



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

## **Standing Committee on International Trade**

---

CIIT • NUMBER 077 • 1st SESSION • 42nd PARLIAMENT

---

**EVIDENCE**

**Monday, September 25, 2017**

—  
**Chair**

**The Honourable Mark Eyking**



## Standing Committee on International Trade

Monday, September 25, 2017

• (1535)

[English]

**The Chair (Hon. Mark Eyking (Sydney—Victoria, Lib.)):** Good afternoon, everyone, and welcome back to Ottawa. As everybody around this table knows, we had a change of plans. We were hoping to be in Mexico this morning, but due to the major difficulties down there, we switched channels. Out of a disaster, we have a great opportunity, and that is we have with us today the U.S. Chamber of Commerce.

Many of you around the table here, and many MPs have had a chance to travel to the United States the last few months, and we found the chamber always welcoming, Mr. Murphy. We had a great evening with the chamber in Washington. We also had a great experience in California with your chamber. We had a luncheon with them. Thank you very much for coming to our committee.

You have a very distinguished group that has come to Ottawa with you. There are over 37 members from many of the big companies and producers in the United States. This is a very important time, as you know, for our countries, and especially these next few days, so it's great to see everyone here.

There are a few things we probably run a little differently than committees in the United States. First of all, there are no pictures allowed to be taken now that we're in a formal setting.

We're going to split this up. We're going to do something a little different, Mr. Murphy. We're going to have you make a presentation, of course. Presentations are usually around five minutes, but you can take whatever amount of time you need. Then we'll have dialogue with the members of Parliament.

We're going to do that for about an hour, and then we'll have a more informal meeting. Again, there will be no cameras. Anytime during this first hour, if you have some members who want to sit in, they're welcome to sit with you. You can ask them to come up to the table now. If there's a particular question, let's say about milk or something, and you have somebody you want to bring to the table, let them come forward. There's no structure. You can bring anybody to the table to help you answer questions or give us some information.

As you know, our country is bilingual, so anybody who needs translation, there are headphones. There are three channels. English is one, and the second is French.

Without further ado, you have the floor, sir, and then we'll open it up for dialogue with the MPs.

**Mr. John Murphy (Senior Vice-President, International Policy, U.S. Chamber of Commerce):** Thank you very much for that warm welcome, Chairman Eyking, and vice-chairs Allison and Ramsey.

It's an honour to appear here today in Canada's Parliament, representing the U.S. Chamber of Commerce.

The U.S. Chamber of Commerce is the largest business organization in the United States. We represent the interests of more than three million companies of every size, sector, and state—big companies, little companies, manufacturers, service providers, agricultural firms. We also represent more than 2,000 state and local chambers of commerce, nearly 1,000 sectoral associations, and a network of American chambers of commerce abroad, including one here in Canada. I should also add that we include in our membership U.S. affiliates of a number of Canadian companies.

On the topic of the day, the North American Free Trade Agreement, as we've affirmed since the beginning of the year, we support the initiative to modernize this agreement, taking into account the technological, economic, and other changes in the North American economy and the global economy in recent years. But in our view, since the agreement went into force in 1994, the NAFTA has been a major success for the three member countries, for the United States, for Canada, and for Mexico. We have seen a substantial increase in continental trade and cross-border investment. It has stimulated economic growth. It has raised living standards and improved the global competitiveness of all three of our economies. You know the statistics very well. It's more than \$3 billion of trade every day. In the United States, as my boss Tom Donohue, the president and CEO of the U.S. Chamber, often says, trade with Canada and Mexico supports 14 million American jobs. I believe that breaks down as nine million in trade with Canada and five million in trade with Mexico. So we see every day the benefits of this agreement. Much of this commerce depends on the NAFTA, though, in ways that are not even widely appreciated, and the negotiations that are now under way, we believe, should be conducted in a manner that does not put these current trade relationships at risk. We believe this goal is eminently achievable.

Over recent months we have offered the following general principles for NAFTA modernization.

First, do no harm. Interrupting the \$1.3 trillion in annual trade across our borders or reverting to the high tariffs that were in place prior to the agreement could endanger many of the millions of jobs that depend on trade in our three countries.

Second, we need to work to keep the agreement trilateral. Maintaining the NAFTA's three-party framework is critical as transitioning to entirely new bilateral agreements presents real risks of trade disruption. Such a transition might also introduce divergent rules, one set for U.S.-Canada trade, one set for U.S.-Mexico trade, a third for Canada-Mexico trade, and that would mean higher costs for industries in a number of sectors.

Third, we need to ensure a seamless transition. Chairman Kevin Brady, of the House ways and means committee, whom I believe you've met with in the past, has emphasized this point repeatedly: the importance as we move from the agreement we have now to one in the future that there should not be a sharp break of any kind that could interrupt trade.

Finally, throughout this modernization process I should comment that we have heard a number of threats to withdraw from the agreement. We take these threats very seriously. In the view of the U.S. Chamber of Commerce, this move, quitting the NAFTA, would be an economic, political, and national security disaster for the United States. On this issue, my boss Tom Donohue issued a column today in *The Wall Street Journal* which some of you may have seen, and I'll quote briefly from it.

He wrote:

Undermining Nafta would be a grave and costly mistake that would hurt the very farmers, manufacturers, workers and families this White House purports to protect. Americans should do everything necessary to avert this grievous self-inflicted wound.

● (1540)

How might withdrawal happen? At this stage, we think the risk of it simply happening suddenly through a self-initiated act is somewhat lessened. What we're seeing at this moment, though, is concern among a number of our member companies about the direction of the negotiations in a number of areas, including proposals from the U.S. administration relating to investment protections, strict domestic content rules, or a sunset provision. That causes significant concern. The alarm is that those kinds of heterodox proposals, not seen in past trade agreements, could lead to a breakdown in the negotiations and a withdrawal.

We are pressing the U.S. negotiators, asking them to bear in mind every day the 14 million American jobs that depend on Canada and Mexico, as well as the millions more in Canada and Mexico.

We believe we can move forward and positively modernize this agreement and make it work for the 21st century economy, and we look forward to working with you to make that happen.

Thank you. I look forward to our discussion.

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

Before we go ahead, I'm going to introduce you to my colleagues. We have three of the major parties of our Parliament here: from the

NDP, Ms. Ramsey; from the Conservative Party, Mr. Dreeshen, Mr. Carrie, and Mr. Allison; and from the Liberal Party, Mr. Fonseca, Ms. Ludwig, Madame Lapointe, Mr. Peterson, and Mr. Dhaliwal. They represent different parties, from all across the country, from British Columbia right to the Atlantic coast, so we have quite the representation on our committee.

Our committee has also been active in the last few years. Of course, as you're all well aware, we've just finished the European agreement. It has been in effect for the past few days. That agreement is a really big one for us.

We also did a lot of work on the TPP, which fell to the side, but we did a lot of study on it, which, of course, brought a lot of dialogue with our counterparts in the United States.

Our committee is quite active. We're a trading nation, and we're glad you're here.

We're going to go ahead. Usually a member of Parliament has five minutes for dialogue back and forth, and we move it around.

Without further ado, we're going to go right to the Conservatives. Mr. Allison, you're first up.

**Mr. Dean Allison (Niagara West, CPC):** Thank you, and to you, Mr. Murphy, thank you very much for that. I know the chambers on both sides of the border are a valuable asset, so we're glad you're here today speaking on behalf of the U.S. Chamber of Commerce.

We certainly read the papers, as you guys do, in terms of what's happening or what's expected, and I know business gets it. We've heard from countless witnesses, and the first thing they say always is "Do no harm." That was your first point as well.

When you look into your crystal ball, into someone else's mind, what would a win look like? We all agree that modernization should have some importance here. We need a chapter on digital. There are a number of things that the original agreement didn't do.

Obviously, we would like to see it happen quickly, but it takes a while to make these things happen. In your mind, what do you think the administration wants to see in terms of a win? Is it a total blow-up, a total rework, or trying to tweak around the edges? Could that be considered a win for the U.S. administration?

**Mr. John Murphy:** First, let me quickly say what we in the business community see as a win, and then I'll quickly pivot to that question.

We're looking for a modernization that takes a 23-year-old trade agreement and brings it into the 21st century with provisions, for instance, those relating to digital commerce. When NAFTA was negotiated, the worldwide web was invented that same year, I think. So e-commerce, the ability to do business online, not just buying a package and having it shipped to your home, but doing your online banking, selling insurance across borders electronically, downloading software across borders are all evidence that today we don't just trade in goods or services, we trade in digits as well.

We know how to do this. The TPP had language to do that. There are other areas, for instance, in the area of sanitary and phytosanitary standards, where more recent trade agreements do a better job than NAFTA did to ensure that the regulations, potentially the behind the border barriers that can impede international commerce, are based on sound science and therefore are not simply a tricky form of protectionism.

Those are examples of the kinds of modernization we're looking for. In its objectives, the Trump administration has emphasized a number of issues just like those. A few others have raised some questions. For instance, the first objective in their official document relates to the U.S. bilateral trade deficit. We at the U.S. Chamber do not believe that the trade deficit, the trade balance, is an appropriate yardstick for measuring whether or not a trade agreement or a bilateral trade relationship is working. Rather, it reflects macro-economic realities. It's no more significant than in the case of the Murphy household the fact that I have a trade deficit with my grocery store or my barber or any other retail establishment I go to, but I do have a trade surplus with my employer. There's near universal agreement in the economics profession on that. It raises questions about what exactly are the trade policy implications of that.

To their credit, the U.S. administration has said they want to expand trade, that it's not by limiting imports that they hope to achieve that goal of more trade balance. But we're waiting for details on that.

Another objective that they've laid out is strengthening the rules of origin in NAFTA. We haven't seen specific text on this introduced by the U.S. administration yet. This causes us some concern though, because NAFTA already has some of the strongest rules of origin of any free trade agreement in the world. If you look at the auto sector, which is often at the fore in this, the 62.5% is higher than any other trade agreement. The concern is that if you raise that level substantially, it's a tool that cannot succeed in compelling industry to increase the North American content. After all, the U.S. external MFN tariff that we have on autos is 2.5%.

If complying with the bureaucracy and rules related to rules of origin is too complex, too costly, then companies will simply pay the tariff. There are a number of real world examples like that which we continue to try to impress on a negotiating team and try to push them in a productive manner.

•(1545)

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

We're going to move over to the Liberals now. Madam Ludwig, you have the floor.

**Ms. Karen Ludwig (New Brunswick Southwest, Lib.):** Thank you, Mr. Murphy, for your excellent presentation.

I represent an area called New Brunswick Southwest. I border on the state of Maine, and certainly the gateway to the Atlantic region. In our area, up until recently we've always had duty-free softwood lumber. I'm wondering if you could tell us how increasing tariffs and countervailing duties on softwood lumber might impact American consumer jobs as well as the economy.

**Mr. John Murphy:** Thank you for the question.

The softwood lumber dispute is one which of course has gone on for decades, and any number of trade lawyers have sent their kids to college in the various iterations of it. From the perspective of the U.S. business community, the U.S. Chamber of Commerce specifically, it's a dispute that at times has been difficult for us to wrestle with, because it pits the interests of producers against those of consumers.

I've been with the U.S. Chamber for about 18 years, and my hope over the years has been that over time we will see greater integration and less conflicts in this aspect of the relationship. That is something we can say, for instance, in the steel sector. There were more trade remedy actions in the steel sector 20 years ago than there are today. Today, the North American steel industry is really quite integrated, and there's less of that kind of tension.

We're not there yet. We're hopeful that negotiators can find a path forward that can address this matter and do so quickly. I think there's a hope out there that doing so in the near term could provide a boost of goodwill at this point in the NAFTA negotiations.

•(1550)

**Ms. Karen Ludwig:** Thank you.

Adding to your comment, Mr. Murphy, about the integrated supply chains, if we look, for example, at softwood lumber, in New Brunswick there's a mill where one part is on the American side and the other half of it, the pulp mill, is on the Canadian side, or vice versa. It's called Twin Rivers. That's a great example of integration.

I'm wondering whether Americans are acutely aware, somewhat aware, or a little bit aware of the possibility that any disruption in trade could mean a loss of jobs on the American side as well as on the Canadian side.

**Mr. John Murphy:** I think that the past year has offered a kind of tutorial for policy-makers in the Congress over the benefits of the NAFTA today and the trade relationship we have with Canada and Mexico.

Last week, I went on a four-day tour of seven Midwestern states. One thing they all have in common is that they voted heavily for Donald Trump. Another thing they have in common is that they're all incredibly dependent on trade, and particularly trade with Canada and Mexico. As I travelled in this area, I visited manufacturers—I visited a large trucking firm, a technology company, a manufacturer of balloons—and I spoke at a number of state and local chambers of commerce. I did not find any reservoir of goodwill for the idea of abandoning the NAFTA.

In fact, at the first event I went to, Congressman Kevin Cramer of North Dakota said he was not aware of a single constituency in North Dakota that is in favour of withdrawing from the NAFTA. North Dakota is about the reddest state in the union, as we say. It's one of the states that voted for President Trump by the largest margin.

I finished my tour down in Kansas, and Senator Pat Roberts was at the event there. He's chairman of the agriculture committee. It's agriculture that sees this perhaps most vividly; it's not just manufacturers. Canada and Mexico buy more U.S. manufactured goods than the next 10 largest markets among our export partners.

In the Congress, I can see that that message has gotten through. I see it getting through with governors. I would have to say that I think Canadian diplomacy has played a positive role here as well. There has been a great deal of outreach, not just from the government, but from our good friends at the Canadian Chamber of Commerce, who have hit the road, as you all have, travelling to a lot of places.

NAFTA has been much maligned over the years, but I think there's a somewhat different perspective on it today. Opinion polling backs that up. The view of NAFTA is more favourable than it has been.

**The Chair:** Thank you. That wraps up your time.

We're going to move over to the NDP now. Madam Ramsey, you have the floor.

**Ms. Tracey Ramsey (Essex, NDP):** Thank you for being here.

My mother is a Murphy, so we have a lot of Murphys on both sides of the border.

I want to dig a little further into something you just touched on with my colleague, and that's the general understanding about trade that's happening between the U.S. and Canada, and the misinformation.

We saw what came out from Wilbur Ross this week around the rules of origin relating to auto manufacturing. It was quickly refuted by Canadian auto industry executives, and certainly by representatives from the government. We are very concerned about the rules of origin and that there seems to be a thought that there is a wider unfair practice that Canada and Mexico are engaging in around this.

You alluded to the fact that these haven't been tabled yet. The issue is quite concerning to us. I represent a riding in southern Ontario, right on the border, where there is a lot of auto-related industry. Do you have any idea when we can expect this important discussion to begin? What is the chamber's position?

**Mr. John Murphy:** Our submission to the Office of the United States Trade Representative was more or less along the lines that I articulated earlier, that the rules of origin in the NAFTA are already very strong and that measures to elevate those requirements are likely to backfire and you could wind up with less North American content. This is a view that has been articulated by most of the large business organizations in the U.S.

● (1555)

**Ms. Tracey Ramsey:** Do you have any idea of when that will come forward?

**Mr. John Murphy:** We're a month into the negotiations. In this area and several others, it appears to be the case that the administration is making some hard decisions internally and trying to move the draft texts through our interagency process as well as through the congressional committees of jurisdiction. There's an obligation to consult with the House ways and means committee and the Senate finance committee.

**Ms. Tracey Ramsey:** Unfortunately, we don't have that same process here in Canada. We were admiring it quite a bit when we visited Washington in the spring and met with the subcommittee.

Something else I want to ask you about is you touched on steel. We're awaiting the section 232 decision, which we expected in June, and it still is lingering. Canada is seeking an exemption. I'm wondering if you're supportive of that. We met with the American Iron and Steel Institute when I was in Washington in June with our steel caucus. I'm wondering what the chamber's position is on a Canadian exemption for steel.

**Mr. John Murphy:** The state of play with regard to that matter is unclear. I believe Secretary Ross recently told the press that a decision on this is being deferred until after tax reform is done, and it's really unclear how long that's going to be.

It's been a process that has been difficult to follow. Our trade agreement negotiations are governed by our trade promotion authority laws, which set out clear consultations with the Congress and the private sector. The section 232 statute is one that hasn't been used since the 1970s, so it's been a little opaque. I'm afraid I don't have a good read on the state of play or when that is coming out, but it appears to be the case that—

**Ms. Tracey Ramsey:** I'm sorry to interrupt you, but I know the Canadian Chamber advocates that exemption, and I just wondered if you've had these conversations with Mr. Batey and what that looks like in your relationship.

**Mr. John Murphy:** A number of major business organizations have expressed concerns about it broadly. I don't know that an exemption is one that has garnered a lot of attention, in the sense that Mexico is not necessarily in a different boat. It's clear, though, that some of those concerns have gotten through and a number of senior cabinet officials have weighed in on that. For instance, it appears that Secretary Mattis, the Secretary of Defense, was concerned about the application of tariffs against our NATO allies, and in the interest of national security, it leaves you scratching your head.

**Ms. Tracey Ramsey:** Is there anything you can give us on your position on chapter 19?

**Mr. John Murphy:** Yes. As I mentioned, I've been at the U.S. Chamber of Commerce for almost 20 years, and it's striking to me that during that time, none of our member companies ever raised this as a problem. However, as this has come to the fore in recent months, we have heard from some of our member companies. In the agriculture sector, for instance, you may have seen a letter signed by several dozen agricultural groups concerned about getting rid of chapter 19. I think the U.S. business community, which has never paid much attention to these provisions, is now paying more attention. We're digging into it. We may, in the months ahead, have a more formal stance on the matter.

**The Chair:** Thank you.

We're going to move back over to the Liberals and Madame Lapointe.

[*Translation*]

**Ms. Linda Lapointe (Rivière-des-Mille-Îles, Lib.):** Thank you very much, Mr. Chair.

Mr. Murphy, thank you for being here. Welcome.

**Mr. John Murphy:** Thank you.

**Ms. Linda Lapointe:** You said that you have three million member companies. Have people...

Can you hear me?

[*English*]

**Mr. John Murphy:** I can hear you now, yes.

[*Translation*]

**Ms. Linda Lapointe:** Okay.

Have people asked you to... You want this to be negotiated before the end of 2017, is that correct?

• (1600)

[*English*]

**Mr. John Murphy:** Typically, the U.S. business community has not had a powerful message about the timeline. We're more concerned about the substance of the negotiation. This is something we've often said. We're mindful of the Mexican political calendar, and that poses a real challenge for our Mexican counterparts.

[*Translation*]

**Ms. Linda Lapointe:** Thank you.

Earlier, my colleague asked a question about rules of origin, which are already very strict under NAFTA. You said that strengthening them could backfire on you.

What are you referring to?

[*English*]

**Mr. John Murphy:** With regard to rules of origin and raising the North American content requirements.

[*Translation*]

**Ms. Linda Lapointe:** What do you think might happen if someone asked to raise them?

[*English*]

**Mr. John Murphy:** In a number of sectors, I believe it is already the case that companies choose not to trade under NAFTA rules, and simply trade under the WTO rules, and pay the so-called most favoured nation tariff.

It's simply because the bureaucracy involved in providing evidence of origin and tracking content is costly in itself. After all, the most favoured nation tariff might be very low. One company representative told me there's often a Goldilocks content requirement. If you go above that, then you're not maximizing North American content, and you'll actually wind up with less North American content. For instance, if we're talking about electronics, machinery, or autos, you may see more content from Asia or Europe.

[*Translation*]

**Ms. Linda Lapointe:** Right. Thank you.

As I said earlier, my riding is north of Montreal, in the suburbs. A lot of aeronautical components in the supply chain are manufactured there.

How should labour mobility be addressed under the upgraded NAFTA?

Should we draw on the Trans-Pacific Partnership or the Canada-European Union Comprehensive Economic and Trade Agreement?

In terms of labour mobility, are there any provisions that you would like included in the agreement?

[*English*]

**Mr. John Murphy:** With regard to labour mobility, the U.S. business community is generally very supportive of measures to allow easier travel of professionals.

However, the political complications in the United States Congress are substantial in this area. I remember that the last time a U.S. trade agreement was negotiated was in 2003, with Chile and Singapore, and it included some visa provisions. It's not the ways and means committee but the judiciary committees that have jurisdiction over those issues. The U.S. trade representative at the time was raked over the coals and compelled to promise not to address those matters in trade agreements since then. I think that continues to be the case.

The case remains that Canada and Mexico, through NAFTA, have access to unlimited free professional visas—

[*Translation*]

**Ms. Linda Lapointe:** You mentioned professionals, but there are also technicians, in particular, who can go from one country to another. The automobile industry is very integrated in the three countries.

How do you think the people who know their production chain very well could go and work in each of the three countries?

[English]

**Mr. John Murphy:** There's no conceptual reason why, under the existing NAFTA provisions, there shouldn't be a category that would allow that to happen. There's a widespread view that the categorizations need to be modernized. In fact, that's something that has been done in the past already, I think about 10 or 15 years ago. It doesn't require a full-blown negotiation of the NAFTA to alter that.

That's something where there's support in the business community. In the current political moment, in the United States, it's regarded as somewhat sensitive, but it's certainly technically feasible.

• (1605)

[Translation]

**Ms. Linda Lapointe:** Thank you very much.

[English]

**The Chair:** Thank you, Madame Lapointe.

That ends our first round. We're going to go into our second round. We'll start off with the Liberal Party. Mr. Fonseca, you have the floor.

**Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.):** Thank you, Mr. Murphy. It's great listening to you and your perspective.

We've had the opportunity, as a committee, to travel from coast to coast in the United States, in many of the cities. Actually, we were in Colorado, near your alma mater in Boulder, as well as in Denver. We heard how interwoven the beef industry is, the breeding, the growing, the processing, etc., and how it crosses the border a number of times before it hits somebody's plate.

We've heard from many chambers, and they all seem to be on board that we want to modernize NAFTA, that we want to make NAFTA that much stronger and better, but when we look at the public and we think back to the U.S. presidential election or now, or even during our elections in 2015, and now the upcoming election in Mexico.... We were going to have the opportunity this week.... Unfortunately, due to the catastrophic earthquake that took place in Mexico City, we had to change our plans. It would be good to hear from our Mexican counterparts, as well as their chamber.

I know you've done a lot of work in Latin America, so I want to get your take on how this will play out in the Mexican elections. I'm sure they're talking about it already, NAFTA and this trade agreement. How is that playing out today?

**Mr. John Murphy:** Well, it's a good question and I have my view, but I'm sure, along with the process here, you'll hear from representatives of Mexican industry and other Mexican stakeholders.

The recent political developments in the United States have complicated U.S. relations with Mexico in a number of ways. I don't have to point out to this committee some of the rhetoric we heard during the electoral campaign, or even substantive debates now under way relating to deportations and the deferred action for child arrivals, DACA, or for that matter, the proposal for a border wall. All

of these proposals, according to public opinion polling in Mexico, have had an undeniable impact on attitudes and it remains to be seen how it will shape the electoral contest taking place in July of next year.

It is my view that within the Trump administration there's an awareness of these political realities. I think that over time there's more and more of a sense that these are negotiations not just with a potential real estate partner, but with nation-states that have their own domestic politics. Going forward, it's going to be increasingly important to understand those and not engage in actions that could have an unintended consequence in terms of impacting the bilateral relationship between the U.S. and Mexico in an enduring fashion.

**Mr. Peter Fonseca:** When we look at trade deficits or surpluses, I know between Canada and the United States we're about \$680 billion a year. It was actually a surplus last year for the United States of about \$1.5 billion to Canada's deficit.

When it comes to Mexico and the United States, it's about a \$60-some billion deficit. When you're looking at levelling the playing field when it comes to labour, environmental standards, etc., do you feel that at the table is the place to address and close that gap between the United States and Mexico?

**Mr. John Murphy:** With regard to the U.S. and Mexico trade balance, I would first quickly reiterate our view that one shouldn't focus on it. It's the wrong yardstick for trying to measure success or failure in a bilateral trade relationship. Beyond that, it's interesting if you dig into the numbers. You're right that there's an approximately \$60-billion merchandise trade deficit, but if you include services, it goes down to something like \$45 billion. If you actually measure trade and value-added, using an OECD database that measures this, which takes into account where things are actually made and how much U.S. or Mexican or Canadian content may be in individual articles, that U.S. trade deficit shrinks even further.

I mention that to simply point out that the devil is in the details and these headline statistics can mislead a great deal.

I'm sorry, I lost my train of thought.

• (1610)

**Mr. Peter Fonseca:** I was wondering with labour as well as environment, whether you would be able to address that gap at the table.

**Mr. John Murphy:** I believe that's the hope, but this is a real conundrum. The goal of reducing specific U.S. bilateral trade deficits is articulated often by the administration in Washington. How you do that is less clear. As I've argued, rules of origin is a weak read. It's not a tool that can really deliver on that score. Having rules like those that we negotiated in the TPP, which is generally, I think, the direction that the U.S. administration is trying to go when it comes to labour, could help. But in none of these proposals is there any kind of mechanistic guarantee that it's going to alter the trade balance.



I stick by my original point that if you're worried about the trade balance, you shouldn't. It's the wrong yardstick.

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

Ms. Ramsey has an obligation she has to go to, and she asked me if she could be moved ahead on the speaking list to get her three minutes in. I have no problem with it. If there are no objections from the committee, we can.... Are there no objections? Okay.

**Mr. Kyle Peterson (Newmarket—Aurora, Lib.):** It needs to be unanimous.

**Some hon. members:** Oh, oh!

**The Chair:** Go ahead, Ms. Ramsey, and then we'll go to Mr. Dreeshen after.

**Ms. Tracey Ramsey:** Thank you, and I apologize that I have to leave.

I would be remiss if I didn't talk about something really serious to us here, and that's our supply-managed sector. Certainly, our dairy sector is quite concerned over what could potentially come across the table. I wonder if you could give us some insight. I see listed here several dairy groups with you in your contingent. Could you provide us some insight into what it is your dairy partners are seeking in NAFTA?

**Mr. John Murphy:** It's unfortunate, but I don't believe they're here in the room at the moment, because some of us are doing multiple meetings at the same time. I'd be very happy to have them circle back with you with a more accurate response than I can give.

**Ms. Tracey Ramsey:** That would be great.

**Mr. John Murphy:** This is an area that has been pretty much in the news, and I don't want to do it—

**Ms. Tracey Ramsey:** No, but if they have anything publicly, if they put anything out that you know of in your chamber, we would be happy to receive that here.

Then I'll flip over to another issue that's important to my region that we noted in the 18 pages, which is raising the de minimis to \$800. Could you speak to your chamber's position on that? I'm sure you've seen the Canadian chamber's position. I'm curious as to what your position is on the de minimis.

**Mr. John Murphy:** We're strong supporters of a commercially meaningful de minimis level. We believe there's evidence through studies conducted in a number of jurisdictions that show that the tariff revenue forgone by having a higher de minimis level is actually more than compensated for with the increase in trade and the economic growth that follows from it. We do regard this as an important issue that we should address here.

In our earlier conversation, we were talking about what things can address.... For example, the Canadian negotiators want to find ways to boost Canadian exports. We believe that this is an area that would in a legitimate way help trade and help consumers on both sides of the border.

**The Chair:** You have about 40 seconds.

**Ms. Tracey Ramsey:** I'll just ask you quickly about the timing. There has been a lot of concern here in Canada about how fast this process is, that there's this short window of time of 11 days in

between. Could you speak to whether the chamber feels that this is the best representation of this scope of trade talks?

**Mr. John Murphy:** We're torn, because we're mindful of, particularly with regard to Mexico, the political calculus there. We've been supportive of the idea of moving relatively quickly, but at the end of the day, we're a business organization that represents our member companies, and consistently our line is always that the substance needs to drive the timing. It's important to get this agreement right.

I'm sorry about the fudge of an answer there.

**The Chair:** Thank you, and that wraps up the time.

We're going to move to the Conservatives now for five minutes.

Mr. Dreeshen, go ahead. You have the floor, sir.

**Mr. Earl Dreeshen (Red Deer—Mountain View, CPC):** Thank you, Mr. Murphy, for being here today.

I had the opportunity last week to speak with Karen Harbert, your Global Energy Institute representative, to talk about some of the issues as far as energy is concerned. Coming from Alberta, I know that is extremely critical as we look at some of the issues that have been a challenge for us lately. Seeing the Keystone pipeline finally moving forward is certainly appreciated there.

Of course, the chamber of commerce...certainly a valuable asset. We've had some discussions on small business tax fairness, so we've been relying on our chambers of commerce to get some word out there. It's important in the work that you do, and coming here to talk to us about this is also very important.

You spoke about chapter 19 issues and you said there are some agriculture groups that have an issue with that. Which groups are those?

•(1615)

**Mr. John Murphy:** Yes, I'd be happy to find a copy of the letter and share that with you. This was a collection of U.S. agricultural organizations that had expressed concern about the U.S. administration's interest in doing away with chapter 19. In essence, it was a position that was somewhat aligned with that of the Canadian government. It was many of the largest commodity groups and it's interesting to see them focusing on this issue, which as I said, has been one that the U.S. business and agriculture community has not really focused on much in the past.

**Mr. Earl Dreeshen:** The other thing you had mentioned, just listening to what you've spoken to Ms. Ramsey about, was a commercially meaningful de minimis, which some people suggest should be identical. At least it gives people some leeway to discuss what that would mean to each country, as you're looking at the type of industries that are associated with it. I believe that's a positive aspect, as we work from there.

Getting back to the agricultural side of things, you're talking about sanitary and phytosanitary provisions and the significance of making sure that things are done via sound science. I think this is so important, especially as we talk about moving cattle across the border and the different ways in which inspections are done when cattle are coming north into Canada versus Canadian cattle going into the U.S. There are differences, which I know the cattle industry has talked about immensely and about how that should be dealt with. Of course, when we have these.... That is one of the areas where the border is very thick and it causes a lot of issues, so I think that's an important part. Have any of your members talked about how one could look at trying to bring those regulations closer together?

**Mr. John Murphy:** I don't have specifics, but generally speaking, the kinds of regulatory co-operation initiatives that we've seen in recent years have a real constituency in our membership. The Regulatory Co-operation Council is a program of which we've been very supportive and we've seen some modest progress in a number of sectors. Certainly in agriculture, that's the case. I got an earful about this when I was drafted by some of our member companies to be the co-chairman of the COOL Reform Coalition. This is the U.S. business and agriculture coalition that lobbied for the U.S. to alter its country-of-origin labelling program to comply with the WTO ruling.

Again, the American public may not be very aware of it, but as in manufacturing where we make things together here in North America, it's also true in agriculture. We need to find ways to make that work better.

**Mr. Earl Dreeshen:** One of the other issues that has come up, since we have companies that are on both sides of the border, is that Canadian companies have been bought up or are trying to be bought up by Chinese companies, and there are concerns about safety. We know that the U.S. government has some concerns about that. Do any of your affiliates concern themselves with these kinds of issues?

**Mr. John Murphy:** About Chinese acquisitions of....

• (1620)

**Mr. Earl Dreeshen:** Is there a concern about Chinese acquisitions of Canadian companies that are also then dealing with U.S. companies?

**Mr. John Murphy:** It is a matter of considerable interest at the moment in Washington. Senator Cornyn, who's the number two ranking member of the Senate, is at work on a bill to reform our CFIUS process. That's the committee on foreign investment in the United States through which we have a process that looks at acquisitions from abroad to determine if there's a national security concern. It's narrowly focused on national security, so it's not an economic test of any kind. However, there is growing interest in that area and I think it's multi-sectoral, even though a lot of it is in the tech sector.

**The Chair:** Thank you. That wraps up your time, Mr. Dreeshen.

We're going to move over to the Liberals now. Mr. Dhaliwal, you have the floor.

**Mr. Sukh Dhaliwal (Surrey—Newton, Lib.):** Mr. Murphy, welcome to you and your team.

You were mentioning that, and even when we were travelling through the U.S., we did not find a single person who is against NAFTA. They're all willing to work together among three nations.

You also mentioned that even in one of the states, North Dakota, where they voted for the President in big numbers, they are saying that they are advocates of NAFTA.

The U.S. Chamber of Commerce, local governments, business organizations, private enterprise, all want this to move forward. What is stalling it, from the U.S. perspective?

**Mr. John Murphy:** What's driving it, you mean, if in fact the business and agriculture communities are not expressing serious concerns about the NAFTA?

As I've mentioned, there is a case for modernization of the agreement in a number of areas, and that's sincere and substantial. The U.S. Chamber of Commerce shared in the formal process of the Government of Canada soliciting input. We shared a document that outlines a number of points on that, but beyond that, President Trump was successful as a candidate and won the election by speaking to concerns, particularly across the U.S. Midwestern states, that appear to relate to social and economic change in that region.

To some degree, the concern was about immigration, and to some degree it was about manufacturing job losses, and NAFTA was blamed. It's a tale as old as time that the benefits of trade are spread diffusely and the costs are borne narrowly. That has been true with trade, and also true to the degree there has been manufacturing job loss in the United States, but U.S. manufacturing employment peaked in 1979. It has been on a downward trend since then, even though U.S. manufacturing output has doubled and even tripled since 1979. U.S. manufacturers are just more efficient than ever. They make more and more stuff with fewer and fewer workers.

I think we live in a time when candidates can tap into those legitimate concerns. I think what we in the business community need to do is find a way to channel those concerns into ways that will deliver real and practical solutions, such as apprenticeships and helping people get on a highway that's going to take them through the appropriate kind of schooling into real jobs in the private sector.

**Mr. Sukh Dhaliwal:** On the other hand, I come from British Columbia, and the major issue we face every 10 years is the softwood lumber issue. Do you see any permanent fix apart from signing these agreements every so often?

**Mr. John Murphy:** Do I see a permanent solution?

**Mr. Sukh Dhaliwal:** Yes.

**Mr. John Murphy:** Well, it's not the solution that policy-makers can bring up and impose, but I do think that over time there's going to be more integration in this sector, and that will make these kinds of trade disputes less likely.

I do think it's interesting that we're having this conversation now, in the wake of the hurricanes that hit Texas and Florida. There's a huge amount of rebuilding that has to take place, and it's estimated that steep tariffs on softwood lumber would only add pretty substantially to the cost of those new homes that have to be built. That's an interesting point that I'm sure is being delivered home to U.S. policy-makers right now.

**Mr. Sukh Dhaliwal:** Thank you, Mr. Murphy.

**The Chair:** Mr. Murphy, you talked about trade and its economic benefit and how it sprinkles across, and I think you're speaking to the converted here. We are kind of non-partisan, and when we travel, we all believe that.

I think the other thing we find, especially in going to the United States, is that the bonding we have with individuals is important, that connection when you're trading. You're talking back and forth. I think it also bodes well for how we work together when our countries have conflicts in the world. I think it's so key, that trade.

A few years ago I was in Egypt when they were signing a deal with Jordan and Israel, I think. Way back, they were so-called enemies, and somebody said that they wouldn't be doing a lot of trade but would be talking more. I think it's so important that we recognize not just the economic part of trade, but also the bonding between countries, peoples, and individuals. We even have marriages back and forth, and we trade hockey players. There's so much going on. Sometimes when we have a situation like this, when it's all on the table, I think it shows us more how much we have.

That's more of a statement. You can respond to that if you want.

• (1625)

**Mr. John Murphy:** I think it's an excellent point.

For the United States and Canada it's so obvious. We all know NAFTA families. In fact, my middle name is from a French-Canadian ancestor, so it's very common.

Perhaps a better example right now is to think about Mexico's progress in recent decades. I was a student in Mexico in the 1980s. Young people today wouldn't remember this but the United States, let alone Canada, was a very distant place for Mexico at that time. There was a single McDonald's in Mexico City. Middle-class families would take their children there on the weekend and it was a very exotic thing. English wasn't spoken anywhere and America seemed so far away. If you think about the journey Mexico has taken since then, Mexico joined the GATT in 1986. It wasn't even a member of the GATT; it had very high trade barriers. A few years later with NAFTA Mexico made a transition to democracy. Mexico today has a much more robust middle class and has become a major player in the world economy. Mexico back then used to export oil and today Mexico exports manufactured goods. It has much more sustainable economic prospects.

Yes, trade makes big changes in society, doesn't it?

**The Chair:** Okay, thanks.

We're going to move over to Mr. Carrie. You now have the floor, sir.

**Mr. Colin Carrie (Oshawa, CPC):** Thank you, Mr. Murphy. I think it was an excellent presentation and I really liked your examples.

On this side of the table we do have a trade deficit with my barber, too. The good news is as I'm getting older, there's a lot less for her to do, so it is getting better.

**Mr. John Murphy:** I hear you.

**Mr. Colin Carrie:** I also like what you said, that we make things together in North America.

I come from Oshawa and we build cars. There's a lot of rhetoric out there right now in the auto industry. There's a lot of talk of protectionism. I think even yesterday I heard one stakeholder say something along the lines of, "Don't worry too much about it. We'll just revert to the Canada-U.S. Free Trade Agreement if NAFTA falls through."

Could you comment on that type of rhetoric and why it might not be a good idea? What kinds of risks to jobs might that pose in Canada and also the U.S.? Could you put it in a framework of international competitiveness? You mentioned the importance of this being a trilateral agreement. What kind of effect would that have if this protectionism rises and what kind of risk to jobs on all sides of the border are we looking at?

**Mr. John Murphy:** The debates about NAFTA over many years have been complex. Yet, that's not where we are. This isn't 1992 or 1993 and trying to decide whether to forge ahead with this agreement. It's 2017 and it's been the law of the land for decades. Industry has accommodated itself to this. Sector after sector have grown used to it and come to use it in a way that to take it asunder would do great harm. My boss, Tom Donohue, in the *Wall Street Journal* today, included the chamber's estimate that hundreds of thousands of jobs could be at risk. It's hard to game out how exactly that would all unfold and just how dramatic it would be. We've used the figure often that multiple economic studies come up with the same sort of number for the United States of about 14 million American jobs depending on trade with Canada and Mexico. If you took away the NAFTA, those jobs wouldn't all disappear. We traded with Canada and Mexico before NAFTA. But we're talking about a macroeconomic event here that would have very broad repercussions in the U.S. economy. It would be potentially larger for Canada and Mexico. As a representative of a U.S. business group, we want to call attention to that risk. It's very substantial for the United States as well.

• (1630)

**Mr. Colin Carrie:** Could you comment as well on the idea of multilateral versus bilateral? You brought that up in your initial comments.

I know your organization in January came out with a very supportive statement for TPP. It basically brought new standards for international trade agreements. With what we're talking about in NAFTA—I agree it's not 1992 but some people are still living there—why is it important for us to look at this multilateral versus bilateral especially when we're talking about our competitiveness as a North American bloc, internationally?

**Mr. John Murphy:** Well, this is a question that journalists often ask us and that we try to avoid answering.

**Mr. Colin Carrie:** I'm glad I asked you, then.

**Mr. John Murphy:** When we're asked if we support multilateral or bilateral trade agreements, we typically answer "yes". There are many bilateral trade agreements that the United States has entered into that have been good and meaningful and have brought real benefits to both parties, but multilateralism has as well. We are strong supporters of the global rules-based trading system embodied in the World Trade Organization. The rule of trade law, and what was built in the aftermath of the Second World War in terms of trade liberalization worldwide, has played a very important role in a rising prosperity around the globe. It's easy to see it in emerging economies like China, but I would argue that it's countries like the United States and Canada that have benefited the most, so we'll continue to be staunch supporters of multilateralism.

**Mr. Colin Carrie:** As an organization that's not Canadian, do you think there's still a benefit for Canada to still move forward with the TPP and to see what can be done with that agreement, even if the United States, at least for the time being, has said they're not going to be part of it?

**Mr. John Murphy:** The United States has withdrawn from the TPP and is not participating. When we're talking about this with the U.S. administration, we usually at that point say, "Well, I understand, but what's the strategy, then?" By the year 2022, two-thirds of the world's middle-class consumers will be in Asia. They have rising purchasing power, they love American goods, and yet there are high barriers. If it's not the TPP as a strategy to access those markets, what is it?

As for Canada and whether or not the so-called TPP 11 should proceed, you know, as an American I salute Canada's clear-eyed pursuit of its economic self-interest. The TPP, in our view, as we said loudly and clearly for a long time, as we advocated for it, is a good agreement. Can it be improved? Yes. There are some sectors of the U.S. economy that would have hoped to improve some areas, but it is very clear to us that the Japanese, for instance, want to play a long game with the TPP. They want to see it move forward someday with the United States. I think that's interesting, but for now the United States is going to remain on the sidelines of that conversation.

**The Chair:** Thank you, sir. That was a good discussion.

We'll now go to our cleanup man, Mr. Peterson.

You have the last five minutes. Go ahead, sir.

**Mr. Kyle Peterson:** I don't often get to bat cleanup. I'm usually a number eight or nine batter, so I appreciate this, Mr. Chair.

Thank you, Mr. Murphy, for being here. I think it's appropriate that we're in Parliament itself today for this committee hearing. Long before NAFTA was around, I believe in 1961, President Kennedy,

just a couple of hundred feet away, addressed the Canadian House of Commons and said the following:

Geography has made us neighbors. History has made us friends. Economics has made us partners. And necessity has made us allies.

Of course, this was long before NAFTA was around, or the Canadian-American free trade agreement, but I think those sentiments remain true today. I think your testimony certainly highlights some of that partnership that we'd like to see maintained beyond any renegotiating of NAFTA.

"Economics has made us partners": I think that's the key thing for our purposes here. It's part of the reason that NAFTA is so important. I think President Kennedy was alluding to the partnership between Canada and the United States of America as countries, but there are also partnerships at the local level, and partnerships obviously at the business level. There are subsidiaries of parent companies on both sides of the border. This economic partnership far exceeds anything beyond just two nations and two countries. I think it's key for us keep that in mind. It's important to remember that. I am from an area of the country that relies heavily on auto manufacturing. Magna International is headquartered and has a lot of operations in my riding. Thousands of my constituents have jobs that depend on a robust manufacturing centre. The company is thriving and doing quite well, and of course I would like to see that maintained, so I appreciate your being here today.

I understand that you've been involved with a lot of trade deals through your professional role. I just wonder if you could elaborate a little bit, in the few minutes we have left, on the hallmarks of trade deals that you see as being successful. I agree with you that the trade balance or deficit is not the best barometer. What sort of measuring stick should we be using? What characteristics of trade deals that you see as successful should we strive for if we're striving to improve this trade deal?

● (1635)

**Mr. John Murphy:** Thank you. It's an interesting question.

In some ways, this NAFTA modernization is quite different from other trade negotiations. It's first of all different because we already have an agreement in place, and I think I would have to say it's really quite a good agreement. It's often said that it needs to be modernized, that it's old, but I have been impressed that some of the controversies of the past year have caused sectors and individual companies to come forward and share with us that they didn't even know it, but they were using the NAFTA to do something, and it turns out that it is pretty important to them. It is a peculiar negotiation because of that.

There are a number of areas where we can pursue, through negotiations, enhanced market access to one another's markets, but it's fairly limited because the NAFTA already delivered most of that. That makes it different.

I think about past free trade agreements between the United States and Latin American countries. There was always the enticement of that market access, and for the Latin American country, the promise of permanent access to the giant U.S. market. That made it possible politically to enter into not just the market access, but the rules provisions of the trade agreement, whether they are intellectual property protection, procurement rules, opening up services markets, and for a reform-minded government, the market access, and those other things, it was a chance to enter into a set of economic reforms that might have been difficult to do under other circumstances. That's what makes this a little different here today. I think we need to constantly remind ourselves of what we have right in front of ourselves. As George Orwell said, "To see what is in front of one's nose requires a constant struggle". I think that is true when it comes to the NAFTA.

**Mr. Kyle Peterson:** I agree with that.

Perhaps part of any concern with trade deals is the sentiment that people aren't sharing equally in the benefit, and you alluded a little bit to that. Is that, do you think, more of a communications problem than it is a subjective problem with the trade deals, particularly NAFTA?

**Mr. John Murphy:** I think it's both. I think people don't identify the degree to which somebody's consumer goods are much less expensive, and that there's greater competition in the marketplace in a way that brings more choice as well as lower costs. That's missing.

It's easy to say, in those narrow specific places where there have been many factory job losses, that trade is to blame. Sometimes trade is to blame, but there's research by Ball State University which says that 88% of manufacturing job losses are due to automation and not due to trade. It would be to everyone's benefit, I think, if we had a clearer-eyed assessment. Those are challenges. They need solutions, but you need to understand the problem so you can get the right solution.

• (1640)

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

That wraps up the dialogue with the MPs. It was a good conversation.

Mr. Murphy, we are going down to the United States on Wednesday. We are going to Columbus, Ohio.

**Mr. John Murphy:** Excellent.

**The Chair:** We have a very robust agenda. We're going to go up on, I believe, Thursday and Friday, to Milwaukee, Wisconsin. We'll be meeting with a lot of companies. Yes, we've been down there a few times, the west coast, the east coast, and down to the centre. We've been in Detroit. When you're down there, you get the feeling. You meet with other companies, and you get a sense pretty much how you wrapped it up today.

Thank you very much for coming and bringing your people here today.

That ends the formal part of our meeting.

The meeting is adjourned.

---





Published under the authority of the Speaker of  
the House of Commons

---

### SPEAKER'S PERMISSION

---

The proceedings of the House of Commons and its Committees are hereby made available to provide greater public access. The parliamentary privilege of the House of Commons to control the publication and broadcast of the proceedings of the House of Commons and its Committees is nonetheless reserved. All copyrights therein are also reserved.

Reproduction of the proceedings of the House of Commons and its Committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the *Copyright Act*. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a Committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the *Copyright Act*.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its Committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

---

Also available on the House of Commons website at the following address: <http://www.ourcommons.ca>

Publié en conformité de l'autorité  
du Président de la Chambre des communes

---

### PERMISSION DU PRÉSIDENT

---

Les délibérations de la Chambre des communes et de ses comités sont mises à la disposition du public pour mieux le renseigner. La Chambre conserve néanmoins son privilège parlementaire de contrôler la publication et la diffusion des délibérations et elle possède tous les droits d'auteur sur celles-ci.

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la *Loi sur le droit d'auteur*. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la *Loi sur le droit d'auteur*.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

---

Aussi disponible sur le site Web de la Chambre des communes à l'adresse suivante : <http://www.noscommunes.ca>