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## Standing Committee on International Trade

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EVIDENCE

**Thursday, February 10, 2011**

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**Chair**

**Mr. Lee Richardson**



## Standing Committee on International Trade

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● (0855)

[English]

**The Chair (Mr. Lee Richardson (Calgary Centre, CPC)):** Good morning. Welcome to meeting number 44 of this session for the Standing Committee on International Trade.

We are pursuing our study of Canada-U.S. relations this morning and are happy to welcome our departmental officials to give us a briefing.

We have had a brief conversation about current events. We have just reviewed this CPAC-*Maclean's* forum that many found of interest and want to pursue it. Our goal in the short term in our continuing discussions is to visit Washington, probably within the next couple of weeks. We have initiated discussions with the embassy in Washington in that regard. To assist our background and briefing on that, we welcome today officials from the department, including the assistant deputy minister, trade policy and negotiations, Don Stephenson.

Welcome back, Mr. Stephenson.

He is joined by Laurent Cardinal, director general, North America trade policy bureau; Stéphane Jobin, director, North America policy and relations division; Lynda Watson, director of North America commercial programs; and Michael Rooney, director, United States transboundary affairs division.

We will follow our usual practice of asking Mr. Stephenson to begin with opening remarks, and then we'll turn it over to the committee members, who are at liberty to ask questions of any of our panel today.

I'll ask Mr. Stephenson to begin.

Thank you.

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

I brought a lot of folks with me in case anything goes to a vote, and we have more help behind.

Thanks for the opportunity to address Canada's trade relationship with the United States, which remains still the largest trade relationship between any two countries on the planet.

Let me start by saying a few words about the overall relationship. What we share with our American neighbours is a long-standing, deep, and enviable partnership forged by shared geography, similar

values, common interests, deep social, familial connections, and powerful, multi-layered economic ties.

It's an impressively wide-ranging relationship, the dynamism of which can be seen every day in our people-to-people ties, our deeply integrated economies, and government-to-government dealings in a vast number of areas, ranging from our shared environment to our space programs. Over the years, it has become a model of a relationship that works.

[Translation]

Canada and the United States enjoy a unique economic partnership. Since the implementation of the Canada-US Free Trade Agreement in 1989, two-way trade in goods and services has more than doubled.

In 2009, our bilateral trade in goods and services stood at close to \$600 billion, with \$1.6 billion worth of goods and services crossing the border every day.

Canada has traditionally run a large merchandise trade surplus with the US, most of which is attributable to our standing as the lead foreign supplier of energy to the United States.

If energy exports are excluded, our trade with the United States is roughly balanced.

As you know, millions of jobs on both sides of the border depend directly on trade between our two countries. Ultimately, our economic partnership with the US is critical to the economic prosperity and standard of living in both countries.

● (0900)

[English]

Given the importance of the commercial relationship to both economies and the incredible volume of goods and travellers that cross the border every day, it remains a top priority to ensure that our common borders remain secure and open to legitimate commerce and travellers.

Last Friday's declaration on a shared vision for perimeter security and economic competitiveness, and the ensuing action plan, will play an essential part in modernizing the border to address future security and competitiveness opportunities and challenges.

As trade officials, we're often required to focus on the problems in the relationship that attract public attention. This can obscure the fact that the overall trade relationship functions smoothly. I think they refer to me in Washington as the "assistant deputy minister, trade irritants".

A relationship with the depth, complexity, and scale of the one we enjoy with our neighbour could not realistically be completely immune to occasional divergence of views. However, the positive aspects of our relationship far outweigh the negative ones and enable the two countries to work together to overcome them.

Where problems do arise in the form of legislative and regulatory measures adopted in the U.S., Canadian exporters or exports are often not the primary target of those measures. Canada is at times side-swiped, so to speak, by actions aimed at other exporting countries. A good example would be the recent proposal for a foreign manufacturers liability and accountability act, a policy that would have created additional costs and administrative burdens for Canadian exporters but in respect of Canada was completely redundant and unnecessary.

Another important consideration is that trade barriers enacted in one country inevitably impact on producers in the other. This is a result of the growing integration of production across the border, not least because of the NAFTA. Extended supply chains increase the competitiveness of industries in both countries; however, they are also subject to unintended effects when trade-restrictive measures are undertaken.

To put a point on it, U.S. government actions affecting Canadian exports can also impact the U.S. content suppliers of those goods, and vice versa. Approximately one-third of U.S. imports from Canada go into the production of U.S. goods and services, with a similar corresponding figure for Canadian imports from the U.S. The point is we make things together for the world market.

These are some of the general messages that we include in our exchanges with U.S. government officials, decision-makers, and industry. The level of integration of our two economies is not well known in the United States. Our objective, and most of you will be thoroughly familiar with it, is to sensitize our U.S. counterparts to the competitive advantages of an integrated North American market. Generally, they are receptive.

[*Translation*]

Turning to the NAFTA, the agreement is now in its eighteenth year. With tariffs almost totally eliminated, the trilateral agenda has increasingly focused on barriers behind the border—first and foremost differences in regulations that impede trade.

When stakeholders are consulted it is often the first element they identify as a barrier or cost of doing business in the US and Mexico.

This is a central issue for the ongoing agenda of the NAFTA Free Trade Commission, identified as regulatory cooperation. Current efforts are focused on identifying sectors and agreeing on priorities for action.

This is a complex and labour intensive process, requiring a high degree of consensus among stakeholders and provincial/territorial governments. Our regulatory cooperation work within the NAFTA framework compliments other bilateral efforts that we are undertaking with the U.S.

Last Friday, Prime Minister Harper and President Obama reaffirmed their commitment to regulatory cooperation through the creation of a United States—Canada Regulatory Cooperation

Council, which will build on and strengthen previous efforts as well as provide a solid basis for cooperation and continued collaboration going forward.

• (0905)

[*English*]

Another area of current focus in the NAFTA work plan is assistance to small and medium-sized enterprises seeking to enter international markets or expand the range of their exports. The U.S. in particular has promoted work on SMEs, reflecting the objectives in President Obama's national export initiative.

Government procurement is another sector where the Canada-U.S. trade relationship has recently been enhanced and where there may be scope for further gains. Under the bilateral agreement on government procurement signed last year, Canadian suppliers gained formal access to the bidding process in 37 states and U.S. suppliers secured similar access in the provinces and territories. In Canada's view this should be a first step. The agreement provides for the possibility of broadening the scope of commitments, which would be in the interests of both countries.

Let me comment that what's at stake is not just government procurement and not just the billions of dollars in U.S. stimulus programs, which involves public works and infrastructure projects. What's at stake is the bigger business relationships in supply chains. Once established, those relationships, if broken, are difficult to re-establish, and that's what's at stake in respect of policies like Buy American.

On softwood lumber, much attention has been directed to the arbitration under the softwood lumber agreement of 2006. This was the case recently with the request for arbitration against British Columbia's timber pricing system and the result of the arbitration against provincial programs in Ontario and Quebec in support of their forest products industry.

It is worth noting that in the provincial programs arbitration, the U.S. initially requested \$1.8 billion in compensation for circumvention of the agreement. However, in its final ruling the tribunal ordered an additional export tax of 0.1% for Ontario and 2.6% for Quebec to compensate for the programs not in conformity with the agreement. That would represent, in the view of the experts, something like 3% of the claim against Canada.

The arbitration mechanism is an element of the softwood lumber agreement, and should be seen as a demonstration that the agreement is working. It has given Canadian producers and exporters a predictable trade environment in a very difficult market for the past three and a half years. That's why it is broadly supported by provincial governments and Canadian industry.

[*Translation*]

One other issue of major concern that I would like to mention is the US Country of Origin Labelling requirements that affect the ability of our cattle and hog farmers to compete fairly in the US market. Canada has brought this issue to the WTO along with Mexico. A dispute settlement panel was established in November 2009 to determine whether the COOL measures are consistent with the international trade obligations of the US.

The first substantive meeting of the panel took place in September 2010 and a second in early December 2010. We expect the panel to issue its decision by summer 2011, and are confident that our challenge will be successful. However, Canada also remains open to further discussion with the US to resolve the issue outside the dispute settlement process.

• (0910)

[*English*]

Lastly, a word on a bilateral issue of very high priority for the United States: intellectual property—in particular, copyright and enforcement of IP rights.

In any meetings that you may have in the United States, you will no doubt be reminded of the urgency attached by the U.S. government to passage of legislation to bring our copyright law into conformity with WIPO standards in the digital area. They are giving considerable prominence to this issue on our bilateral trade policy agenda. As you know, a bill on copyright modernization has completed second reading and is currently before a legislative committee for review. Needless to say, all developments relating to copyright reform are being closely monitored in the United States.

In conclusion, I'd like to make a few remarks on Canada's international trade negotiation agenda in the World Trade Organization and on the bilateral and regional side with countries outside of North America.

In the Doha round of WTO negotiations, we share some priorities and objectives with the United States; in fact, we share most priorities of the United States, the most important of which is an ambitious market access outcome in the round.

We are also engaged in an ambitious agenda of bilateral and regional free trade agreement negotiations with a growing number of partners. For example, our negotiations with the European Union on the CETA are well advanced, and we have recently launched negotiations on an FTA with India. These are comprehensive initiatives with major trading partners, neither of which are mirrored in the U.S. trade agenda. These and other negotiations follow on FTAs recently concluded or in force with the European Free Trade Association, Peru, Colombia, Jordan, and Panama.

We are making headway in our goal to diversify our markets. Our reliance on the U.S. market has decreased significantly, but it will

remain our largest market and most important partner for the foreseeable future. Overall, it's a relationship that works very well, but its scale requires us to continue to manage it as a top trade policy priority.

I thank you for your attention and look forward to your questions.

**The Chair:** Thank you, Mr. Stephenson.

We're going to begin this round of questioning with the former chairman of the committee, the vice-chairman, John Cannis.

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

Welcome to everybody.

You're right, Mr. Stephenson. We are making headway. We cannot but continue to emphasize that they are our largest trading partners, very important to our country. I'm glad you tied in the other trade agreements that are under way—Canada-Europe, for example—as we're seeing them expand in their own way. I think we have to be very careful there as well.

You've touched on so many things. In the short time I have, I'm just going to touch on two or three.

Thank you for this in-depth briefing, to start off with.

You talked about borders, security, modernizing the borders. I think you'll agree with me that there are two separate things: modernizing the border in terms of flow and, technically speaking, in terms of security. Maybe, Mr. Stephenson, you could elaborate on those two altogether separate things and what we can do—I know the Prime Minister was there discussing security aspects, I believe, but in terms of modernizing how the border facilitates itself back and forth.

Then you talked about the problem that we are not well known in the U.S. Maybe you can suggest how we can overcome that. Because often—and I say often—they get into an election, or elected candidates make statements that are false, if I may say, because they're in a campaign or they wish to send a message to their local constituents that is actually inaccurate. It causes problems, I believe.

What would you suggest we do? Do we have our ambassador undertake a more aggressive state? Do we have committees from Canada visit state by state and exchange in a more in-depth way? Maybe you could suggest some more. This way, we could make the rest of the United States, aside from Washington, know better who we are and what we do.

With respect to SMEs, I'm glad you touched upon that, because we've heard from SMEs in the past in terms of their ability or inability to compete with the Buy American program. We as a country, as you know, are very receptive to working above board.

You talked about the country-of-origin labelling. That also concerns me, because I go back to the BST problem we had some years ago. We chose as a country to deal with it, and our position was based on science and not emotion. On the other hand, we were having that file driven emotionally from others, if I may use that word. How do we overcome that? How do we get that point across to the decision-makers down there that irrespective of the pressure they might receive from their local constituencies, or districts, as they call them...? How do we work with them?

How do we work on the softwood lumber issue? What more can we do as a government, as a committee, as a nation, to try to overcome some of these problems?

The last question I'll tie in is this. Do you think the trade barriers we have within our country, from province to province, impede or have any kind of negative impact when it comes to dealing with the United States?

Thank you, Mr. Chairman.

● (0915)

**Mr. Don Stephenson:** Well, there are an awful lot of parts to that question. I'm going to let Michael address the issue of the border, and the part of the initiative from Friday that I will deal with directly and personally will be the regulatory cooperation piece. So I'll let Michael take a whack at that.

But with respect to increasing our visibility, I would say that the focus in Washington is—I guess it's obvious—the United States and their own set of economic challenges. In my experience, it's not that they think badly of us; it's just that sometimes they don't think of us at all. It comes as a surprise, sometimes, to Americans that Saudi Arabia isn't their largest supplier of energy—it's Canada. And it comes as a surprise that something approaching 30% of our exports to them are their firms in Canada shipping back into the U.S., or that something like a third is inside supply chains as inputs into the products that they are making. Therefore, if they put up barriers to those imports, they're making their own products less competitive.

The reason there are supply chains is that you're buying something cheaper, better, and faster from a supplier. That's why you choose them. If you close the border in some way or make it more difficult, you're hurting yourself, and I think that's a message that.... The deep integration comes as a surprise to policy-makers.

On how to do better advocacy, I guess Lynda should take a crack at that.

With respect to the SME focus, as I say, we are going to try to go further than the existing Buy American agreement with the United

States. In fact, Laurent was in Washington yesterday to start the discussion with the U.S. side, in a kind of a scoping exercise for how we will proceed in those discussions and see if we can go deeper. Certainly it has a greater effect on small businesses than large, because they have less capacity on the ground in the U.S. to work the market and to find the workarounds from those regulations.

Also, while I'm on the subject of SMEs, I'd comment that SMEs have an unusually large share of Canada's new markets where we're diversifying our markets into Asia, into Latin America, and even into Europe. The SME part of that trade is larger than the rest of our trade, so it's an important part of expanding our markets.

With respect to COOL, I would note that the U.S., to their credit, was the first market to reopen to Canadian beef, and that was because they did accept a science-based approach. So I guess it doesn't always go badly. But in respect of COOL, we would suggest that it's not science-based; it's based on markets. That's the case we're making in the WTO. By the way, I would comment that in respect of pressing these cases, the minister is very active in trying to make that case with his counterparts in the United States.

With regard to interprovincial barriers to trade, I would suggest that at the moment in respect of our activity in trade negotiations, those barriers are mostly a problem, or at least a challenge, in respect of our negotiations with Europe. But soon, I suppose, when we get into the substance of the regulatory cooperation agenda that we launched last week, we may find that the interprovincial regulatory barriers become a problem.

Michael, will you add a word?

● (0920)

**Mr. Michael Rooney (Director, Unites States Transboundary Affairs Division, Department of Foreign Affairs and International Trade):** Thank you for the question on the issue of modernizing the border. I think it's an important one, and I think Friday's declaration by the two governments is going to be a step that's going to help us achieve some of the things we need to do to accelerate economic competitiveness, jobs, and growth.

It's important to note as you head down to Washington that the border relationship has evolved over a whole number of years. We've been discussing ways with our partners in the United States on how to keep and operate an efficient border, maintaining the flow of goods and services and people while keeping threats away from the border.

You'll recall that on 9/11 there was a serious attack on the United States. It affected Canada also, and the U.S. began a much more security-focused approach to managing the border. The government of the day then worked with the United States to come up with the "smart border" plan, which addressed some of the security issues and began programs such as "trusted traveler", which helped to accelerate folks through the border.

Now we've come to a point where we have a willing partner on the other side of the border, the United States, which wants to discuss further the economic aspects of the relationship and how we might manage the border.

The declarations contained some of the areas that will be looked at, such as infrastructure and improving the traffic flows between Canada and the United States. There's the matter of expanding some of these programs, like "trusted traveler", ensuring that legitimate people and the flow and goods of services keep moving. It's extremely important to our economic competitiveness.

It's a first step in a process, a dialogue. We'll have an excellent opportunity to sit down with the United States and work through these various issues and improvements.

**Mr. Don Stephenson:** Lynda, could you give us something on advocacy?

**Ms. Lynda Watson (Director, North America Commercial Programs, Department of Foreign Affairs and International Trade):** Our major mission in the United States is to become better known and to have the United States understand us better and realize how important we are to them. It begins in Washington with an ambitious agenda, led by the ambassador, of outreach to members of Congress, but it continues all around the country. We have about 20 offices around the United States, some of them tiny. We have two people in New Jersey, four in Phoenix, five in Raleigh-Durham. They have an ambitious agenda of out-calls, both in the business community and in the political and civil society. The message always is our mutual dependency and the mutual benefits that come from our relationship.

In recent years we've been, I hope, a little more creative in some of what we do. Several years ago we established something called Connect2Canada. It's an online membership where individuals who subscribe can find out all sorts of things about Canada, from energy to trade to culture. There are over 40,000 Americans who have subscribed to it because of their interest in Canada.

Several years ago we began an initiative in Washington called "all politics is local". Our consuls-general from all around the country converge on Washington once or twice a year for an intensive one-day program of calls on members of Congress. One day like this represents 70 or 80 individual meetings with members of Congress. You repeat this enough times, and you find yourself in front of pretty

much every member of Congress, telling the Canadian story and leaving behind fact sheets.

I know the interparliamentary group has had a very active program, both in Washington and regionally. So we're working at this. There are 300 million Americans, though, and it will take us a while to talk to every one of them.

• (0925)

**The Chair:** Thank you, Don, Mr. Rooney, and Ms. Watson. That's very helpful.

We went a little over our time, but I think it was the kind of question everyone had an interest in, so we gave a little latitude.

We're going to move on to Monsieur Guimond.

[*Translation*]

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

Good morning, madam, gentlemen.

Mr. Stephenson, in your presentation, you said that we have a unique economic partnership. I agree with you. What we have with the United States is special in economic development terms. It's big, but I am one of those who think we still have to develop it. On Tuesday, at the last committee meeting, we listened to a forum broadcast on the CPAC channel. The subject was the challenge of continuing to develop trade while protecting our sovereignty. That word has a lot of importance for us at the Bloc Québécois; it has a visceral impact. We are in favour of it as well.

In your introduction, you mentioned the Agreement on Government Procurement that was negotiated and went into effect in February 2010. In that agreement, Canada and the United States gave each other 12 months to begin exploratory talks on a possible deepening of those commitments. That was a little more than 12 months ago. Where do things stand now? Have any steps been taken to move forward?

**Mr. Don Stephenson:** I'm going to let Laurent answer that because he was there yesterday, two or three days before the 12-month deadline expired.

**Mr. Laurent Cardinal (Director General, North America Trade Policy Bureau, Department of Foreign Affairs and International Trade):** That provision of the agreement provided for a 12-month period from the effective date, which was February 16, 2010. So we beat the deadline by a week.

The commitment was to sit down and discuss the possibility of deepening procurement commitments. The first meeting was held yesterday. That meeting focused much more on the organization of the talks, that is how we are going to go about it and in accordance with what timetable. We have to see each party's interest in deepening the commitments made last year. We proposed an approach to the Americans, where each party will work on its own side to determine the size and scope of procurement markets of the various orders of government and to establish current procurement commitment levels. On that basis and based on that technical work, we will have to meet again in order to determine more clearly whether there is an interest in expanding and deepening that commitment.

**Mr. Claude Guimond:** Did you adopt a timetable so the government can make decisions on that expansion?

**Mr. Laurent Cardinal:** The timetable focuses more on the immediate work and its various stages. Possibly around April or May, there will be another meeting to discuss preparatory work aspects that will have to be carried out on both sides.

**Mr. Claude Guimond:** I have a question that comes to mind given my nature and occupational bias. I talked about this last year when our committee was studying this agreement. Have you conducted any studies since February 2010 in order to acquire tools that will enable you to move forward with regard to the potential expanding of commitments? Do you have any data? What does this do, and for whom? Are there winners, losers?

**Mr. Laurent Cardinal:** This is an agreement to access government procurement and government contracts of the various government entities. There is no study as such establishing the specific result, in dollar terms, establishing what the impact was.

As Mr. Stephenson mentioned, the consequence of the provisions put in place under the measures of the Buy American Act was often a break in supply chains. Rather than being able to certify the origin of products, distributors simply dropped the Canadian supplier to avoid complications. The agreement provides access to the opportunity to bid on contracts. There is no guarantee that a Canadian supplier will win a contract. There is a guarantee that, if it cannot bid on a contract, it will not win the contract. The approach is more to afford the opportunity to offer one's services and goods without any guarantee in return. The suppliers don't give us any information on the contracts they win and don't tell us what contracts they don't win. It's a bit difficult to establish the economic value of the agreement that was reached.

• (0930)

**Mr. Claude Guimond:** Is it difficult or impossible?

**Mr. Laurent Cardinal:** I would say it's virtually impossible because the workload is too great. You'd have to survey every contract and see whether Canadian suppliers took part in calls for tenders and what the results were.

**Mr. Claude Guimond:** Your answer is very clear. Thank you very much.

Earlier, Mr. Stephenson, you mentioned country of origin labelling. Nearly two years ago, I had the opportunity to attend meetings in Washington when the committee travelled there. During those meetings, we obviously discussed this problem at length. You

summed up the situation, particularly with regard to the WTO. You seem optimistic. I'm a little less so. I hope your optimism will prevail.

We have definitely opted for the tribunals and WTO route. However, couldn't we be more proactive in agriculture, particularly with regard to beef and pork production? Have you explored options in that area?

In Quebec, for nearly 10 years now, we have invested a great deal in the traceability of our animals, cattle, lamb and pigs. In the past few months, a number of discussions have been held in Canada among a number of provinces to expand traceability, which gives us the opportunity to identify our animals from birth to the plate or supermarket, if we wish. It's a system with a highly reliable data base.

Did you consider proposing this kind of system to our American friends so we can have access to the same markets as they, so our products can have added value and we can secure larger market share there?

**Mr. Don Stephenson:** We proposed to the Americans a solution that emerges from the WTO dispute settlement process, and we explored it. However, in our opinion, there would have to be a US policy providing that slaughtering confers the origin of the final product. To date, the Americans have not been open to that solution.

As regards industry assistance, programs do exist and discussions have been held at Agriculture and Agri-Food Canada to increase Canada's traceability capacity and to provide other types of assistance permitted under trade rules. However, for details on those programs, we would have to get someone from the department to explain them to us.

[English]

**The Chair:** Thank you, Monsieur Guimond.

Mr. Julian.

**Mr. Peter Julian (Burnaby—New Westminster, NDP):** Thanks, Mr. Chair.

Thank you for your thorough presentation.

I have a lot of questions. I'm going to start with the Buy American agreement. We've seen a lot of Canadian companies being rejected through this agreement—Krug company, Keilhauer. I wanted to know—and this is an extension on Mr. Guimond's questions—how many Canadian companies have been denied contracts since the Buy American agreement was signed?

• (0935)

**Mr. Don Stephenson:** I think, as Laurent was explaining, it would be extremely difficult, if not impossible, to know the answer to the question of how many Canadian firms have been denied contracts for that reason.

**Mr. Peter Julian:** But anecdotally you would know. How many companies are you aware of?

**Mr. Don Stephenson:** I've never done a count, and I don't have a comprehensive answer for you.

**Mr. Peter Julian:** Is it 100, 200, 300, 500, 1,000? We have no idea?



**Mr. Don Stephenson:** I cannot give you an answer.

**Mr. Peter Julian:** This committee produced a report back in May 2010. The recommendation included that DFAIT

set up a mechanism to collect economic data regarding the application of the Canada-US Agreement on Government Procurement, and thus enable it to assess the agreement's impacts on enterprises and employees in Canada. DFAIT should submit a report on this issue to the Committee.

This was recommendation two.

From both Mr. Cardinal's previous answers and your answer, Mr. Stephenson, it gives me the impression that DFAIT will not be following through on that recommendation. Is that true?

**Mr. Don Stephenson:** The studies we have done to date have been focused on the negotiations or the discussions that are now being launched. They have been focused on the U.S. market and the priorities for trying to expand access into the U.S. market.

We've also done studies specific to particular industry sectors, such as the water and waste water sector, which was pointed to as one of the priority sectors by Canadian industry.

We have not yet launched a comprehensive evaluation or audit of the results of the agreement.

**Mr. Peter Julian:** Okay.

I'm just going to reference recommendation three: that what we've been asking DFAIT to do is collect information on the value of U.S. public procurement contracts that Canadian businesses are accessing as a result of the agreement, the value of Canadian public procurement contracts that U.S. firms are accessing, and how many jobs are being created and lost as a result.

From your answers, I can surmise that we will never get that information from DFAIT.

**Mr. Don Stephenson:** Never say never.

In fact the policy of the department, and of the government, for that matter, is to evaluate 100% of its policies and programs. This will be evaluated, but we have not yet launched a comprehensive assessment of that.

**Mr. Peter Julian:** We've had a series of questions on how many contracts were granted to Canadian companies, how many Canadian companies have been denied contracts even though they should qualify under the Buy American deal, and what the value of U.S. companies in Canada is, and you have nothing to share with us, not even anecdotal information. So I think it's fair to say, even though this report is six months old, that we're not going to get that information from DFAIT.

I'm going to pass to another series of questions, but I'd just like to say that I'm very disappointed. We, as a committee, did produce a report with clear direction. Even though we can say, in theory, that any agreement is good, if we're not getting any of the hard data, it's very difficult to accept the government's pretensions that somehow this agreement is working.

Anecdotally, we know that companies are routinely being denied contracts under the Buy American agreements.

It seems clear to me that for this committee to take its report and then report back to the Canadian public.... If we don't have any of

that information, and if DFAIT isn't collecting any of that information, it's very difficult to see that the government is being serious about monitoring the agreement.

I'm going to pass now to the softwood lumber agreement. You certainly did put a brave front on what has been a calamity for the softwood industry, particularly where I come from in British Columbia. We're talking about 30,000 lost jobs as a result of implementation of the softwood agreement. It's cost softwood communities so far \$1.137 billion.

I wanted to ask—since we've lost every single challenge, I think because of the looseness of the anti-circumvention clause, and certainly witnesses before this committee were very clear that the anti-circumvention clause meant we would lose every challenge the Americans brought forward—about the evaluation of the impacts of losing on B.C. timber pricing. Many analysts have talked about it being in the quarter-billion-dollar range, about \$250 million in punitive tariffs as a result of B.C. timber pricing.

Internally, within DFAIT, how do you evaluate that? Do you think it will be about a billion dollars on B.C. timber pricing if we lose that arbitration? Do you see that figure as too high or too low?

• (0940)

**Mr. Don Stephenson:** Let me take the two points in order.

With respect to the loss of employment in the industry in British Columbia, I would argue that it's due to the loss of the American market and the recession, the housing crisis. I'm afraid that market will not recover quickly, and that it will in fact trail the rest of the recovery in the U.S. because of the huge surplus supply of houses on the market. I would suggest that it is not a result of the implementation of the softwood lumber agreement.

In fact, the industry tells me, as the manager responsible for the agreement, that their priority is that I should defend and maintain the agreement, because it's the only thing that gives them any stability in a really awful market.

**Mr. Peter Julian:** You're obviously not talking to the same people I'm talking to.

**Mr. Don Stephenson:** Well, we talk every day, pretty much, with the leaders of the industry and the provincial government departments responsible for the forest industry, so I don't know.

**Mr. Peter Julian:** Is the quarter billion dollars what you're going with as well?

**The Chair:** Mr. Julian, I think we're going to have time for the answers to just your first round of questions before we get into your second round of questions. I'll let Mr. Stephenson finish, if he's not further interrupted.

**Mr. Don Stephenson:** The matter is before the court. Why would I give any estimate of the possible damages or remedies?

**The Chair:** Thank you. I'm sure we'll enjoy more of that in the future.

We'll go to Mr. Keddy.

**Mr. Gerald Keddy (South Shore—St. Margaret's, CPC):** Thank you, Mr. Chairman.

Welcome to our witnesses this morning.

I know that all of my colleagues have questions, so I will try to share my time with Mr. Allison in my first round.

I want to delve a little deeper into some of the transboundary issues we've talked about here this morning. The whole issue of non-tariff trade barriers at the border is probably best placed to Mr. Rooney. In particular are compliance checks, which seem to be the bane of our existence on the east coast of Canada, at Calais, Maine. I'll give you an example. We have one trucking firm that trucks fish. They take six to eight trips every week across the border into Boston, primarily, but into New York as well. They have been stopped 22 times this year for compliance. That's outrageous. It may sound a little fishy, I know—before someone else says it, right?

The issue here is quite simple. You know, you're stopped at the border. You're required to unload your load. Every industry faces it, but usually not to that extent. It costs about \$400 to unload a load of produce, regardless of what it is. It can be more, in the case of Christmas trees. Then everything is checked to make sure that you're in compliance. This particular shipper has always been in compliance. He's never been out of compliance. Then you have to put everything back onto the truck and continue on your way.

Is there anything we can do with the border for a shared vision of perimeter security to have a better level of economic competitiveness that avoids this type of action by the Americans? I'm a huge supporter of continued talks with our American customers, because they are our American customers, about anything we can do to make it easier to cross the border, whether it's for trade or simply for people.

I would like a comment on how we can avoid that particular problem, if there's a joint border group we can actually go to, and follow up on it.

• (0945)

**Mr. Don Stephenson:** Well, I will let Michael give his answer, but let me just start by saying that with respect to making it easier for shippers of exports at the border, the long-term answer is to try to get at the underlying regulations that are being verified at the border. See if we can get mutual acceptance of each other's standards, of each other's conformity assessment procedures, and streamline the verification requirements at the border in that way.

The second way is to improve the physical efficiency of the border by investing in infrastructure and high-tech systems of various kinds.

I believe that there was a recent investment in the Calais border for that purpose.

**Mr. Gerald Keddy:** There was. It was a new crossing, yes.

**Mr. Don Stephenson:** As Michael was explaining earlier, programs that get pre-clearance through processes such as the trusted-exporter program are certainly one way to improve the efficiency of the borders for our exporters.

Michael, I don't know what you would want to add.

**Mr. Michael Rooney:** Thanks, Don. You've done most of it, so I appreciate it.

Don's talked a bit about the mechanics, but I think what's maybe important to underline is that as we move forward in this process there are going to be a couple of areas where we're going to be able to address concerns, either in the border working group, or the regulatory cooperation council. I think it will be important from the outset. The advice I would give is to look at case studies like your own. We have a report from the chamber of commerce that addresses some of these situations. Do a bit of research and analysis that will be a consultation or engagement part of this declaration, and we'll get out to Canadians and hear it. From that, you use it as a starting point to sit down and discuss some of these issues, so we can improve the flow, and not run into situations like you've described here today.

I had the pleasure to serve in our consulate in Boston in the early nineties, and lobster was the big issue in those days—

**Mr. Gerald Keddy:** It still is.

**Mr. Michael Rooney:** I know. So it's important that Friday's declaration will help us move forward, and the fact that we've got a willing partner on the other side to look at these things.

**Mr. Gerald Keddy:** Thank you.

**The Chair:** Dean.

**Mr. Dean Allison (Niagara West—Glanbrook, CPC):** Thank you.

Thank you to our officials for being here.

Currently I'm sitting on the red tape reduction commission that our government set up to talk about red tape around the country. Everywhere we've been, one of the top two issues we hear about is getting across the border. I know you guys aren't CRA, but the top issue is the complexity and the challenge that businesses have getting across the border.

I was surprised at 30%—I knew the number was high, so thank you for clarifying that—in terms of the supply chain that goes back and forth. Of course energy-resource-based products are 46%.

My question has two parts. I was going to try to ask one question with 12 parts, like my friend Mr. Cannis, but I don't know if I'll get away with that. So there are two things.

In light of what was addressed last Friday with the Prime Minister and the President, it doesn't seem to me that this is a new initiative. It seems this is something that our government and other governments have been working on. So if you could maybe share your thoughts on that, as really a continuation of what we've been trying to do to work with getting our goods and services across the border, that's the first question.

I'll leave it to two questions, as I'm almost out of time. Secondly, as you've seen our goods and services reduced to 75%, is that because we've opened up more markets? Why is that number decreasing? Because it would appear that both of our economies are moving forward at the same pace.

**Mr. Don Stephenson:** With respect to the second question, the share of the U.S. market in our total exports has decreased significantly. In goods trade it was, in the last ten years, reduced from something like 87% to something closer to 70%, or the low seventies. That's for two reasons. The first is the increase in the value of the Canadian dollar, which has regrettably made some of our exports less competitive in the U.S. market. The other part is due to the fact that we are making headway in respect to diversification of our markets. We have doubled our exports, tripled our exports in some cases, to Asia, to Latin America, and even to Europe. I say "even to Europe" because Europe is not a rapidly expanding market. It's a rich market in which we have a small share, and we can grow our share. Otherwise, the growth is in the rapidly expanding, emerging markets that we can all name.

So there's a good reason and a not-so-good reason for the growth of our markets and the decrease in our dependence on the U.S. market, which of course has always been Canada's blessing and curse. We are right next door to the world's biggest, richest market. They speak the same language, they have a system of law that we understand, on which we can rely. It's an easy market to deal with. But we're going to have to learn increasingly how to deal with others.

With respect to whether or not the border and the regulatory cooperation initiative is new, no, I suppose not, in the sense that there are always efforts to try to improve the efficiency of the border and regulatory cooperation. This is just the most recent. I would say, however, that when you have an initiative, particularly on the regulatory cooperation side, that has the kind of senior level—and I mean leaders—attention, it makes it easier to move the file forward.

• (0950)

**The Chair:** Ms. Hall Findlay.

**Ms. Martha Hall Findlay (Willowdale, Lib.):** Thank you, Mr. Chairman.

Thank you very much, everybody, for being here.

I have two questions. One has to do with the security perimeter and trade, and what we can do on the trade side.

The second one, if we have enough time, will have to do with the number of people we have on the ground. Maybe Ms. Watson can answer that, in terms of what we are doing in Washington, what we are doing at the state level, what we are doing with our consulates in different cities, and how many people we have on the ground. How has that changed, if at all, in the last number of years? If we can and have time, I would like to pursue that a bit.

But my first question—and it's no secret to anybody around the room—is that I have some real concerns about the security perimeter announcement, not because of our enthusiasm to thin the border from a trade perspective; I actually am worried that the security piece may in fact cloud what we want to accomplish from a trade perspective.

There's an awful lot of things that have thickened the border that are not related to security. I appreciate the value of seeing the President and the Prime Minister doing this, in the sense that it will clearly—Don, as you said—motivate people in both countries at lower levels to pursue this; that's good. I am worried that the security piece is going to end up being very political; it's going to cloud some of the things that I think everybody wants to see in terms of trade.

My question is, can we separate them out? Is there a way to effectively take out the pieces that are aspects of thickening the border—compliance requirements, some of the regulations, some of the parts in...that half of this agreement? Can we isolate those more effectively, away from the security piece, so that regardless of what's happening on the political side in terms of security and sovereignty, we can move forward as a committee, as a country even, on those issues?

I understand that this might be a bit challenging, but I want to make sure that we do proceed with those aspects, regardless of how cloudy the other piece might get. I just too often hear people saying that 9/11 has created a thickened border. I don't buy it, to be honest. I see an awful lot of protectionist policies; I see an awful lot of things happening at the border that are perhaps done in the guise of security because "oh well, we have to", but I'm not really sure they're necessarily security-related.

I'm asking for your help, in effect, to separate those out so that we can focus on those we can move forward on.

You're shaking your head.

•(0955)

**Mr. Don Stephenson:** Well, what a difficult question. You're not talking to either an expert on borders or on public safety, a Canadian Border Service person who might be able to unpack it better than I can.

Can you unpack the security issues from the trade issues? Well—it's a bureaucrat's answer—yes and no. There are some things you can treat separately, and in the announcement last week the regulatory cooperation piece, which is directly related, is separated. There are, in the list of initiatives being taken with respect to the border, things that are separable, such as improving some of the infrastructure and some of the programs for trusted exports, or things like that.

Can you really fully separate these two issues in the modern world and in the context of security in the U.S., and for that matter, in Canada? It's a shared concern, security. No, I suppose ultimately you can't.

**Ms. Martha Hall Findlay:** I don't mean to interrupt, but if we want to address what Mr. Keddy was referring to—a significant increase in stoppages for compliance of a truck carrying fish or Christmas trees—how can we possibly not address that problem without having to get into a significant discussion about security and sovereignty? Those guys at the border are not asking for that truck to be unloaded and reloaded because of 9/11. And if they are, then I think that's misplaced.

I'm actually saying that I think we have to be able to separate them, because I am concerned that we're going to be caught up in the political discussion. I appreciate the fact that there were two main thrusts of the announcement, but I want to see trade improved between these two countries. I want to do this not because of a concern about the other, but more because of a concern about moving forward on the first.

**Mr. Don Stephenson:** In my business, we talk about disguised barriers to trade. The thing about disguised barriers to trade is that people disguise them—at least, when they're being successful—so it's very difficult to say whether a particular policy is in fact intended as a trade barrier or to address some other legitimate public policy objective.

I guess we would argue, as we will before the World Trade Organization, that the country of origin labelling system that the U.S. has now imposed is a disguised barrier to trade.

With respect to border security issues, you have to address both issues. I guess we are going to have to try to get to a system in which we're taking a risk management kind of approach. You can't inspect every truck, every ship, every person, so getting the programs that reduce the risk, if we can, will help the traffic move faster.

**Ms. Martha Hall Findlay:** I'm not sure what risk we're trying to reduce when we're asking that a truck full of fish be unloaded and then reloaded.

**Mr. Don Stephenson:** You'd have to ask somebody from Border Services or Public Safety exactly what risk they think they're inspecting for in this regard, or whether they would agree, perhaps, with you that this is a disguised barrier to trade.

That's about the best I could do.

**Ms. Martha Hall Findlay:** Thank you.

**Mr. Don Stephenson:** Perhaps that's an interesting case study that we can pursue—that particular border crossing and that particular product—to see whether we can make some improvement.

**Ms. Martha Hall Findlay:** The other question—and so as not to take time, it could even be answered by a follow-up in writing—is just about numbers: who is there on the ground, what did we have before?

**The Chair:** Ms. Watson touched upon it earlier, but that might be useful. If you wouldn't mind, just send us a note with the current—

**Ms. Martha Hall Findlay:** What is there now, what was there five years ago, what was there ten years ago; that would be really helpful.

Thank you, Mr. Chair.

•(1000)

**The Chair:** Thank you.

We're going to continue this round. We can probably get through a final round.

Are you okay for another few minutes, Mr. Stephenson?

Thank you.

Mr. Holder, if you wouldn't mind splitting your time with Mr. Trost, we'd do about two and a half minutes each.

**Mr. Ed Holder (London West, CPC):** I wouldn't mind, but I was going to be splitting with—

**Mr. Brad Trost (Saskatoon—Humboldt, CPC):** He said Mr. Trost, but he pointed to Mr. Allison.

**The Chair:** Carry on, Mr. Holder or Mr. Trost.

**Mr. Brad Trost:** Thank you, Mr. Chair.

As was noted with the Buy America issues, procurement at the state and local levels was slanted—we'll say in protectionist fashion—towards local interests in certain situations. I'm interested in a few things.

One, do you see any other trade issues on the horizon, issues that you are dealing with, that would involve local and/or state government officials?

Two, how do you feel about and what do you see as the progress in dealing with local procurement issues as covered by the agreements we've had to deal with the Buy America issue? How can we expand to continue to engage the states and local governments to make sure that we don't have more procurement problems?

That's my question.

**Mr. Don Stephenson:** I may need some help from Laurent.

In terms of other issues at the level of state and local governments, I think the principal one is procurement markets, at least for Canada. When we get into regulatory matters we may find that, like in Canada, much of the regulation-making of interest to us is at state level. But for the moment I guess I would suggest that Buy American and procurement markets are the principal interest.

As for the question of whether or not we can make progress, first of all, we need to make progress on the Canadian side. That is to say, we need to make an attractive offer in respect to the reciprocal access that we would give to Canadian subnational government procurement markets, and ultimately that's, in a negotiation, what's going to drive to success. It has to be win-win or you have to be a lot more powerful than the other guy, one of those. So we're going to have to make an interesting offer and be prepared to be ambitious with respect to that offer.

By the way, the same set of issues is being discussed with the provinces and the territories with respect to the Canada-E.U. negotiation and to what extent the provinces and territories are willing to put their procurement markets on the table in order to get reciprocal treatment from Europe. So those two things should be watched together.

I am optimistic that with a good offer we would get some interesting progress on the U.S. side, although I won't underplay the challenge on the American side to marshal their state-level governments, and for that matter the large municipalities, that would be of interest to us. That's not less of a challenge for them than our coordination and dialogue with provinces and territories, except there are more of them. So we'll have to see.

[Translation]

Perhaps Mr. Cardinal would like to add something.

[English]

**Mr. Laurent Cardinal:** Maybe one part of last year's agreement was the acceptance of the provinces and territories to sign on to the government procurement agreement of the WTO. So already there, it's secured for Canadian suppliers the commitments that 37 states have taken under the GPA—

**Mr. Brad Trost:** You said 36 states; that's what my memory.... Is it 36 or 37 states?

**Mr. Laurent Cardinal:** I think it's 37.

The way the GPA is structured, it's a positive list of entities, and even if the states had taken commitments, there are exceptions and exclusions to that. So maybe the progress that could be made on the list of entities covered is there's a way to shorten the list of exceptions.

It's also true for the provinces: the number of entities covered is also limited. So there's room for negotiations, depending on the interest on both sides of the border.

• (1005)

**Mr. Brad Trost:** Over to Mr. Holder.

**Mr. Ed Holder:** Thank you.

I'd like to thank our guests.

I had two questions, but in the interests of the time we have, perhaps I could ask Ms. Watson if you could undertake to provide a written response back on this basis if this is appropriate.

You talked about the 20 offices in the United States where we have representation and how our Canadian consuls general make a couple of trips to Washington a year annually. I think your quote was "I hope we've been a little bit more creative". My sense is you probably have.

Perhaps I could ask you to undertake how you would measure, or how we as this committee could measure, the effectiveness of consuls general and if I might even say broadly the sense of how we are doing as trade team, if you will, in the United States. Because I think we have a pretty exciting ambassador, and I wish him every success. But I don't know how we measure this from an effectiveness standpoint. So I'd like to get some indication from you as to what your KPIs are or how you measure that from an effectiveness standpoint?

Briefly, Mr. Stephenson, if I could ask you, please, border thickening is an issue Ms. Hall Findlay brought up. From an economic standpoint, we all know the reduction of that makes practical sense. We call it border thickening, but it's just the challenges of doing business and getting through the borders from a commercial standpoint. I think there are some very significant problems there.

Canada gets it. I think Canada is really clear that we want the border reduced. I'm not as confident that the Americans do and whether it's for commercial purposes under that guise of security or what have you. I don't know that.

We watched a move here the other day, and it was interesting. It was a *Maclean's*-CPAC special on American-Canadian relations. You may well have seen it. And this is third-hand, but Ms. Napolitano, when challenged, effectively said when asked about the border thickening, "What's wrong with that?" She saw that, I thought—again third-hand—as a positive, which is contrary to where we're trying to take it with what the Prime Minister announced last week in terms of the declaration.

So my quick question, and hopefully it's a quick answer, is how do you feel the declaration on a shared vision for perimeter security and economic competitiveness will be a game changer?

**Mr. Don Stephenson:** I'll let Michael try.

**Mr. Michael Rooney:** Thank you.

Thanks for the question.

We talked a bit today about the security element of this and that security often might trump trade. I think, as I said earlier in my remarks, the evolution has got us to a point now where we can actually sit down and focus on the economic aspects of the border relationship in balance with the security aspects.

I think one important factor is beginning to dispel some of these myths that Ms. Napolitano and others have about Canada and the border, etc.

There are four elements of the declaration. One focuses particularly on trade and economic competitiveness, and through the dialogue we'll be able to go and address some of these issues you're talking about—thickening of the border, the security element of non-tariff barriers—and be able to move forward and look towards programs and plans that can facilitate business in the road ahead. I think it's an important declaration in that respect.

I think it just overall helps enhance the relationship, and I think the elements of the trade aspect of the declaration will go to address some of the issues we've spoken of today.

**Mr. Ed Holder:** I appreciate it.

It feels like a general response. I know I'm out of time, and I guess my only comment is I should probably have been more specific in terms of the question, because I felt, respectfully, that the answer is kind of a feel-good response but wasn't as hard-hitting or specific. And perhaps that's the fault of the questioner, not the responder.

**The Chair:** Probably.

Do you want to respond to that?

**Mr. Michael Rooney:** My apologies.

**The Chair:** Okay.

Monsieur Carrier.

[*Translation*]

**Mr. Robert Carrier (Alfred-Pellan, BQ):** Thank you, Mr. Chairman.

Good morning, madam and gentlemen. I have a few questions about the softwood lumber agreement. It's an important agreement for Quebec. I would like to take advantage of my time in committee to clarify certain points that come to mind.

The London Court of International Arbitration has questioned the programs of Ontario and Quebec. Unless I'm mistaken, the decision has been made. It is probably very unpleasant for businesses that benefited from those programs to be taxed after the fact. I think that calls the credibility of certain programs into question.

How does that agreement work in Canada? Does each province administer it in its own way and then go to arbitration, or are the

programs coordinated in advance to avoid unpleasantness and reversals?

• (1010)

**Mr. Laurent Cardinal:** The court's decision came in response to a complaint filed by the US government respecting specific programs of two provinces, Ontario and Quebec. Consultations were conducted prior to the arbitration filing. The list of programs questioned by the United States was longer than the list of programs attacked by the United States. It was the Americans who decided which programs, in their view, were consistent or inconsistent with the agreement. Once they had formed an idea about compliance or non-compliance, it was up to the court to decide.

In the case of the programs attacked by the US government, three Ontario programs and six Quebec programs were targeted. The court determined that two of the three Ontario programs were not consistent with obligations under the agreement, as well as three of the six Quebec programs. In short, not all the programs were found to contravene the agreement.

I'll now address the question of coordination. When the federal and provincial governments consider putting programs in place, they always ask each other whether those programs may be perceived by the Americans as inconsistent with Canada's obligations under the agreement. A review is then conducted by the people responsible within each of the governments. The governments also talk to each other to ensure that the approach, in the interpretation of each of the governments, is consistent with Canada's obligations under the agreement.

**Mr. Robert Carrier:** Does the government give the green light for the implementation of those programs? If they are coordinated in advance, does the government, upon its analysis, accept all the programs? Does it rule that they are consistent with the agreement?

**Mr. Laurent Cardinal:** No, the programs put in place by the governments of Ontario and Quebec are provincial programs. Their introduction does not have to be authorized by the federal government.

**Mr. Robert Carrier:** To avoid having these businesses questioned or taxed after the fact, don't you think these programs should be reviewed more closely in future with regard to Canada's responsibility under the agreement as a whole?

**Mr. Laurent Cardinal:** Those discussions took place, Mr. Carrier. In the final analysis, it was the Government of Quebec that decided to implement the programs. The review and evaluation of the programs are discussed in a cooperative manner between the various governments.

Ultimately, each of the governments decides to go ahead or not to go ahead with those programs.

**Mr. Robert Carrier:** Have you begun to analyze the effectiveness of this agreement, which will expire in 2013? Among your conclusions, do you find that the agreement should be extended, or should we simply rely on NAFTA without there being a specific agreement for softwood lumber?

In other words, did knowing the impact have a beneficial or negative impact on the Canadian industry?

**Mr. Don Stephenson:** The formal evaluation of the program and agreement will be undertaken this year to consider the issue of renewal or renegotiation of the agreement in 2013.

The other part of the question concerned—

**Mr. Robert Carrier:** Have you concluded that the agreement will have to be extended?

**Mr. Don Stephenson:** Quite recently, we began consultations with the industry and the provinces on the issue of the program's renewal. The process has started.

• (1015)

**Mr. Robert Carrier:** Thank you.

Do I have any time left?

[English]

**The Chair:** No, I'm sorry.

Okay, we have gone on a little long, but I'm going to have two more quick ones.

Very short, Mr. Cannan, then Ms. Hall Findlay just to wrap it up. Very quickly.

**Mr. Ron Cannan (Kelowna—Lake Country, CPC):** Thank you, Mr. Chair, and thanks to our witnesses here this morning.

Interprovincial trade barriers are something we've been working on within our own country to break through some of the trade irritants. From the wine industry, that's one Mr. Moeser has been helping me from...and Taiwan, when I was there last year. We're going to try to get our Canadians to be allowed to be able to purchase our goods and services.

With regard to the regulatory review. Mr. Stephenson, I think you said it's a two-year program. Who's on the committee, or how is the selection process taking place? Is industry going to be at the table?

**Mr. Don Stephenson:** The process has not been fully decided. When they introduced the program last Friday, the Privy Council Office indicated they had not yet decided who would represent each of the departments in the process, but that the Privy Council, Treasury Board, and the Department of Foreign Affairs and International Trade would lead the initiative on regulatory cooperation. I am anticipating that would be my group in the department, the trade policy and negotiations group.

**Mr. Ron Cannan:** And you figure about a two-year timeline?

**Mr. Don Stephenson:** Yes.

Our first challenge is as per the announcement, to meet bilaterally within 90 days with the United States to agree on terms of reference and a work plan.

**Mr. Ron Cannan:** Just to clarify, Mr. Julian had talked about the softwood lumber agreement, and in my constituency Tolko mill contacted me, and I've talked with other foresters, and they said it's the best agreement the industry has ever seen to help them provide the stability.

Could you maybe clarify some of the success we've had with the agreement? There seems to be a difference in interpretation across the table. My understanding is we've had a 90%-plus success rate in our negotiations.

**Mr. Don Stephenson:** With respect to the three arbitrations, what would you call the last decision on Ontario and Quebec programs?

**Mr. Ron Cannan:** I thought it was 97%.

**Mr. Don Stephenson:** But we lost on 3%, so how you characterize that is in your hands—

**Mr. Ron Cannan:** Well, if I went to school and came home with a report card of 97%, my parents would be pretty happy. As a matter of fact, they'd be shocked.

**Mr. Don Stephenson:** I just wanted to make the point, and I made it in my opening comments, that the agreement provides for an arbitration process. The arbitration process provides for third-party independent adjudication of disputes.

In that sense, it's working, because the alternative was unilateral, arbitrary, and I would suggest excessive taxes on the American side—anti-dumping and countervailing duties—that they imposed at will. So we now have a process that provides for arbitration of disputes. In that sense, the agreement is working.

**Mr. Ron Cannan:** Thanks for the clarification.

**The Chair:** Thank you, Mr. Cannan.

To wrap it up, Ms. Hall Findlay.

**Ms. Martha Hall Findlay:** Thank you, Mr. Chair.

Maybe this is another follow-up, just given the lack of time, but I have two things. I just wanted to clarify from Ms. Watson when we might be able to get a response to the earlier question, if we could pin that down.... My question was about the number of people on the ground in the United States, either through DFAIT or through the embassy. Do you have a timeframe?

Mr. Holder had a similar request.

**Ms. Lynda Watson:** I could try getting something to you approximately a week from today.

**Ms. Martha Hall Findlay:** That would be wonderful. Thank you.

My question, then—again it might be a follow-up in writing—is Mr. Keddy had spoken about one company in particular being blocked at the border a significant number of times. It seems to be a significant increase. I don't know that I've seen any statistics or review of what happens the other way. We keep talking about the challenges for Canadians going across the border, Canadian enterprises going back. The level of integration obviously is significant. But if there is a way of summarizing or providing that information to us, how much the Canadian border officials are blocking similar traffic coming north? That would be really helpful and I think would help in the larger discussion.

Don, I don't know if that's something to follow up with, but I leave it to you who would know better where to find that and how to provide it.

• (1020)

**Mr. Don Stephenson:** Well, we will try to follow up.

I expect we'll have to try to get that answer from Canada Border Services Agency and/or Public Safety, but we'll give it a try.

**Ms. Martha Hall Findlay:** It significantly affects trade, so I would think....

Okay, thank you.

Thanks, Mr. Chair.

**The Chair:** Thank you.

Again, thank you to our witnesses today. It was very helpful and very useful. I'm sure that in the course of our discussions we will welcome you back again.

I'll reiterate in asking you to provide the written documentation that's been requested by the committee.

I think that will be it for today in terms of witnesses. So I'm going to take a brief break after thanking you, and then we'll proceed with committee business.

Mr. Stephenson and the panel, thank you very much for appearing today.

I'll suspend for two minutes.

*[Proceedings continue in camera]*

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