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Chair

Mr. Lee Richardson

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• (1535)

[English]

The Chair (Mr. Lee Richardson (Calgary Centre, CPC)): Welcome to the fourth meeting this session of our Standing Committee on International Trade.

We're continuing our discussion on Canada-U.S. trade relations, today with specific reference to procurement. To help us along, we have invited a witness from the Canadian Chamber of Commerce, our old friend the senior vice-president of policy, Shirley-Ann George. Shirley-Ann, thank you for coming again.

Also, as an individual, we have a former trade negotiator with the Canadian government and I believe the Quebec government, Carl Grenier. As well, we have Omar Hammoud, who's the president of APG-Neuros Inc. in Quebec.

I'm going to ask our witnesses if they would begin today, by way of background and to give us a briefing on this important issue, with an opening statement of ten minutes or less. I'll ask each one of you to do that, starting with Monsieur Grenier.

[Translation]

Mr. Carl Grenier (As an Individual): Thank you very much, Mr. Chair.

I want to thank the committee for the opportunity to appear today and give my opinion on the Buy American agreement, which came into force on February 16. My personal interest in government procurement goes back to the 1970s, when I was on the Canadian delegation for GATT trade negotiations, during the Tokyo Round. As a delegation member, I took part in the negotiations of the first international agreement to liberalize government procurement. Then, as a senior official in the Quebec government, I took part in the free-trade negotiations with the United States. The issue of government procurement was also on the agenda during those negotiations. It was the same during the Uruguay Round negotiations in the late 1980s and early 1990s, when the initial agreement I just mentioned was renegotiated to assume its current form.

I will limit my remarks to the permanent part of the current agreement, the part that is directly related to the WTO Agreement on Government Procurement, since the part on special access to seven American programs is entirely temporary and impossible to assess at this time, and since the third part on opening talks to expand the agreement is likely of little consequence, at least I hope so. We can come back to these points during the question period.

In my opinion, it is impossible to understand the actual scope of this agreement without first putting it into its historical context. That

is what I will attempt to do now. In actuality, the agreement that was just negotiated is a rather pathetic conclusion to some 10 years of negotiations, which Canada put an end to in the mid 1990s, in the face of the U.S.'s unwillingness to compromise. Last month, Canada accepted what it had been refusing for 25 years. You see how things can change.

In the spring of 1979, the Tokyo Round of the WTO trade negotiations had, for all intents and purposes, come to an end. After years of work, a balance of compromises had finally been reached, but a new problem arose, an American problem. In fact, the U.S. delegation raised the issue again and informed the 20 or so countries that had negotiated the first international agreement on government procurement that the U.S. congress was not likely to ratify the agreement without a major exemption. The U.S. administration had concluded that the government procurement agreement was not acceptable to a large number of elected officials in congress. The agreement was an integral part of a huge package. It dealt with tariff reductions, and that included the Agreement on Subsidies and Countervailing Measures, the Agreement on Safeguards and the Customs Valuation Agreement. There was a whole slew of them, and all of these results were potentially thrown into question because congress had decided, by giving permission to the executive branch to negotiate the Tokyo Round, that there would be just one vote on everything. It was the famous fast-track approval procedure.

The stumbling block that brought U.S. negotiators back to the table was a 1953 law guaranteeing a fair distribution of federal government contracts between the country's small and medium-sized businesses. That preference was added to the Buy American Act of 1933, which already gives American suppliers a 6% to 12% advantage over foreign companies that tender a bid for federal procurement contracts.

At the time, there was no question of congress repealing the popular act, especially since this preferential treatment had just been extended to businesses owned by minority groups, on the heels of the civil rights movement of the 1960s. There was even less question of extending that national treatment to foreign SMEs, in other words, treating them the same as American SMEs. So the U.S. requested a permanent exemption from the clauses that would require it to do away with these preferences, which did not adhere to the letter and spirit of the agreement. Time was of the essence, and none of the future signatory countries wanted to reopen the agreement to make adjustments in the face of this new demand by the U.S. The exemption was therefore granted rather grudgingly, but granted none the less. Canada was the country that lost the most as a result. With the possibility of serving the market by land, which compensated for the generally smaller size of its businesses, Canada hoped to carve out a large share of central government contracts for itself with its neighbour to the south.

● (1540)

So it involved federal government contracts; that needs to be pointed out. The government procurement agreement that came into force in early 1981 affected only the procurement of goods by central government entities above a certain value, a threshold, with major sectoral exceptions, such as defence, telecommunications, public transit and heavy electrical equipment. Put off until next time was the liberalization of procurement by federal states, in other words, provinces in Canada, *länders* in Germany, states in the U.S. and autonomous regions in other countries, whose value exceeds central government procurement contracts in nearly all industrialized nations.

So the expansion of the government procurement agreement was on the agenda for the next round of negotiations, the very ambitious Uruguay Round, which began in 1986 and lasted until 1994. With respect to government procurement, the U.S. subjected the purchases made by 37 of its 50 states to a better agreement, but these new contracts were not open to Canadian businesses, as the two countries were not able to come to an agreement at the time. That part of the agreement will go nowhere until the effective date of the agreement announced on February 5.

The main reason for the failure of the Canada-U.S. negotiations on government procurement during the Uruguay Round was the U.S.'s continued refusal to exempt Canadian businesses from the exemption that it had snatched at the end of the Tokyo Round. Without a similar concession, the majority of Canadian and Quebec SMEs had little hope of landing contracts with the U.S. federal government or state governments, some of which had their own Buy State provisions based on the Buy American measure.

Furthermore, in certain major industries such as public transit, states and cities were subject to specific preferences through federal subsidies, especially public transit. President Obama's recovery plan did not include anything new in this regard.

It should be noted, by the way, that the large Canadian suppliers that had already been forced to set up in the U.S. as a result of American protectionism regarding government procurement, did not have the same appetite as SMEs for the liberalization of government procurement in the U.S. They had already built plants across the

border in order to be able to sell their buses and subway cars to American cities. They had solved their problem by investing in the U.S.

The failure of the negotiations to expand government procurement liberalization to the provinces and states under GATT—NAFTA, for that matter, did not change anything because it was largely based on the GATT agreement—did not mean that Canadian businesses were unable to tap into certain U.S. state government contracts. In the absence of restrictive subsidy policies from the federal government, a number of states bought Canadian equipment, and some ten Canadian businesses were able to benefit from that, especially in the public works sector, without any statistics on exactly how much that represented.

Obviously, everything turned upside down on February 17, 2009, when President Obama approved the American Recovery and Reinvestment Act of 2009, a massive two-year economic recovery plan estimated at \$787 billion, and around \$275 billion of that targeted infrastructure and equipment projects. A large portion of these projects were contracted out to the states, and the use of federal funding was subject to a Buy American clause, in full compliance with the U.S.'s international obligations. That meant that the businesses of the 27 member nations of the European Union, for example, Japan, Korea and some 10 other countries had the right to tender bids for these contracts with the states, but Canadian businesses could not, because the Uruguay Round of negotiations on the issue were not successful, as I mentioned.

This sudden windfall of billions of dollars did not come without strings attached and put an abrupt end to many business relationships that Canadian businesses had managed to build with U.S. states, cities and counties, despite the failure in 1994. You will recall, the Canadian media was highly critical of the American protectionism. At the urging of manufacturers and the Federation of Canadian Municipalities, the Canadian government entered into negotiations with the U.S. in July 2009. It is important to note that no serious estimate of the damage caused by the Buy American measure in the recovery plan was ever released. We do not know just what the damage was. Negotiating head to head with the U.S. to solve a trade issue is always a brave and daring move.

● (1545)

In terms of negotiations, the Canadian government has clearly put itself in a position of weakness with a timeline it had no control over. On October 21, Stockwell Day, the Minister of International Trade for Canada, publicly complained about how slow the negotiations were. With each passing day, potential gains for Canadian companies disappeared as funds were being allocated.

On February 16, 2010, when the agreement reached by his successor, Peter Van Loan, came into force, at least \$198.5 billion of the initial \$275 billion had been already allocated. But the American requirements remained firm. In hindsight, we can even say that they have increased. What price did Canada have to pay to access a temporary program? The federal government provided the WTO with a list of entities from 10 provinces, and an additional list of 75 cities, including the 15 largest municipalities in Quebec. As part of the Agreement on Government Procurement, American companies will have permanent access when those entities purchase goods and services.

I will close by pointing out that Canada's infamous stumbling block over 10 years of negotiations has remained intact. This obstacle is the exemption clause that allows American authorities to reserve a major part, about 23%, of their federal government procurement for American SMEs. According to a recent estimate, that actually adds up to \$130 billion out of \$530 billion per year. But no American city is on the list of 37 American states whose procurement is subject to the agreement.

Finally, it is a little strange that the Canadian embassy in Washington had to take it upon itself to let American states know that Canadian companies now have the right to bid on the few contracts that have not been awarded yet. Is that a great victory for Canada? Certainly not. Is it a significant gain for the United States? Yes, it clearly is.

A previous witness noted that this was the first trade agreement signed by the Obama administration. For Mr. Harper's government, of course, it is the second agreement with the United States. We can only hope that it will not be as much of a disaster for the Canadian economy as the first one.

• (1550)

[English]

The Chair: Thank you, Mr. Grenier.

We'll move now to Mr. Hammoud, president of APG-Neuros Inc.

Mr. Omar Hammoud (President and Chief Executive Officer, APG-Neuros Inc.): It's an honour to be with you. This is my first opportunity to have a discussion with members of Parliament.

We hear a lot of discussion about "Buy American" and how it's affecting us, but we hear a lot of theoretical discussions on the impact of "Buy American". We in fact have been hurt quite significantly in the last two years. We had to take quite rapid and drastic measures. We didn't have the power of negotiation when we had to establish a manufacturing facility in the U.S. We had to act to protect our future projects.

As we heard in the briefing on how the Buy American negotiations were taking place between the Canadian and U.S. representatives, at the same time we were seeing projects being lost, projects we had worked on for three years. They used our designs and our proprietary and technical information, and towards the eleventh hour we were told we were no longer on the project.

We had units. We actually had deliveries at the port of Los Angeles that were held. The customer was not taking them, and they were held at the port. The State of California learned about the

situation and actually felt sorry for us, and they gave us a one-time exemption to deliver the product.

To react, we had to take a facility in upstate New York, in Plattsburgh. We would have had 40 employees in the Montreal area, and we were looking at Ontario as well, and we moved to Plattsburgh. Now we have a production facility in Plattsburgh. That's the only solution.

What you are doing here and after as negotiations doesn't make a difference. You have the government ruling. You have the threshold values at \$7.8 million. That \$7.8 million threshold value represents 80% of the projects.

There are on-the-ground U.S. competitors who know how to work around these rulings and these agreements. They sent protest letters to the counties and municipalities that wanted to buy from us. They threatened to take them to court. They threatened them with losing the stimulus funding that they were receiving from the federal government. The municipalities in the U.S. are not very educated in terms of knowing the law and how it applies.

Their first reaction was that instead of buying from us and taking the risk, they would rather buy from U.S.-based suppliers. Even with our production facility in place in Plattsburgh—and we're spending \$2 million just modifying the facility so we can test in it—the U.S. competitors are still putting pressure on their municipalities to not take our product, which we are already committed to building in the U.S. This is the reality on the ground.

If the negotiations around agreements are not 100% without any conditions, without any threshold values, without any borders that separate the U.S. economy from the Canadian economy, they will not be applicable on the ground.

We have to stop looking at what we need to change in the U.S. The U.S. has their own problems. They have a 12% unemployment rate. They will not be able to negotiate more than what they have. We need to focus on what we can do in Canada. We have other markets we can go to. We have to educate our municipalities that still favour U.S.-based manufacturing even though we are the market leaders in our category.

When we try to sell in Ontario or in Quebec, 15 minutes away from our home base, we find we're actually out-manoeuvred by the U.S. competitors that put the pressure on us in the U.S. They stretch our means and make our means thin in terms of financing. Then they can come and compete with us in our own backyard, and they can win against us. So we're hurting on both sides.

We want a strategy to be developed in Canada to help us to regain strength. We want a rescue package to help us do whatever extra we need to do in the U.S. to regain our projects in the U.S., and we want to use that assistance to open up other markets.

•(1555)

We learned one thing, which surprised us. We thought we had a good agreement called NAFTA. When we went full speed and focused on the U.S. to develop the market, we were led to believe there were no restrictions between the Canadian and U.S. economies. That did not prove to be true. What we are seeing now with the new agreement is that it's leading us, the manufacturers, to think that there are actually reciprocities between the U.S. and Canadian economies. It's not true. We know what the situation is. We can go to Europe, and we can go to underdeveloped regions in the world, and that's where we can make the difference.

Also, what we're asking for is more focus on growing Canadian technology companies. We have to work from Canada and go abroad all the time, and most of the companies we deal with actually are subsidiaries. We need to grow our own technology, our own brand name as Canadian technology, and promote that outside of the U.S., outside of the economy that we depend on so heavily.

These are the things that I want to pass on to you as our experiences. We lost specific projects in the U.S. As for the amount, between lost projects and discounts we had to make, we lost over \$80 million. For a small company that we started in 2005, that's a huge impact. We need from you the recommendations to create attention to what you can do to help us in Canada, knowing that we had to go through having to expand our financing to build a facility in the U.S. and that we still have to build a facility in Canada. We need you to approve some kind of financing that applies to those of us who have over 60% or 70% of our sales concentrated in the U.S.

The Chair: Thank you.

We'll now hear from Shirley-Ann George from the Canadian Chamber of Commerce.

Ms. Shirley-Ann George (Senior Vice-President, Policy, Canadian Chamber of Commerce): Thank you very much, Mr. Chair and members of the committee. Please accept my sincerest thanks for asking the Canadian Chamber for its views on the recently signed agreement between Canada and the U.S., which provided greater access for Canadian products to projects funded by the U.S. stimulus bill, known as the American Recovery and Reinvestment Act, or ARRA.

As you know, the ARRA contained provisions that blocked foreign-produced components from being used in projects funded by the American stimulus package. While the value of the stimulus package was \$787 billion, much of this money was allocated for other purposes. It is our understanding that Canada was restricted from bidding on an estimated \$280 billion of funding that went to state and municipal-level government infrastructure procurement opportunities.

It is important to note that while this number was high, especially by Canadian standards, the amount of business that Canadians would have expected to win is unknown. We can reasonably state that with the competitive process and the variety of products and services that would have been purchased, the potential wins would still have been significant, though much smaller in number.

Given the reality of global supply chains in which very few products are any longer of 100% domestic origin, as well as the

interwoven nature of our trading relationship with the U.S., these restrictions have hurt businesses on both sides of the border.

I'd like to make it clear that the Canadian Chamber of Commerce supports this agreement. First, let us acknowledge that the agreement was negotiated through the hard work of Canadian-U.S. negotiators in a period of less than six months. While this may be far longer than what we would have liked, given the normal length of time required to negotiate international agreements, reaching an accord in six months is an impressive accomplishment. When you take into account that the agreement also required the provinces to sign on, reaching an agreement with that group in six months is, frankly, quite mind-boggling.

A number of organizations have been before you already, so I'll dispense with the details of the agreement and sum up our support in a short statement. This agreement is not an amazing breakthrough that gave Canada everything it asked for. It does not solve every problem, but doing so was never in the cards.

Several months into the ARRA, it is also difficult to spread the word that the rules have changed, and some firms are still facing challenges accessing the U.S. market. Both governments will need to continue their efforts on communicating to the states and municipalities that the restrictions on Canadian products have been removed.

Even with this, the agreement is a step in the right direction. It is a good agreement and worthy of the support it got from the federal and provincial governments. Let me tell you why.

It is well known that the U.S. Congress leans towards protectionism. In a period of economic downturn, this comes out in spades. So it is a win for Canada during this time to gain permanent access to procurement opportunities covered by the U.S. government procurement agreement in 37 states and to get preferred access to the remaining funds in seven programs covered by the ARRA. It is a win to get an agreement to continue to talk about the possibility of a permanent procurement agreement between Canada and the United States.

It's also a win to get the provinces and the federal government to come together on a trade position. Our hat is off to the politicians and the government officials who got a group that sometimes has a problem agreeing on the time of day to stand as one on this issue and to gain this agreement in a matter of weeks. This is where the agreement achieved a real breakthrough, and we're already seeing this pay off in other venues, such as the Canada-EU negotiations.

I would like to suggest to you that your debate should not be focused on whether it is good enough, because the agreement was all that was possible, no matter how much we would like to think otherwise. Rather, your discourse should be examining what Canada should be doing in order to get beyond fighting these fires with the United States.

Unfortunately, this protectionist measure is not a one-off. The fact that it is an election year in the U.S. will make 2010 even more challenging for Canada. Coupled with this are the continued high levels of unemployment that are plaguing our southern neighbour. Unfortunately, the inclusion of protectionist language in proposed legislation could make a regular appearance for the next short while.

We have already seen this in a number of other pieces of legislation, such as the jobs bill and a bill by three U.S. senators that requested that a stop be put on stimulus spending for renewable energy projects until it was guaranteed they were using domestic materials.

• (1600)

We are very blessed to have so many dedicated and hard-working diplomats and locally engaged employees working on our behalf in the United States. I think all of you have met with some of them and know how hard-working they are. But even with this, even with their efforts, it is clear that we need to look at additional approaches that involve the whole of government, the whole of Parliament, and strong public-private partnerships that strengthen our ties in order to develop solutions that are beneficial for both countries.

Collectively, we must do even more to educate Americans on why it is to their direct benefit to foster a unique relationship with Canada. We need a coordinated and organized strategy aimed at fostering even greater awareness in the U.S., and I stress that we need to demonstrate the direct benefit, because it is not enough to go to the United States and have them think that we're nice people living in a pretty country, that we're friendly to U.S. visitors, and that our kids play hockey together.

I have two final thoughts, Mr. Chair. We must avoid retaliation, no matter how much it has been encouraged. We will not create job opportunities by cutting off business with our trading partners. And while the United States will be our largest trading partner and closest ally for long into the foreseeable future—and we encourage continuing to foster this with even greater effort—we also agree with Mr. Hammoud that it is clear we must develop trading relationships with other countries and create greater balance in our trading relationships.

Thank you.

The Chair: Thank you, all three of you. This was very useful. We have slightly different perspectives that I'm sure are worthy of questioning, and we're going to begin our questioning today with Mr. Cannis.

Mr. Cannis, I'm going to remind you, as well as our witnesses, that we're going to stick to seven minutes for each of the parties for questions and answers. When we get close to seven minutes, I'll be letting people know so that we can give everybody an opportunity to ask any questions they have.

Mr. Cannis.

Mr. John Cannis (Scarborough Centre, Lib.): Thank you, Mr. Chairman.

I was going to take a minute or two and pass the rest of my time to my colleague Scott Brison. However, if he agrees, I'm going to take my time and go the second round, or I'll go the second round if he wants to start off—either way—because our guests were moving on and on, and as all three presenters went on and on, they lit a fire under me so that I have more than just the one simple question that I had. So should I go?

• (1605)

The Chair: Why don't you go?

Mr. John Cannis: Thank you.

First of all, welcome to our guests. You certainly shed some more light on this.

I do agree with you, Ms. George, that we must avoid retaliation. Today that is not the way to resolve these issues. We are saying let's be fair and let's use common sense. That's really what it's all about, for the good of both our taxpayers and our societies. My constituents are telling me that it's not fair.

From what I've been hearing, your take is that a deal within six months is better than no deal. That's true in many ways. So let's make a deal, and let's try to refine it. That could be an approach. You talked about there being elections. You know that in the United States they have elections every so often, but we know in politics that the next election starts the very day after an election. So we don't know when that's going to stop. What I'd like to get across to you is this. It has been said, it has been written, and many people have commented that in this agreement some crumbs have been thrown our way.

I really enjoyed your presentation, Mr. Hammoud, and I appreciate and I sympathize with what your company and other Canadian companies have gone through. I know there used to be a program called PEMD-I many years ago. I think we recommended some years ago that that program be reinstated and financially supported so that we could be competitive.

I know you've heard what I'm about to say. We are their biggest energy suppliers, and we must use that, though not necessarily as a trump card. I'd like to get your view on that when it's your time to respond. I don't believe we should use it as leverage, but to some degree.... Maybe you can tell me if you've had this on the table, and if it has been discussed then I can convey that to my constituents. If it has not, then I'm conveying to you on behalf of my constituents that we should be putting that on the table for discussion.

With respect to the American recovery program, can you give me an idea of how we benefit in terms of dollars and cents as well? I know when I was over with the committee on national defence, discussing some of the procurement with respect to military contracts, there were a lot of restrictions in terms of employees. Can you give us an update on that as well? Because that was hindering.... The bottom line here is how do we create opportunities, in all fairness? Where is that?

In closing, Mr. Chairman, I'm disappointed—and I convey this on behalf of my constituents—by the protectionist attitude that still exists today. Politically we understand when we turn on Fox or CNN and we hear some political rhetoric about protecting jobs....

Sorry, sir?

The Chair: You turn on Fox?

Mr. John Cannis: Of course I do. I'm a balanced person. I believe in common sense. Dad said to me, "Read as many newspapers, hear as many broadcasters.... Believe not even half of them."

So for me, could you just summarize how we overcome this protectionist tendency? I know there has been an undertaking by members of Parliament who try to meet with our counterparts. Have you seen any progress in that, and on that, what would you suggest we do more of?

The Chair: Thank you, Mr. Cannis.

I'll let the witnesses at each occasion decide—and we're not taking this out of your time, Mr. Cannis—whether they wish to respond collectively or individually or at all. I take it that there were some questions directed towards Mr. Hammoud—he may want to respond—and some to Ms. George, so I should advise you that there is probably about three minutes for an answer.

Mr. Omar Hammoud: Thank you.

We are not criticizing the reaching of an agreement. We live with it. You created the agreement with your hard work and we live with it every day. We are not criticizing the creating of an agreement. We are business people and we sign agreements every day. We do business across the United States and 98% of our sales last year were in the U.S.

We have nothing against the U.S. trying to protect their economy. They have to do it. What we are after is for us to have our own economy and our own strategy to develop our own opportunities without relying on the U.S. We are not there to fight the U.S. They are a good customer. We have to create our own, as they have done by inviting us directly or indirectly to set up manufacturing facilities under the recovery act. We did, they're happy, they complimented us, they wrote about us, and they are thanking us for doing it.

What we have to do is have reciprocal initiatives in our economy. We can modify this in different forms so that it does not have the appearance of protectionism but does have the appearance and the true meaning of investment. When we say that we want to expand in the U.S., we still want to invest in Ontario, we want to invest in Alberta, and we want to invest in Quebec. Our means are stretched.

Our means are stretched and our U.S. competitors are strong, and they come from places where they know the ways to get around the system. They don't come from places where they play just by the

rules. This is what you have to face every day. You make the agreement and they know how to work around the agreement.

They come here to Ontario and take projects from us that we worked on for three and a half years and four years, in the region of Waterloo and in Durham County. They go to Repentigny, which is 15 minutes away. They know how to manoeuvre around, and our means are stretched because we had to invest in the U.S. We have no backing locally. We are weak. We had one of them fly over to have a meeting with us, offering to buy us—

• (1610)

Mr. John Cannis: When you say "weak", what do you mean? In policy? In financial support? Can you define "weak"?

Mr. Omar Hammoud: The company becomes weak. I give you companies from Nova Scotia. I give you companies from London, Ontario. I give you companies from across the country. We have to double our investment. It weakens our strength to bargain and to negotiate.

They flew over and offered to buy us because they're counting on our weakness. Then we would become subsidiaries.

I'll go back to my initial statements. We want to do business with the U.S. We don't want to be protectionist individuals. We support the Chamber of Commerce in its initiative that we have to be open to trade.

But I will say two things. The agreement is misleading. I don't have criticism of the agreement or the hard work, but we as manufacturers are led to believe that we have a secure position in the U.S. and it's not the case. We don't. Eighty per cent of our projects—and we have \$30 million to \$40 million in projects in the pipeline—are under \$7.8 million. Most of them are. Maybe one or two projects are not. Even if a project is \$20 million, all it takes is dividing it into three projects, and then it becomes \$7 million each.

The Chair: I'm sorry, Mr. Hammoud. That's a pretty long three minutes. I'll give Ms. Shirley-Ann George time for a brief comment. We're already at nine minutes.

Briefly, Ms. George, if you could.

Ms. Shirley-Ann George: I'll answer very quickly.

No, we don't have the numbers on how much business Canadian businesses have gotten under the ARRA. That information is not available because often they are subcontractors.

On your point about ITAR and employees, an announcement was made just very recently, on March 10 or March 11, about eliminating some of the obstacles on dual nationals. I'm not sure if you've seen that. I'd be happy to share this little paragraph with you, if you like.

As for overcoming protectionism, that's a long road. There are a lot of incentives in the American system to keep Congress protectionist. We need a long-term strategy that we all work together on. This piecemeal approach of going after individual problems is not moving the yardstick forward.

The Chair: We are going to have to move along a little more quickly in terms of questions and answers if everybody's going to get a chance today.

Monsieur Laforest, you can start. You have seven minutes.

[*Translation*]

Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ): Thank you, Mr. Chair.

Good afternoon; welcome, gentlemen and welcome, madam.

When we agreed to hear witnesses on the agreement that came into force last February 16 and is now being applied, my party's goal and my own was to find out whether it was a good or bad agreement. We wanted to know, if it was good, who was it good for, and, vice versa, if it was bad, who was it bad for. I have the growing feeling that it is far from a good agreement.

Mr. Hammoud and Mr. Grenier, your comments today were quite critical of the agreement. While still reserving judgment, at least, I tell myself that it does not seem to have a lot of positive elements.

Mr. Grenier, at the last two meetings, we have heard from officials from the Department of International Trade. But no one was able to tell us on what basis such an agreement could have been reached. We were given no figures to show how such an agreement was arrived at or to show who it would benefit. We have nothing, and that worries me.

Based on your analysis, could you tell us how this could have become a good agreement? I am guessing that it is not a good agreement in your eyes. This is the conclusion that you are coming to here. How could it have been good?

Earlier, the Liberal member talked about natural resources. Should they have been in it, or anything else? Do you have any experience with that? I would like to hear what you have to say.

• (1615)

Mr. Carl Grenier: Thank you very much, sir.

It is always very difficult to conduct negotiations on a single topic when there is only one party asking. Around the same time last year, when we approached the United States to "solve" the Buy American problem, Canada was clearly the underdog. The United States did not need us. They had nothing to ask from us, except, obviously, they remembered very clearly that they had not succeeded in making us swallow the exemption in the 1990s. They took their old files out and demanded that we make the offer that we should have made in 1994, if we wanted to obtain anything from Buy American. We had not made the offer because, in 1994, there was nothing in it for us. There is still nothing in it for us. Canadian SMEs will have no access to those markets because they have been reserved for the American companies for almost 30 years.

Could we have made a breakthrough in the negotiations, as we did last year and at the beginning of this year? I personally do not think so.

Mr. Jean-Yves Laforest: Clearly.

Mr. Carl Grenier: There is no better agreement that we could have got.

You also mention the lack of data. I pointed that out myself in my opening statement. It does not surprise me too much, because data like that is hard to get. That is really the crux of the problem. You can bid on government procurement overseas, but it is quite difficult to establish the likelihood of being successful. With time, we should have a bank of data.

Unfortunately, the WTO agreement stipulates that countries like the United States, Canada and all the members, the 40 or so member countries, in fact, must provide annual reports on the number of contracts that they have awarded under the terms of the agreement. The United States is four or five years behind in its reporting. This is not an agreement that is working very well.

Mr. Jean-Yves Laforest: So this means that, if you make a mistake once, you should not really make it again. That is what you said in connection with the third part of the agreement that calls for a mechanism to make the agreement permanent. You ended by expressing the hope that that does not happen.

Mr. Carl Grenier: In the first free trade agreement, in NAFTA, there are paragraphs that are exactly like the ones that were included in the Buy American agreement; it says that we will take time to negotiate the expansion of everything, and nothing has come of it. And, given that understanding, the United States literally got what they had not managed to get for 25 years.

So I ask myself what purpose would be served in sitting down with United States again to discuss government procurement, given that we have conceded our main argument to them.

Mr. Jean-Yves Laforest: Temporarily?

Mr. Carl Grenier: No, forever.

Mr. Jean-Yves Laforest: Ms. George, you say that your organization supports this agreement. You agree that it is better than nothing. Would you not be able to check with your member companies?

Mr. Hammoud told us that we lose either way. We are in competition with American firms here at home and, when we go to the United States, we cannot do business either.

Could you not find a way for your members to tell us whether we really are going to lose contracts at home and whether we are going to win any in the United States? Then we could keep track. I know that the department could very easily do that, it could be done. We could work on that level too, but I feel that the Chamber of Commerce could play a role here, at least an informal one.

What do you think about that?

• (1620)

[*English*]

Ms. Shirley-Ann George: Thank you very much for that.

The point about how hard it is to collect data is very real. It's not only difficult to find out in the short term who was awarded a contract, but for many Canadian companies who are subcontractors or sub-subcontractors, that information is almost impossible to get. So I think a year from now we're going to be looking back at it and still being frustrated that we don't have enough information. We're reaching out to our members and asking them questions, but some of them are in tough times and they don't have time to start responding to some of these things. They are just trying to make sure they can make payroll this week.

I agree with you that we should do more. We are seeking the information, but I'm not sure that we're going to get what you're looking for.

You also asked a question about energy. Mr. Cannis also asked a question about energy. It is true that we're the largest supplier to the United States, but we need to remember two things. They are also the largest supplier to Canada, as we also buy energy from them. They are our only customer. So it isn't as though we have an alternative and we can direct the pipeline to another country next week. We need to be very careful when we're having these negotiations with the United States. The goal should be fostering greater cooperation.

Just to put one thing on the table, the only trade agenda that has been tabled so far is this notion about increasing exports. For U.S. small businesses, the logical place to export to would be Canada. So it's not about putting up barriers; it's about what we can do together. We want our small businesses to have greater access. You want your small businesses to have greater access. Is there some kind of joint initiative that we might do? It's that kind of cooperation that will move the yardsticks forward for future opportunities as well.

The Chair: Thank you.

Thank you, Mr. Laforest. Our time is a little better, but we're still working on it, so we'll get Mr. Allen to really tighten up on the questions and answers.

Mr. Allen.

Mr. Malcolm Allen (Welland, NDP): Thank you, Mr. Chair.

Thank you to all who have come.

It is rather insightful. Everyone seems to say the same thing and not just sort of go back to where Mr. Laforest started about this data.

What Mr. Hammoud has talked about is in a way typical of the data we do not have. His company is being stretched on both sides of the border to be competitive with an agreement he thought helped him.

I hate to use the old axiom that this is a bit of a pig in a poke, but we don't know what we have. We don't know what we can get. We don't know, it seems to me from some perspective—and in fact the department said they didn't know how much they could actually go and find. They didn't know how big it was in the first place. They didn't even know how much interest we had on our side.

It reminds me of going to a bargaining table, when I used to do that, without knowing what I was going to ask for. Here I am representing 4,000 members, and they're looking to me to go to the

bargaining table and ask the employer for something, and I don't know what to ask for. It almost reminds me of that.

We should have known or at least had a sense of what we wanted, other than open access. We got open access. Did that help Mr. Hammoud? Did it help other small businesses? We don't know.

We are taking it on in the sense that it will, but we don't know how to measure that. I agree that it's difficult, but we need to find a way to measure it. In other instances, when we looked at other trade agreements, we had a sense of how much benefit there would be. I remember the NAFTA debate about how many hundreds of thousands of jobs were going to be created. As for whether they were created or not, that is a different debate, but we said those sorts of things.

With this agreement, we can't say that. We don't know. If that's the case, is this just a feel-good thing so that we can talk to them later about feeling good again about something? I agree with what Mr. Cannan said earlier. There are 50 U.S. states with all kinds of different levels of government. Mr. Hammoud has pointed out quite clearly that they don't get it. We didn't get it. We got it the opposite way in Ontario. The folks I talked to at the municipal level thought that NAFTA said they had an open market. That wasn't true.

Here we had the Canadian municipal governments thinking the total opposite of what the American municipal governments were thinking, that we had an open border with NAFTA and they had to take the lowest bidder. They couldn't say, "No, I just want to buy from a Canadian at a sub-national level." It's the opposite in the United States.

How do you ever break down that barrier, and how do you make it workable so that we actually get something?

From the Chamber's perspective, I know you said you're hoping to sort of drive some statistics in a year, Ms. George. I appreciate that's kind of the place you're going to be, trying to look back and take a snapshot of the history and figure out what it is.

One of the things I would like—and maybe you can tell me today whether you're going to do this—would be to get a sense of whether it was of benefit to the general economy and to Canadian workers. Did we generate jobs through this? Did small and medium enterprises actually generate jobs because of this open access?

That's one of the things I'd like to come back to see, because it's all wonderful that companies make money—and they should—but I need to see them create jobs as well. One of the things we need in this country is additional jobs. Their having a better bottom line without our creating more employment isn't really helpful for me and the folks I represent in my riding.

• (1625)

Ms. Shirley-Ann George: Thank you for that.

You raised a number of important issues. One of the issues we're dealing with is timing. I think Mr. Grenier would agree that if an agreement is signed in February and we're in March asking how much benefit have we seen....

Normally when we look back at NAFTA and what not, we have the trade statistics that have come in through Statistics Canada over a considerable length of time. We'll be able to look back and see what happened to the trade statistics quarter by quarter or year by year and get a sense of whether or not any kind of dip turned around. There are so many other factors, it's going to be difficult.

Did we know what we were looking for? I believe the negotiators did know what they were asking for. Did it help? We know for sure that it hurt. During the period when Canadian companies were restricted, we know there was pain. We know there were layoffs. We know organizations were forced to set up manufacturing facilities in the United States.

The real question is, in the coming months will we be able to protect jobs and create new jobs? Remember, this is a temporary agreement. We're only talking about the stimulus, and we have just a few months left. We're hopeful that if nothing else, we'll be able to stop the bleeding, because there were a lot of jobs that were going down to the United States.

Regarding municipalities, I would like to point out one quick thing. The restriction that is harming some Canadian companies of \$7.8 million was put in place in part at the request of the provinces. They wanted to be able to protect their local markets for local opportunities. It cuts both ways.

Mr. Malcolm Allen: Yes, because they finally clued in that it was happening from the other side to them. They figured it out.

Mr. Grenier, I know that you have a large history going back in trade deals. In looking at this one in historical context with what we saw in the softwood lumber deal, I'm wondering if you see any parallels or distinctions in how things laid themselves out. I wonder if you could comment on that.

Mr. Carl Grenier: Yes. Thank you for that.

Yes, I do see some parallels. Unfortunately, this agreement is only the second-worst agreement that Canada has ever signed. The first one was the softwood lumber agreement. My testimony four years ago before this committee is still available, I suppose. I said what I had to say on that one.

This one is a bit different, even though you can see some parallels. Again, Canada approached the United States, basically telling them, "We need a deal at any cost". If you say that to anyone, you'll get one. We did get one, and that cost is high. It will be seen in the future. I'm not talking about this very temporary deal that will evaporate next year with the end of the recovery act funding. I'm talking about the permanent part of the deal, whereby we committed the procurement of our provinces and cities permanently to U.S. suppliers. That's where we failed the last time.

There was a good reason why we failed. It was because basically more than 20% of procurement was reserved by the U.S. for small business and minority-owned businesses, and that's exactly the very core of what our small businesses and medium-sized businesses were aiming at. We had an advantage over the Europeans and the Asians because we're next door neighbours. We can service these markets by land. That's why we didn't agree in 1995; and this time around, I don't know why we agreed to this one. That fundamental fact has not changed.

I come at this from a free-trader perspective. I spent most of my professional life negotiating, first with the federal government and then as a representative of the Province of Quebec, basically in negotiating market-opening agreements. So I agree that this is what we need, but unfortunately in this instance the U.S. protected its stake and we didn't. And that's a permanent thing, unfortunately.

•(1630)

The Chair: Thank you.

Mr. Cannan.

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

Thank you to the two of our three witnesses we knew before.

Mr. Hammoud, welcome for the first time and thank you.

Ms. George, I liked your comment about the kids playing hockey together. I'm glad that we ratified this agreement on February 16 and didn't wait until February 28 after we won the gold medal. It could have been even more difficult.

Seriously, this is definitely something we've heard from various organizations, like the Canadian Manufacturers and Exporters, who were at our last meeting. It's Canada's largest trade and industry association and they supported the agreement. Also, the Forest Products Association of Canada, FPAC, spoke resoundingly in support of this. I was with them last week at a luncheon and they said the best thing this government has ever done was to ratify the softwood lumber agreement.

Maybe, Mr. Grenier, you don't have the same opinion as those in the industry who have to work day in, day out, but philosophically, I guess, that's the difference between academics and the real world.

The other aspect is the Federation of Canadian Municipalities. I spent nine years in local government. The FCM fought tooth and nail for local government and for manufacturers. They had a news release and were supportive of this. The provinces and territories came out in support.

Where I'd like to bridge to you, Ms. George, is in the fact that your president, Mr. Beatty, was quoted as saying that the Buy American deal "has also resulted in greater cooperation between provinces and territories and the federal government—a long-awaited, but very welcomed accomplishment". I wonder if you could speak on behalf of your association and your president about what this type of cooperation means for Canadian businesses.

Ms. Shirley-Ann George: Yes. We see the progress being made on the trade file on federal-provincial negotiations as very important.

First of all, it sets a precedent for other files as well. But just the fact that we were able to come to an agreement quickly, that we were able to use the linkages that were established and leverage those for the Canada-EU negotiations, where for the first time we actually have the provinces sitting around the table during the negotiations, leads things very well as we work towards future negotiations.

Many of the things on the table are either multi-jurisdictional or under provincial jurisdiction, so it's essential that the provinces better understand the nuances and the details of trade agreements but the other opportunities as well. We think it's a great step forward on federal-provincial cooperation.

Mr. Ron Cannan: Thank you, Mr. Chair. I'm going to share my time with Mr. Keddy.

Mr. Gerald Keddy (South Shore—St. Margaret's, CPC): Thank you, Mr. Chairman, and welcome to our witnesses.

It's an interesting discussion. I think there is a little bit of what everyone is saying that we all agree with, and probably we may disagree with a little bit of what everybody is saying. Having a long-term strategy is one of the points I think I hear all of our witnesses agreeing on. A long-term strategy to allow sub-national procurement on both sides of the border would benefit Canadian industries and American industries.

Mr. Grenier, I have to say I'm a little frightened. You call yourself a free-trader, but the message I'm hearing is that we would retaliate. I don't know how you would intend to do that, and I don't know where the benefit would be. I can tell you in a very modest way I ran a small business that did business in the U.S. Ninety-nine percent of our business was south of the border. We worked in every state in New England and most of the eastern seaboard states and half a dozen islands in the Caribbean. The Americans are tough trading partners. They don't play by the rules, and they're not fair. My belief is anything we can do that edges them closer to the mark is to our advantage.

I'd like you to flesh that out a little more.

•(1635)

Mr. Carl Grenier: Thank you for this question. I may have misspoken myself, but I never ever said we should retaliate.

Mr. Gerald Keddy: Okay.

I appreciate that, and I appreciate the clarity.

I would appreciate having a little more time.

The Chair: You probably have another minute if you want to stay in any league with the others.

Mr. Gerald Keddy: We'll stick around.

The Chair: There you go. Good man.

Mr. Hammoud wanted a comment.

Mr. Omar Hammoud: I just want to make a clarification. When you talk about \$280 billion in the recovery act and the stimulus package, it's actually much higher, because the cities and towns don't know if they're going to get the money or not. They are on the list, and in order to secure their position to get the money, they will take you out. So you are taken out from \$1.2 trillion for the \$280 billion that is actually the subject of investment. Let's not be fooled about how significant it is.

In answer to the Chamber of Commerce, Madam George, is it really feasible to find out how much we lost? We know which projects we had secure positions on and from which we were taken out. We were taken out from the Narragansett Bay Commission, which was worth \$1.8 million. We were taken out from Decatur,

Alabama, which was worth \$1.4 million. We were taken out from 20 projects specifically, and those were worth \$8 million. These are projects we lost. We also had to discount the remaining projects in order to make them more attractive so our customers would still give us a chance. We lost a significant amount, and we have the numbers showing what we lost. We also had to invest in a manufacturing facility in addition to what we had to keep here. We have already invested \$2 million this year. We have specific numbers.

As to what we gained, we really didn't gain anything. If we had not put the manufacturing facility in the U.S., we wouldn't have had a chance on any of the projects. We were told very clearly that for any of those projects that had Buy American, we had a period of time to prove to the city that we had a plant in the U.S. While negotiations were taking place, the designs were progressing. So we either had to make a commitment or we would be taken out from the project.

•(1640)

The Chair: We're going to quick five-minute rounds. I'm going to cut off the mikes at five minutes. These have all been going ten minutes. Let's have a little courtesy to the rest of the people at the table.

Mr. Brison.

Hon. Scott Brison (Kings—Hants, Lib.): Thank you, Mr. Chair, and thank you very much to our witnesses.

Mr. Hammoud, you said that the exemption for U.S.-made applies to only 8% of the projects. Could you explain that a little more? It would be helpful to understand where you came up with that figure, because we were being told there was a very broad-based exemption for Canadian participation, but you're saying that Canadian companies will still only be able to participate in about 8% of the stimulus package.

Mr. Omar Hammoud: There is a threshold value of \$7.8 million. When the stimulus funding was allocated by the federal government, it was distributed across the major cities and small towns, more to those affected by high unemployment and also following negotiations with regional senators and members of Congress and so on and so forth. So you end up dissecting the money into multiples and among hundreds and hundreds of projects. The majority of them are below the \$7.8 million.

Hon. Scott Brison: Thank you.

We've been told by the government that this affords us permanent access. In fact, one government document says it provides us with permanent access to local contracts. However, when we had public servants here from DFAIT last week, it was confirmed to us that in fact it provides not permanent access but only temporary. There's no permanent access to local government contracts under this agreement.

Furthermore, when we asked the public servants what potential value was provided to Canadian companies in terms of access, they couldn't answer the question. As for what we are losing or giving up in terms of Canadian projects, they couldn't answer.

Ms. George, you've acknowledged as well that you can't calculate that information either. How many of your members as companies would enter into agreements when they didn't know what they were giving up and didn't know what they were getting?

Ms. Shirley-Ann George: That's a very valid question. We're negotiating a trade agreement with the European Union now, and it's estimated that it's going to be worth \$40 billion. That's something we've had a lot of time to prepare for. We can't say that's going to be worth \$10 million here and \$10 million there. It's literally just opening up the marketplace.

If you just look at things like NAFTA, it is surprising to find that many of the biggest gains under the NAFTA agreement have been in areas that were already fully open before the NAFTA was signed. It's just that people got focused on the opportunity and went down and started to do more marketing in the United States.

In response to your question about whether we know what the Canadian government and provincial governments are doing, they are removing barriers. Then it's up to Canadian businesses to go in and make the opportunities.

Hon. Scott Brison: On the timeline issue, the provinces reached an agreement in July, the proposal was taken to D.C. in August, negotiations didn't start until October, and the Americans dragged the puck until February, almost 12 months after the February 17 date last year when the Buy American provisions came in and when most of the stimulus had been spent. In fact, in terms of stimulus packages, this was the motherlode of stimulus packages, and with America facing a deficit of \$1.6 trillion, anything to come after it is going to pale in comparison.

Given that this exemption really only applies to this stimulus package, and given that we did not even attain exemptions against Buy American provisions in the Jobs for Main Street Act, there are going to be Buy American provisions on an ongoing basis. Do you have concerns that we will see more extended negotiations every time American legislation comes forth with Buy American provisions, that we will see the types of delays and the types of negotiations that will drag the puck and reduce the capacity of Canadian companies to participate?

The government has said that there is some sort of fast track on future negotiations. That's just not the case. There is nothing guaranteed in terms of future negotiations. Shouldn't the government have negotiated a streamlined process to avoid this type of delay and the loss of Canadian jobs for future packages?

• (1645)

Ms. Shirley-Ann George: We're very concerned about protectionism in the United States and this popping up in future bills, and we're seeing it, unfortunately, on a regular basis. So your concern is absolutely valid—

Hon. Scott Brison: But do you agree with me that there's nothing in this Buy American deal that prevents us from going through this entire exercise every single time?

Ms. Shirley-Ann George: What's in the deal is just a fast track process that we'll get together more quickly. There is no guarantee. Unfortunately, to get such a guarantee would have required that this go before Congress and be passed in Congress and there—

Hon. Scott Brison: Ms. George, on one point, you used a very specific trade term: "fast track". Respectfully, I'd urge you not to use that because in trade talk it means something that is quite specific in terms of a capacity of the executive to act. The minister used the same thing, I think, the same term, "fast track". There's no "fast track" in this bill, but I appreciate your intervention.

Do any of the other...?

The Chair: I'm sorry, but we won't have time for more. That's already seven minutes.

We're going to have a five-minute round.

Monsieur Guimond, *cinq minutes, s'il vous plaît.*

[Translation]

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

Mr. Grenier, you have dropped a bombshell with your very clear statement. I also appreciate the fact that you put it in a historical context. It is important to be able to do that in order to help us understand.

Let us talk about consequences. Can you tell us again what they will be? Given this *fait accompli*, will there be ways to repair the medium- and long-term damage?

Mr. Carl Grenier: Thank you for the question.

First, it was certainly not my intention to drop a bombshell. But I did want to draw committee members' attention to the significance of this agreement that is not on the same scale as the softwood lumber agreement or the free trade agreement, for example. This problem is much more focused, but government procurement is the area that all countries protect most, especially the United States. So negotiating is very difficult.

When I said earlier that we should hold our fire until a better opportunity arises, I really meant that the solution, as I see it, in the case of government procurement, is to wait for multilateral negotiations, at the WTO, that is. But, as we know, they are in a bit of trouble at the moment.

By the way, agreement has already been reached on a new text for the WTO's Agreement on Government Procurement—the agreement will be applied, and is being applied, in the Canada-United States agreement. But there have been no negotiations on the real heart of the matter, the entities that the new agreement will cover. I feel that we should have waited for that. Unfortunately, we are out of ammunition; so what will we use when the government procurement negotiations start up again in Geneva? I do not know.

It must also be said—and I do not think that any of the previous witnesses have pointed this out, nor have I seen it in any public comments I have read—that, from the outset, in 1979, Canada protected its position by saying that, in fact, small and medium businesses could be given preference. But we have never had a program to do so here, while the United States has had one since the 1950s. We have never done that here, for government procurement.

I also wanted to raise a technical point that has come up two or three times: the threshold. The threshold that Mr. Hammoud mentioned was too high, at 7 or \$8 million. The threshold—and I apologize to Ms. George—was not invented by the provinces. It was invented during the negotiations in the 1990s. It is expressed in special drawing rights, the common currency created by the International Monetary Fund. I think I recall that, at the time, it was 5 million SDRs, and it was essentially for construction projects. Clearly, none of the countries around the table—the provinces were not there at the time, for the reasons I mentioned earlier—wanted to be forced into international competitive bidding for every project, given that it is quite a cumbersome, slow and expensive process. They wanted to keep a certain proportion of the smaller projects as ones that were clearly not worth putting out to international tender. That is why the threshold is the way it is.

I very much doubt whether the threshold will go down in the future, because, after all, it is an administrative necessity. Certainly, by breaking projects into parts—which is illegal, by the way—you can keep projects that are actually above the threshold, and therefore open to foreigners, under the threshold. But that is prohibited and, given that it is, there are consequences if it happens.

As for remedies, I think that we are going to have to think about that seriously because, as I said earlier, we do not have a lot of cards left to play.

• (1650)

Mr. Jean-Yves Laforest: Mr. Grenier, you talked earlier about a 6% clause. I did not really understand what that was. Could you take us back to that and explain it to us clearly?

Mr. Carl Grenier: Yes, and we have to go back a long way, to 1933. This is at the very heart of the Buy American clause, as defined by the Roosevelt administration at the time. They established three protection levels, literally in order to give American suppliers an advantage over foreign suppliers. The levels are 6%, 12% and 50%.

Mr. Jean-Yves Laforest: They are still in effect, are they not?

Mr. Carl Grenier: They certainly are. The 50% level is used for military contracts. I did not mention this earlier, but the 6% and 12% levels are used depending on the project. This is the Buy American protection. In other words, if a foreign company can get over that—because it is more competitive than its American competitors—it can win a contract. Except that, with this new version of Buy American, where the iron and steel have to be manufactured in the United States, it has the same effect as a quota. It is worse than a percentage.

Mr. Jean-Yves Laforest: That even puts limitations on the 6% clause.

Mr. Carl Grenier: Yes, it does.

Mr. Jean-Yves Laforest: Previously, a company that bid 6% less than an American company could win the contract.

Mr. Carl Grenier: Previously.

Mr. Jean-Yves Laforest: Previously. Now, it cannot win the contract because it does not produce things like the steel.

[English]

The Chair: There you go. Well done. You got that in.

We're going to go now to Mr. Holder to wrap it up.

Mr. Holder, let's see if we can keep it to five minutes for questions and answers, and then we'll call it a day.

Mr. Ed Holder (London West, CPC): I will do my very best, Mr. Chair. Thank you.

I'd like to thank our guests for being here today. I apologize for having come in a little later due to a prior commitment. I didn't hear the testimony in advance, so I will ask some broader—but I hope pointed—questions.

I'm very compelled by some of the testimony I've heard.

Mr. Grenier, you've said a couple of times here that we're dealing with a most protectionist country. I heard Madam George say the same thing in terms of the challenges of dealing with a major player like the United States. I'd be hard pressed to suggest that they aren't very, very tough negotiators. Certainly, we'll negotiate as we all negotiate, which is in our own country's interests, so I get that.

It confused me, though, when I heard a couple of times that we should have waited for a better opportunity and that there's nothing left in our arsenal. To me, I think the whole spirit of negotiation and what this process has allowed itself to do have given us the tools for future negotiations as well, and certainly, even as this procurement arrangement becomes retired, we'll have the opportunity with the foundations laid in place. In fact, I would argue respectfully that it puts us in a better position to be able to negotiate on behalf of Canada's interests going forward. I want to make that as a statement. I think that what we've effectively done is set a precedent by putting this in place.

I would never want to challenge my good friend Mr. Brison, particularly, but I would say that one of the things I think this deal does is commit Canada and the United States to engage in expedited consultations on any matter related to government procurement. So even that reference to fast track I think is legitimate, to the extent that what it does is allow Canada and the United States to become involved immediately in terms of dealing with Buy American provisions as they would happen going forward.

Madam George, I have a question for you, if I may. It's always interesting when we have our guests and we get the different perspectives. I think that's healthy. But you're very clear that this is in the strong interests of your members. Why do you feel so adamantly, so strongly? Why is this procurement agreement so critical?

• (1655)

Ms. Shirley-Ann George: Many of the points that have been raised today are legitimate concerns, but I think we need to take a look at the bigger picture. This is a good agreement for Canada because, first of all, having no agreement would have been worse. The damage and the bleeding that was happening in Canadian businesses would have continued and the jobs would have been permanently lost for Canada.

We also need to continue to find ways to engage the United States. The fact that we have an agreement that will put on the table the discussions that could lead to a permanent agreement is very important. Unfortunately, in the timeframe, we couldn't get to a permanent agreement of the scope we want, so this is a step forward. It's not a great step forward. It's not a wonderful step forward. But it is an important step forward.

Mr. Ed Holder: You say that very firmly. Why is that? Because I look at this as a template, frankly, and this is our first deal, if you will, in terms of establishing the agreement and setting the terms of reference in place. While it's not a perfect deal—and I think we would all acknowledge that—it is important, but you feel committed to that and I'd just like to get briefly a strong sense of why you feel it's so critical.

Ms. Shirley-Ann George: As I said, it's critical because we needed to stop the bleeding. It's critical because we needed to set the stage for this future agreement. When you're dealing with a Congress that is as protectionist as the one we have today, we aren't going to get there in a single step. This is the first step on a road.

The Chair: You have a minute.

Mr. Ed Holder: Thank you.

So from your standpoint on the frameworks we've established with this, do you think that sets the tone for future deals going forward in terms of procurement, Mr. Grenier?

Mr. Carl Grenier: Obviously, you know that I don't think so—

Mr. Ed Holder: I hesitate to say, “what's your option?”, but I ask that with great sincerity to you, because I think we're all concerned—

Mr. Carl Grenier: Well, I have an answer. On the language you find in this agreement, which is committing to extending the arrangement of quick talks to extend the agreement or to consultation on a very expedited basis if there are problems that arise from this agreement, this type of language is inserted into every international trade agreement. If I had the books here, I could point out to you where it is in the free trade agreement, in NAFTA, in the 1994 agreement, and in the 1981 agreement. It's always there. It's also there generally. It was there in the GATT. It's in the WTO agreement now—on all subjects.

Now, can you imagine Canada not responding promptly to a U.S. request on a trade matter? I can't. The reverse is not always true, but they have been responsive in the past.

As I said before, you can always have an agreement if you're looking for an agreement at any cost. This is, I fear, what we did this time.

I don't understand why you say this provides a good basis to go forward—

The Chair: I'm sorry, but we can't get into that debate. We did have an answer to the question. I appreciate it.

Thank you.

Mr. Ed Holder: Yes. Thank you.

The Chair: That was very interesting. We started to kind of go around for the second time on some of the questions and answers, but I found it very useful, as I'm sure our members did.

So to all of our witnesses, thank you very much for your attendance today.

We are going to wrap it up now, but we'll continue this discussion again on Tuesday next. We have two witnesses lined up now. We may be able to conclude it Wednesday. If there is anyone the members would like to have appear, I think Tuesday would be a good day to do that.

• (1700)

Hon. Scott Brison: Mr. Chair, when is the minister appearing before the committee on this issue?

The Chair: You want the minister to appear on this issue? I knew you wanted the minister to appear on estimates.

Hon. Scott Brison: No, on this issue, on the “Buy American”, we agreed to invite the minister.

The Chair: Well, I'm sure we agreed to invite the minister. I don't know if we have had a reply. Has there been a reply? Let me just ask the question. We'll try to get the minister next week. He has been travelling out of the country on international trade business.

Hon. Scott Brison: Has the request gone to his office?

The Chair: Yes, they're well aware of it. Our sense is that there is no hesitation to come. It's just that he has been, as I say, travelling out of the country.

With that, it looks as though the committee is saying its goodbyes, so I will say goodbye too, and we'll talk on Tuesday.

The meeting is adjourned.

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