want you to think that we are holier than thou. We have a lot of conflicts within our own family, within our own community. I mentioned a little earlier some of the struggles among the various producers of energy. It's the nature of the beast that we will have people of different views. That's one of the great virtues of the great democracy we live in, that you're going to have differences of opinion, differences of interest, and appropriate institutions that would allow for brokering those differences.

You said it's a political question. Let me answer in a somewhat political way and say the following. First, I believe—and it is my view that a good number of my colleagues share this view—that with all the foibles and the problems we have, we really do live in the finest country in the world. We believe that. It's not just a throwaway line. One of the reasons we believe that is that we have a federation that allows for the give and take and the flexibility that one needs in a country of this gigantic size, where we literally have pockets of people and regions, and we've come up with a system. When I was a young lawyer doing post-graduate work and I was studying the Constitution, I did a course on comparative constitutions, looking at the constitutions of the United States, the Federal Republic of Germany, India—because it's an interesting one—and Canada. The conclusion I came to is that we are truly blessed to have a federation with a parliamentary system.

Now the specific answer to your question. Number one, we have to pay really close attention to the public service as an extremely important resource that bridges changes in government, that bridges changes in political complexion, and I don't think we have been doing that adequately. One of the greatest strengths of Canada in the lead-up to the Second World War and beyond was that we had this professional, independent public service, respected by both opposition and by those in government, where politicians and public servants worked together. I don't see that working nearly so well anymore. We have a public service that has lost a lot of its lustre, we have a public service that is somewhat dejected, and I think we have a public service that has seen artificial barriers being thrown up that I don't think are healthy.

I would say that a good, strong, independent, professional public service made up of the brightest and the best is one way of helping to bridge those transitions.

The second thing I would say is that—and it's easy for me to say, I don't sit in your wonderful crucible of democracy, Parliament—from the outside obviously we would like to see closer cooperation among parties and between parties. You may say I don't live in the real world. I've never been elected. I don't understand. Whether we're facing extreme economic hardship, the way we are now, or trying to come to terms with a national environmental policy that works for all parts of the country, or trying to come to terms with how we deal with terrorism in North America, or whatever the case may be, what we'd like to see is closer cooperation and some of the partisanship jettisoned in favour of really trying to come to terms with the kind of issues we're faced with.

The third thing, I would say, is the relationship between the provinces and the federal government. There have been various times when we have seen it work better. There have been various times when it has been godawful. When you look at all the areas of cross-fertilization, whether it's financial regulations, the debate over whether there should be a national regulator, environmental policy, governance policies, energy policy, in all these areas where there is overlap it is really important that we have the two institutions working together as closely as possible.

That's a very political answer. It may not give you a very satisfactory answer, but when we look at countries around the world, even with some of the problems we have we don't do too badly. We would like to see it work a lot better in some cases, and that's entirely up to you.

• (1650)

The Chair: Thank you very much, Mr. d'Aquino.

Mr. Goldring.

Mr. Peter Goldring (Edmonton East, CPC): Thank you very much, Mr. Chairman.

I would like to make a comment on my colleague's comments about the great distances in Canada; they certainly are very true. A lot of the reason involves air travel, of course. They haven't yet invented electric airplanes, so we're rather tied to the system. And just as a matter of fact, the Turks and Caicos islands are closer to Ottawa than my riding of Edmonton East is.

We have to be careful when we're instituting environmental institutions. I draw an example here from what has happened in the past in Sudbury, where their approach to cleaning up the area from International Nickel was to build a 600-foot smokestack. Yes, the lawns started growing in Sudbury, but it just shoved the pollution into the air and transferred it over a thousand square miles. You ask, have we learned?

I was in the Caribbean and I saw Japanese trucks. I asked whether there was a Japanese community there. No, out in the harbour was a huge ship, and apparently what happens.... The Japanese, of course, do a wonderful job of environmental controls and of removing the vehicles from their streets and roads when they fail the emissions test, but they load them onto ships and send them to the Caribbean

and sell them there. Where's the net gain in that? We must have realistic approaches to this.

That was just a comment. Let me turn to the question of the sustainability of Canadian supply, because I think that's as important as sustaining the American supply. They have hurricanes in the gulf. As we saw in the summertime, it shut down and boosted the costs on both sides of the border. Do we have the capability of providing Canada sustainably during those periods, without having that surge and apparently very high prices and a shortage of supply, even here in Canada? That would be one concern.

My final comment would be on this thickened border issue. Is consideration being given, particularly for shipments that flow through the United States to Mexico or flow through the United States to the Caribbean and beyond, to using our coastal ports, Atlantic and Pacific, in conjunction with American seaboard ports? Time is money, and I would think they'd look at the financial consideration of going around particular border areas—maybe through lesser-utilized ports of the Americas and also directly into markets like Mexico—rather than through Canada.

There are a couple of questions there.

The Chair: Thank you, Mr. Goldring.

• (1655)

Mr. David Stewart-Patterson (Executive Vice-President, Canadian Council of Chief Executives): Perhaps I could comment on your last question first, concerning border congestion. I think Canadians are as ingenious as anyone else in dealing with problems that way. One of the reasons, for instance, that we have the opportunity to transform Vancouver into a North American gateway from the Pacific, as a transit corridor into the rest of North America, has to do not only with our domestic infrastructure but with the fact that the port of Los Angeles and the other major ports on the U.S. west coast are too crowded. We have the capacity; people will choose to ship through us.

On the other hand, if the Canada-U.S. border gets clogged up, that starts to count against Vancouver as a gateway, and we have to deal with issues on the land border. The fact that we've seen congestion at some of the major land crossings, such as Windsor, has stimulated greater interest in water crossings, for instance, across the Great Lakes and short routes on inland waterways. If we fall down or get clogged up in one area, people are going to look for better solutions. That's a normal and ongoing process.

Mr. Peter Goldring: Was there not some initiative for the Atlantic ports to expand the trade on the American seaboard? Did that actually materialize? Is it due to lack of infrastructure funding to expand and move it? The Canadian ports seem to have the capacity for the shipping, but do the American ports have the capacity for the receiving?

The Chair: Thank you, Mr. Goldring.

Mr. Patterson.

Mr. Sam Boutziouvis: There is a Pacific gateway initiative that has been under way for a couple of years. It has connected the ports of Vancouver and Prince Rupert further north, through the Prairies and into the U.S. Midwest. There's also an Atlantic gateway initiative that is under way to develop and enlarge the port of Halifax. It will bring in container traffic from India, for example, and get them connected by rail through the eastern provinces into Quebec and the other major areas, the United States in particular, and then link in to the rail networks, which will take such cargo into the U.S. Midwest.

So the answer to your question is yes, sir, there are initiatives under way to target infrastructure so the cargo can be linked multi-modally from the ports of Canada—because we'd like to promote port development in Canada—through our rail system, and then as efficiently as possible through the various Canadian and U.S. border points and into the U.S. Midwest.

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

Madame Deschamps.

[Translation]

Ms. Johanne Deschamps (Laurentides—Labelle, BQ): I'm sorry, but I've come a little late and I unfortunately missed your statements. So I referred to the document you submitted. Among other things, I have that of Mr. d'Aquino in my hand. On page 4, you say that the global economic crisis makes it important to launch bilateral initiatives and to strengthen relations between Canada and the United States. You refer to three areas. But where does Mexico stand? Should we make it an equally important partner? We put a lot of energy into developing agreements between Canada, the United States and Mexico. I would like to hear what you have to say on that, on the current economic context.

[English]

The Chair: Good question, Madame Deschamps. Very good.

[Translation]

Mr. Thomas d'Aquino: Thank you, madam.

[English]

Mr. Chair, I believe some of the previous witnesses may have dealt with the issue of Mexico. Let me just say that 15 or 18 years ago the relations between Canada and Mexico, other than as a place to go and have a good holiday, were virtually non-existent. Our political relationships were almost non-existent. Certainly our commercial and trade and investment relationships were non-existent. When Canada and the United States successfully concluded the free trade agreement, the very first mission to come to Canada, on the part of senior Mexican business leaders, came very quickly, and the Mexicans said to us, "We now have a new President, we

have ivy leaguers in the cabinet, and we want to be part of this free trade agreement." One of my colleagues said, "You mean sometime in the next twenty years", and the answer was "No, sometime in the next year or two."

That really was the first manifestation to many of us in Canada that Mexico had really begun a true revolution, what the Mexicans call *apertura*, the opening up. Here was a country that had a long and tortured history with the United States, a lot of baggage, a cartelized union structure, and oligarchs in their industry. We found it hard to believe that this country, with roughly 40% of its population in dire poverty, would want to be part of the North American Free Trade Agreement.

The result of that was very, very close and rapidly developing relations between us and our Mexican colleagues. We developed deep, deep friendships that went right up to the level of working closely with the last four Presidents. And as you know, with the approval of NAFTA, that model became the first model in the world where a country that was truly a developing country had signed a free trade agreement with two of the richest countries in the world.

We then had NAFTA, and then we had the SPP, and those relationships have continued to develop and deepen. To us, the Mexican relationship, as I mentioned in the paper, is extremely important. I say that because Mexico is a country of roughly 100 million people. It's a country that has a very big footprint on the continent, particularly on the United States. The two-way trade and investment has grown quite exponentially.

We see a lot of potential, going forward. We like the Mexicans. We work well with them. Therefore, in our view, Mexico should be a top priority—along with the United States, the European Union, China, India, and Japan—as a country we have to devote a lot of time to.

Let me conclude by saying we've had little bit of a dispute with some of our close colleagues—some of them, I think, may have appeared before you—who have argued that trilateralism has worked against us, that every time we have to engage in discussions in North America that involve trilateralism, it results in the Canadian-American relationship being somehow dumbed down.

We've had some direct experience with that. There is some truth to it. That is one of the reasons, while we still strongly endorse trilateral cooperation, we are now pushing much more strongly for intensification of bilateral relations with the United States and bilateral relationships with Mexico. We think it's very, very important to do so with Mexico because, frankly, if you look at the growth of trade investment and the growth of political relations between our two countries, you will see that in the next five to ten years Mexico will be a major factor for Canada as well.

• (1700)

[Translation]

Ms. Johanne Deschamps: In an entirely different connection, I see that your organization will be organizing a summit of Canadian business leaders in Washington on March 23 and 24. What will be on the agenda there? What are your priorities?

Mr. Thomas d'Aquino: We're going to talk about a lot of things we've already talked about. First, we'll be talking about the Canadian economy and that of the United States, about the economic crisis and about the importance of very close cooperation between these two countries.

Second, we'll be talking about energy and climate, because they're very, very important.

Third, we'll be talking about trade relations and investment in both countries.

Fourth, we'll be talking about security. We'll talk about national defence, but also about the security of borders between Canada and the United States.

Lastly, we'll talk about the cooperation that must absolutely exist between Canada's political agents—including you—and those of the United States. That's very important in our minds because your presence and your influence in the United States makes it possible to increase Canada's influence in general. Those are the main points that will be on the agenda on March 23 and 24.

• (1705)

[English]

The Chair: Thank you, Mr. d'Aquino.

We'll go to Mr. Goldring for a very quick question.

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

To return to the question of our own capacity and sustainability on energy and the problem we had last summer, do we ourselves not have the refinery capacity? Is there a difficulty with the environmental approvals to build a refinery? Is it a conflict with the Americans or some type of trade with them because we send them a lot of crude? What is the status of having our own sustainability on refined products?

[Translation]

Mr. Thomas d'Aquino: Professor Plourde no doubt has a very good answer for you.

[English]

Mr. André Plourde: I think you mean energy sustainability in Canada in the sense of continuous supplies being available.

Mr. Peter Goldring: What I mean is so we don't have that shortage that hit—

Mr. André Plourde: First of all, it's very different for electricity, natural gas, and oil.

As we found out in August 2003, the grid is very much interconnected. When things go wrong, things go wrong. It's very hard to fix. It could easily be systemic and create a lot of problems.

The natural gas market is a continental market. It's a market that really operates in North America, outside any reference to what's going on in other parts of the world.

Mr. Peter Goldring: What about the refineries?

Mr. André Plourde: The crude oil market is a world market, but the refined product market is largely a North American one. It is extremely expensive to have inactive capacity that you can just turn

up. It's not like electricity; you don't have to meet peak demands at times. So you have a lot of excess capacity to do that.

In terms of refined products, there has been very little new construction of refineries in Canada or the United States. It's just not commercially viable to create more refinery capacity. It's much better to expand what you have, to revamp what you have. What's happened is that the intensity of use of the existing refining capacity has grown a lot in both Canada and the United States. So essentially, when things go wrong—and things happened at a time when the refinery capacity was being switched from the summer run to the winter run, as it turns out, so things happened at the wrong time—there's not a lot you can do to protect yourself that's cost-effective, either from a public policy perspective or a commercial perspective, to meet these kinds of once-in-very-few-times events.

As you know, in Edmonton there have been issues about diesel recently because of refinery problems. These are just the consequences of market arrangements working that way.

Mr. Peter Goldring: Thanks. That's all.

The Chair: Thank you.

Mr. Dewar.

Mr. Paul Dewar: Thank you.

I want to move from my questions on the environment and energy and where we go from here to some of the processes that had existed. I'll go to Mr. d'Aquino on this.

Some of us are very critical—no news here—about the SPP. I don't get a sense that it's going anywhere. We had Mr. Hart here at the committee recently, who basically said, "So what? It's fine. Don't worry about it."

The reason that many people were upset was the process. It seems we have a government, in the States at least, that says they want to do things differently. Would you acknowledge that if you're going to talk about shared responsibilities, which is what was purported to be in regulation, it might be a better idea to do it in the light of day?

We didn't have any insight. There was much more debate in this country on free trade because we knew what was on the table. Insofar as explaining the SPP to my constituents is concerned, taking out all the politics—which was plenty on both sides, I admit that—I couldn't tell them anything in terms of what's in there. There was no document to say here's what's in it; let's see if it's something we should accept or not.

Would you acknowledge, though, that the process was problematic?

The Chair: Mr. d'Aquino, I'll ask you to answer it, but I will make reference to your earlier testimony where you mentioned the dark cloud of the SPP. You may want to break through some of that cloud and—

• (1710)

Mr. Thomas d'Aquino: I think it's really important that we all be very frank with one another.

In my organization in 2003 we launched a major initiative; we called it the North American security and prosperity initiative. We didn't charge any royalties when the three governments in 2005 signed the Security and Prosperity Partnership of North America, but when we put the original idea together, we had a very simple goal in mind.

We saw after 9/11 the great potential threat of what would happen to Canada, to our jobs, our industries, our families, should there be a continuation of terrorist attacks on the United States. It was our view first that a wonderful way to launch the 21st century would be to acknowledge that the economic integration between Canada and the United States was irreversible, in the sense that we had gone so far that we should acknowledge it in one way or another and make it work better—especially make it work to the advantage of Canada—and second, that you will never have a secure North America unless all the constituent parts take security equally seriously.

The biggest problem the Americans had was with Mexico. The southern border of Mexico, as a Mexican President has said, is an open sieve. There are huge problems with “securing North America”, from the point of view of our most southern neighbours.

What we were really trying to do is say that if we just leave it to individual departments—agriculture to agriculture, environment to environment, and trade to trade—we're never going to have a vision here; we're never going to have something that's going to occupy the attention of people in the White House and make them try to fix some of these things.

The whole idea behind SPP was to try to raise this idea and this vision to a bigger level, so that people could begin to get excited about it and say yes, of course, we'll do it. The term “three can talk and two can do” was coined, if you remember, to allow for the differentiation between what Mexico and the U.S. did and what we and the Americans did. But basically we said the border is our top priority.

Second, there are areas of regulation where harmonization would make us more competitive. We acknowledge that the greatest threat to North America—frankly, I never use the word “threat”, but always use the word “challenge”.... The greatest challenge to North America, other than that coming from the terrorists, came from competition, particularly from Asia. How were we going to respond—our auto industries, our financial industries, all of this? And we thought, why not under a major umbrella, where we could capture the attention of two Presidents and a Prime Minister to talk about these things?

The same thing applied in the case of resources. Here we were, the largest foreign suppliers of energy to the United States, and the vast majority of Americans didn't know about it. How could we, to use Professor Plourde's term, get better leverage on that?

And likewise with the idea of a security perimeter, we thought that if we could establish effective perimeters beyond our borders, then we would no longer have nearly so much of a problem with our Canada-U.S. border.

That's basically what was behind it.

Mr. Dewar, you're absolutely right that SPP was a big fog to people, and you're right that it became a subject of frequent attacks by your party, certainly by my friend Maude Barlow and others—

Mr. Paul Dewar: In other words, in the past—

Mr. Thomas d'Aquino: No, but it was. And the SPP—

Mr. Paul Dewar:—just like you and the border.

Mr. Thomas d'Aquino: Yes, it became really part of a great corporate conspiracy to homogenize North America.

But I would say this, SPP was in fact badly sold—badly sold in the United States, very badly sold in Canada by the previous government and also by this government, and badly sold in Mexico. One of the reasons it was badly sold is that people, when you really got down to it, found that the nitty-gritty of it was really pretty boring.

I'll just give you one example. You say it was in the shadows, but it was never in the shadows; it was always out there. You could find any report on SPP on the Internet. Every summit that took place had reports that were issued. The North American Competitiveness Council, of which we are part, was part of SPP. Our reports were issued within minutes of the three leaders getting together, and on the Internet. You know what the problem was? Most of it was so utterly and completely boring that nobody wanted to pay attention to it.

The leader of the Raging Grannies, who's a good friend of mine and lives down the street from me, came to me one day and said, “You know, you were at Fortress Pearson, behind closed doors, conspiring with.... We didn't see anything.” I said, “Did you see our report on our website yesterday?” She said, “No, is it there? Is it possible?”

That's only to say that no institution has been more wrongly maligned for the wrong reasons than the SPP. But you're right, one of the reasons it suffers this terrible reputation is that we've all done a terrible job of selling what the SPP was.

In final conclusion, I think the SPP is probably dead, because I believe probably under President Obama we will see something else. But as my colleagues will attest, we always said to one another, it doesn't matter whether you erase the SPP now, six months ago, or two years ago; do you know what will happen? Something will replace it. Why it will be replaced is because energy, the environment, trade, financial regulation, and agriculture, all these things that we do in the form of millions of cross-border transactions every day, are going to have to be coordinated and will be coordinated.

So whether they end up calling it something else—there are already some names floating around Washington—it doesn't matter. But you know what I predict? Whatever name they give to it, if we meet here three years from now, you will say, Mr. Dewar—or maybe not you, but others may say—“You know what? We don't know anything about this new arrangement.” And the few people who actually take the time to read it will say, “Boy, this is a good way to be put to sleep.” When you're talking about tariffs and regulations, a lot of that very unsexy stuff, it doesn't really capture very much attention.

• (1715)

Mr. Paul Dewar: Chair, I have a last comment.

Thank you for the answer. I take it from you that you would like to see it in a different process. That's all I was asking. I think it was important to have it in the open, and it wasn't. Yes, there was stuff on the website, but we're a Parliament here and we make decisions about policy, and we're a foreign affairs committee and deal with foreign policy. All I was saying is, never mind the merits of the initiative, we can argue that, but you needed to do it in the light of day.

I have to declare a conflict of interest. I'm the son of a bureaucrat who negotiated nomenclature for his whole life; that's my father. So I actually find these things somewhat interesting.

Mr. Thomas d'Aquino: I'm glad.

The Chair: Thank you very much, and thank you for clearing up this dark cloud that has been hanging over us for some time. It reminded me of the last election and being in a debate, because the only policy some of the other candidates wanted to talk about was the SPP. Certainly we appreciate your clearing that up.

With that, we want to thank you for being here today. It has been very good to have your testimony, and I want to thank you for taking extra time. I didn't even ask you if you would be able to stay beyond the hour, but almost two hours have gone very quickly and we thank you all for being here before our committee.

I don't know if there's any committee business that anyone wants to address. Do you want to move quickly into committee business?

Mr. Paul Dewar: Yes, very quickly.

The Chair: We'll suspend for one minute and give our guests the opportunity to leave the table, and then we will come to committee business for a very brief moment.

• _____ (Pause) _____

•

• (1720)

The Chair: Committee, we'll call this meeting back to order. We've always tried to set some time aside at the end of testimony and the end of questions for committee business, and Mr. Dewar has asked that we discuss something.

Mr. Paul Dewar: Two small things. One was a scheduling thing on steering. Are we going to be meeting any time soon?

The Chair: Yes, on Tuesday.

Mr. Paul Dewar: Okay, that was sent out. I hadn't seen that. Good.

And secondly, in terms of our analyst, who is no longer with us, I don't know if we dealt with it at steering, that we were going to do something. I don't know if that's been organized. I didn't hear anything, so should we put that to steering?

The Chair: That might be a good suggestion.

Mr. Paul Dewar: Okay, you're going to send it out to everyone?

The Chair: I think it's everyone's intent that we should say thank you. We did try to do that publicly here, and maybe there is a better way to do it.

Mr. Paul Dewar: Quite frankly, the problem is—

The Chair: We could be in camera so he doesn't know anything is coming.

Thank you, Mr. Dewar, for that point.

Mr. Crête.

[*Translation*]

Mr. Paul Crête: How many meetings are we planning to hold on the issue of the United States? I'm not talking about all the meetings, but those that are really on the agenda. We've suggested some witnesses, and I would like to know whether we're planning to hear from them soon.

[*English*]

The Chair: We have scheduled until the break on this part of the study, and we would still welcome....

Have you contacted those witnesses the Bloc has put forward?

[*Translation*]

The Clerk of the Committee (Ms. Angela Crandall): I haven't received that.

Mr. Paul Crête: You haven't received it? We sent it this morning.

[*English*]

The Chair: Yes, I'll just mention that. Get your witnesses in. We try to have balance. I've left it to our clerk to this point, but we try to take all witnesses.

Is that it? Thank you.

The meeting is adjourned.

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