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—
Chair

The Honourable Mark Eyking

Standing Committee on International Trade

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• (1610)

[English]

The Chair (Hon. Mark Eyking (Sydney—Victoria, Lib.)): Good afternoon, everybody. First, I'd like to apologize and welcome our witnesses to one of those very active days on Parliament Hill, with votes and various things happening. Wednesdays are big, but we appreciate your coming.

We have so many votes this afternoon, so I'll make a suggestion. I have already talked to some of my colleagues here. Standard procedure, of course, is that the witnesses will get five minutes. We also have Mr. Suzuki on deck in British Columbia, so we're also going to hear from him. We are going to be asked to go back to vote, so it's a little different from the normal procedure. We're not going to have an opportunity to have the dialogue going back and forth with the MPs, but we're just reassuring you that if you go over a minute, we're not going to be too worried about it. What's going to happen is that any MPs who have questions for the panels here today will forward them. We'll get them to you and we'll ask you to respond. On that point, I would hope that any questions that the MPs have would be presented to the clerk before noon Friday. Then we'll get the questions to you sometime next week, and then you can respond. That way, we'll enter them into the study.

If everybody is cool with that, without further ado, we're going to go right at it. I understand that the Business Council of Canada, Andrea, you have a flight to catch.

Ms. Andrea van Vugt (Vice-President, North America, Business Council of Canada): Yes, I do have a flight to catch, to Washington.

The Chair: Say a good word for us down there.

Without further ado, we're going to accommodate you and let you get right to it.

Ms. Andrea van Vugt: Thank you very much, Mr. Chairman, and thank you for accommodating my schedule. I'm on my way to Washington to attend a panel on dispute resolution tomorrow.

The Business Council of Canada represents chief executives, entrepreneurs, and more than 150 leading Canadian companies in all sectors and in all regions of the country. Our member companies employ 1.7 million citizens, account for more than half the value of the Toronto Stock Exchange, contribute the largest share of federal corporate taxes, and are responsible for most of Canada's exports, corporate philanthropy, and private sector investments in research and development. That is my standard introduction.

I was here speaking with you in the spring and gave you a rundown of the specific priorities of the Business Council. I won't repeat myself again because we had that conversation a few months ago. I will provide in writing in a follow-up to my appearance here both my remarks—because we had a computer system failure for the last two days—and also our letter to the Prime Minister outlining our specific demands. I do want to touch on a couple of things, and I appreciate the opportunity to do so. I will be quick.

With respect to advocacy, since I was last here with you in the spring, the Business Council has launched a resource that we've made publicly available on our website, which is a map that gives you the trade and investment data between every congressional district in the United States and Canada. You can search by congressional district, by state, by politician. That information has been made publicly available so that our member companies and all of the associations and organizations that are here with me today can use this resource in their conversations with the United States.

Interestingly, when we went through this study and identified this data, we found that there is a Canadian-owned company in every congressional district in the United States. There are 7,705 Canadian-owned companies in the United States. Average congressional district exports total \$660 million U.S. in goods and services every year. As we know—and we're all on the same page—there is a significant trade relationship between Canada and the United States, and it should be continued.

We are happy to work with all of you on making sure that you have this information in your conversations with members of Congress, governors, and senators. There is one thing we would like to ask. I'm sure that all of you have companies in your ridings that do business in the United States and may have a presence in the United States. We'd like to ask you to ask them to visit their members of Congress. As you know way better than I do, all politics is local and all trade is local. If we start to work on our ground game at the local level to advocate for NAFTA, I think that it will be extremely important whenever a potentially concluded deal comes forward, or if NAFTA ends up hitting the rocks with Congress. At the end of the day, this all comes down to Congress, in our view.

On substance, as I mentioned when I was last here, I spoke about the Business Council's priorities. From our perspective, it's imperative not to undermine the value chain that NAFTA has built, that we must modernize, that we must go farther. In particular, the Business Council has called for modernization of labour mobility, or as we call them, temporary entry rules, for a negotiated solution on Buy American, for a renewed commitment on regulatory co-operation, and for a refreshed border processing system.

There are a few fundamental elements of the agreement in our view that must be maintained. We cannot agree to country-specific rules of origin, and we must maintain the principles of dispute resolution found today.

I want to spend one second on dispute resolution. From our perspective, the United States' agenda on dispute resolution is not solely focused on NAFTA. We think the United States has a bigger, broader agenda on dispute resolution. That's of great concern to us. In particular, I'm talking about chapter 19, anti-dumping and countervail.

I've heard from some of my colleagues in the south that we really shouldn't be worried about chapter 19 in NAFTA because similar provisions exist within the WTO. What I'd leave you with is that we are concerned that the administration's next stop is the WTO. It's important from our perspective that we embed in rock in NAFTA, in an agreement with the United States, important provisions included in chapter 19. We feel the same way about chapter 11, because we believe that it's their first stop on AD and CVD.

I'd also like to identify a characteristic that from our perspective must be satisfied in a negotiated outcome. That's balance. Let me be clear that concessions in this agreement solely on the part of Canada is not acceptable. With every trade deal, everyone must make concessions. Everyone has to do some things that are difficult for them.

• (1615)

At the end of day—which I think I say a lot—it's important to make sure everyone gives in areas that are a little uncomfortable for them, because that's the only way we're going to be able to modernize and make sure there's an efficient trading system. Specifically, a successful outcome cannot be concessions in areas for Canada that in total include IP market access, dispute resolution, government procurement, and agriculture, and have the United States offer us nothing in return, which we're concerned is what's shaping up.

I'll speak about dynamics really quickly, because I'm really concerned about the time. I speak regularly with folks in the United States and Mexico. There's an increasing concern that the negotiations are entering a difficult period. We're all working toward a positive outcome. I think we all want to see NAFTA be successful, but it's imperative for our government to start to think about how it will manage through a period of uncertainty. If NAFTA does start to really hit the rocks, it's imperative that our government have a firm understanding as to how it will ensure that trade continues and that the border continues to work.

I'll just finish with one comment on competitiveness, and I mentioned this when I was last here. We're concerned that the

combined effect of policies, both at the federal level and at the provincial level, everything from tax policy to uncertainty in the approvals system with regard to resource projects, energy costs, labour policies, combined with uncertainty in the United States, U.S. tax reform, and aggressive state-level policy frameworks that are designed to attract investment, are going to be a big problem for Canada. We're really worried about that.

I don't know if any of you met with Governor Pete Ricketts when he was in Ottawa recently, but his agenda to attract investment to the state is impressive, and I very much appreciate it, and it very much worries me.

I'll finish there, but thank you very much.

The Chair: Thank you.

You're a little over time, but I know you have a lot to say. If I don't get to speak to you again, good luck in your travels today.

Ms. Andrea van Vugt: Thank you. I'll stay for just a few more minutes to hear some of the questions.

The Chair: Also, joining us by video, we have Mr. Suzuki.

Welcome, sir. How are things in British Columbia?

Dr. David Suzuki (As an Individual): We have lovely weather.

The Chair: Good. Just to give you a heads-up, Mr. Suzuki, it's a very active day here on Parliament Hill. We have many votes going on, so we have a little different format. We are going to hear everybody's presentation and then MPs are going to put some questions together to send to you probably by the first of next week, and then you can send the answers to us. Is that fine?

Dr. David Suzuki: It's fine with me.

The Chair: Okay. Are you ready to go, Mr. Suzuki.?

Dr. David Suzuki: I am ready.

The Chair: We try to keep it to five minutes, but we're not that strict.

Welcome to our panel, and I'll get you going, because you're on video.

Go ahead, sir.

Dr. David Suzuki: Thank you very much for the opportunity to share a few thoughts with you today.

Before I begin, I'd like to acknowledge that I'm on the traditional unceded territory of the Musqueam, Tsleil-Waututh, and Squamish first nations, who cared for this land and the waters for thousands of years.

We're living in an unprecedented moment in human history, one that scientists have now called the Anthropocene epoch. It's a recognition that human beings are the major factor now shaping the physical, chemical, and biological properties of the planet on a geological scale. In the 3.9 billion years that life has existed on earth, there has never been a single species able to do what we are now doing. The sudden confluence of human population growth, technological prowess, consumptive demand, and the globalized economy have led to the terrifying degradation of the oceans that cover 70% of the planet. We've altered the chemistry of the atmosphere that enables us to live and gives us weather and climate. Forests are disappearing, deserts are advancing, agricultural soil is diminishing, and species are going extinct at a catastrophic rate.

As the top predator on earth, we are extremely vulnerable to extinction. If, as the cancer organizations now tell us, 50% of Canadians will develop cancer, surely that reflects the fact that it's because we've poisoned the biosphere by using air, water, and soil as a toxic sewer.

But at the very time when all of this is happening, we're undergoing a mass migration from rural villages to big cities where we lose a sense of connection to nature. Jobs and the economy in big cities become our highest priorities. The kinds of trade negotiations going on now all over the world utterly fail to protect the vital elements that matter most: clean air, clean water, clean soil and food, photosynthesis that captures energy—the factors that pay no attention to human borders or constructs like the economy.

As a human being concerned for the future of my grandchildren, I fail to see the point of negotiating, or even beginning to negotiate, without first beginning with agreement on what the fundamental rights of all people in the world are.

Let me suggest a framework for your discussions. We live in a world that is shaped and constrained by laws of nature. To live sustainably, we have to recognize, respect, and live within the boundaries of those laws. Physics dictates that we cannot build a rocket that will travel faster than the speed of light. The law of gravity says that if I trip, I'm going to hit my head on the floor. The first and second laws of thermodynamics tell us we cannot build a perpetual motion machine. Those are dictated to us by laws of nature. Chemistry is the same. The atomic properties of the elements determine the melting and freezing points, reaction rates, and diffusion constants of all of the elements that dictate what we can and cannot do in test tubes. Biology informs us that every species has a maximum number that can be achieved before it crashes, and that number is determined by what's called the carrying capacity of ecosystems or habitats.

Humans are smart; we're not bound to single habitats or ecosystems. We use our brains. However, the biosphere—the zone of air, water, and land where all life exists—is where we live, and it has a carrying capacity for all people dictated by the numbers and the consumption per person. Every scientist I've talked to agrees. We are far above the carrying capacity of the biosphere for humans, but we maintain the illusion that everything's all right and can continue on by using up the basic natural capital of the planet that rightfully belongs to all future generations.

Canada is not, as our myth says, a big country with a small population. Most of Canada is covered in rock, snow, and ice. It's not an accident that we cling to the narrow border with the United States. Our hyperconsumption drives our impact far beyond what this country can support.

● (1620)

Biology informs us that we are animals. Now, don't be offended by that. We are animals. It comes down to that, and our biological needs are dictated by that fact. If we don't have air for three minutes, we're dead. If we have to breathe polluted air, we sicken. Surely, air should be considered sacred, that is, far above and beyond economic or political constraints.

● (1625)

The Chair: I'm sorry, sir. I have to ask you to wrap up. We have only half a minute left for you.

Dr. David Suzuki: I thought you would let me go on a little longer.

I'm sorry. I have a message that I really think is important.

What can I say? Every one of us is 60% to 70% water, by weight. Without water for four to six days, we die. Drinking contaminated water, we sicken. Therefore, surely clean water should be sacred. It is our right, our duty to protect it.

Every bit of our food was once alive. [*Technical difficulty—Editor*] was in the soil. We can survive four to six weeks, but we'll die without food. Polluted food will sicken us, so surely clean soil and clean food should be up there with clean air and clean water.

Every bit of the energy in our bodies that we need to move, grow, reproduce, and work, all of that is sunlight captured by plants and photosynthesis and stored in molecules of energy. The miracle of life on earth is that these four elements—earth, air, fire, and water—are delivered to us by the web of all living things.

I'm really sorry. I have 30 seconds to go.

These elements are the very foundation of life and health, of every human being in society, yet they are ignored or dismissed as we try to force nature to fit our constructs, like the boundaries we draw around property, cities, provinces, and nations, and concepts like capitalism, communism, free enterprise, religions, markets, currency, corporations, economies, governments, and properties. These are not forces of nature. They are human constructs, yet we [*Technical difficulty—Editor*] that nature conforms to our needs and ideas, rather than altering our creations to conform to nature's law.

It's absolutely absurd to think that we can impose our notions on the rest of creation as if we are in command. Remember, nature always laughs last.

The Chair: Thank you very much, sir.

Dr. David Suzuki: Thank you.

The Chair: We are going to move to Ms. Vega, from the Canadian Chamber of Commerce.

Before I go ahead, is it all right if we do three quick presentations? Okay, we're good to go.

Ms. Vega, go ahead.

Ms. Adriana Vega (Director, International Policy, Canadian Chamber of Commerce):

Good afternoon.

First, on behalf of Jayson Myers, who was scheduled to be here today to talk to you about our views on North American trade, I would like to express his regrets. He was unable to change his schedule and accommodate the change.

I am very pleased to be here representing the Canadian Chamber of Commerce. Thank you to the members of this committee for inviting us back to discuss this very important topic.

Many of us here today have spoken to this committee before on this issue, and we would commend the work of this committee in staying engaged and current on all the developments as they unfold and as they affect Canada's most vital trade relationships.

Before I move on to discussing the priorities for the chamber, I would like to take a moment to congratulate the government for the outstanding effort in deploying the Canada-U.S. advocacy campaign across the United States. It's something that has been mentioned to us by members on both sides of the border, as well as our partners at the U.S. Chamber of Commerce. They really do see it as a very valuable exercise where they have seen real impacts, so thanks to the government for that, including some of the members of this committee who have travelled across the United States.

Likewise, since the negotiations began for NAFTA's modernization, our team of negotiators has been put under enormous pressure in having to work against really hard deadlines under a lot of strain, and they have done so in an incredibly poised and professional way. We would like to say that we have been very well served by the professional team at Global Affairs.

On the current state of play, the Canadian Chamber of Commerce has spoken before about NAFTA being the most important trade agreement for the Canadian economy. It supports a complex web of bilateral and trilateral relationships in North America that results in a commercial exchange of over a trillion dollars per year. That is really the envy of the world. We have heard this in other jurisdictions where we travel—sometimes to China and Japan—and they really do envy what we have here. Again, our priority is to protect it.

I should say that today, as Andrea already explained, North American and Canadian businesses are very concerned by the alarming signals that we are receiving from the negotiations—basically, the mood and where they are headed. The political climate in the U.S., and in Mexico as well, and these extremely ambitious timelines are not very encouraging, and they're not very easy to manage, either for the government or the negotiators, but also for us

as stakeholders. It's hard to keep up. It's hard to keep businesses engaged and to know how to react with sufficient time.

A lot of it still hangs on the text proposals by the USTR, which are yet to materialize. Until we see this text, it's hard for us to assess where we're headed. Hopefully, we will see the text by the fourth round, although we were expecting to see it sometime in the third round. These are complicated times, and we appreciate that.

In terms of our priorities, our first and top priority continues to be “do no harm”. At the beginning of the summer, some perhaps criticized this principle as lacking in ambition, but we and our partners in the U.S. and Mexico simply cannot state this enough. “Do no harm” means that a new NAFTA must in no way roll back any of the current benefits of the NAFTA. This continues to be at the top of our wish list.

Second, a new NAFTA must pay attention to preserving the competitiveness of our integrated value chains. As Andrea already mentioned, this is key. We can do this through maintaining the very delicate balance that exists in rules of origin, for example, but also by introducing modern provisions that will boost our region's competitiveness, not for today or next year, but for the next 20, 30, or 50 years. That includes issues such as infrastructure, border efficiency, movement of professionals, or regulatory harmonization, for example.

Third, I would fully agree with the remark made earlier by the Business Council that North American trade must not return to an environment that lacks appropriate dispute settlement mechanisms. Any outcome in a new NAFTA that falls short of the current levels of discipline we have, either through NAFTA or the WTO, would be a step backwards. This, in our view, would be unacceptable. There is room for improvement, and we would support some improvements to the dispute resolution mechanisms in NAFTA, but elimination would be unacceptable to us.

The fourth priority—

• (1630)

The Chair: If you could wrap it up in half a minute, that would be good.

Ms. Adriana Vega: Sure.

The imposition of national content thresholds or requirements for national content, either in rules of origin or government procurement, would be unacceptable as well. We see this as going against the spirit of free trade.

Last, we think that we should seize the opportunity to modernize, and this applies particularly to the space of digital trade.

To conclude, I have a couple of notes on what we think we should be doing as stakeholders and as government.

We should not sacrifice substance over timeliness. While we appreciate some of the time constraints in Mexico, for example, and even in the U.S. congressional calendar, we think substance should be the priority.

We support the government's initiative to diversify trade, and here I would include Mexico, a market where we have not fully explored potential for exports, even after 20 years of NAFTA.

We think that the advocacy efforts across the United States—

The Chair: I'm sorry, but I'm going to have to move along.

Ms. Adriana Vega: Sorry.

A win-win-win outcome is still possible, and I think we should pursue it.

Thank you.

The Chair: Thank you. We're hoping a win-win will happen, too.

I'm sorry we have to rush everybody so much today. When you hear those bells ringing and see those lights, we just have to get going.

We'll move right to the Forest Products Association. Go ahead, Derek.

Mr. Derek Nighbor (Chief Executive Officer, Forest Products Association of Canada): Thanks, Mr. Chair.

I think you're going to see some common themes among the business groups. I'm going to do a set-up here in terms of our industry and its importance.

I want to assure you that, because of the robust legislative and regulatory framework we have, we will not be losing our forests in Canada.

NRCan just put out the "State of Canada's Forests" report last week. We have almost 350 million hectares of forest in Canada. We harvested less than 0.5% of that. On top of that, we planted over 500 million seedlings. We can enjoy the social, economic, and environmental benefits of our forests forever. That's a priority we take very seriously in our sector. We work closely with our partners in labour, indigenous governments and communities, and all shared interests along that continuum. I want to table that.

I too support Mr. Suzuki in not wanting more rural migration. One of the best ways to do that is to continue to ensure that there are good economic opportunities in rural communities. Our sector has relationships in some 600 forest-dependent communities from Nackawic, New Brunswick, to Prince George, B.C., and points in between and out a bit.

That's one of the best parts of my job. For somebody who grew up in rural eastern Ontario, I take very personally and am very proud of the commitment of our sector to rural economies and to the spinoff businesses: some 230,000 jobs directly in wood, pulp, paper, increasingly bioenergy, biomaterials, and with a 3:1 ratio, 700,000 other jobs for outfitters, recreational folks, suppliers, and truck drivers who rely on those jobs as well.

Beyond the quality of our products, one of the key selling points on the global stage that I've seen in terms of trade visits I've done in the U.S., the EU, and Asia is the sustainability of our forest practices. People are looking for responsibly sourced products, and Canada is a world leader in that regard.

All the data in terms of our numbers and contributions are clearly in our submission, so let me get right to our primary interests.

You've heard a lot of talk about dispute resolution today. We would echo that very strongly. Any trade deal is only as good as its

ability to solve disputes. That's an area where we have a lot of concern. For us, the chapter 19 piece is a biggie.

In regard to improvements to labour mobility, Andrea talked a bit about that, movement of talents across borders, to allow company professionals to cross in and out of the U.S. and Mexico more easily. We have some learning from the TPP. It's interesting to see the TPP come up again. We're interested in seeing how that's going to play, but a lot of work on the TPP was done around regulatory coherence, transparency, and anti-corruption. We would like to see the leveraging of that to support a new NAFTA.

Any work on safeguards should ensure that they cannot be used unfairly to discriminate against Canadian products. To repeat, rules of origin are beneficial for all three countries, especially related to machinery. We want to see clarity around that. We want to see equal access to government procurement. All three countries should have access to that.

I'll leave it there.

There are two things I want to applaud. On most days, the cross-partisan support and the team Canada approach is appreciated. We like seeing that.

Also, thank you to the trade commissioners and their group. They provide a very important function, as do the consuls in the U.S., as well, on this file.

• (1635)

The Chair: Would the Canadian Vintners go ahead, please, for just a couple of minutes.

Mr. Dan Paszkowski (President and Chief Executive Officer, Canadian Vintners Association): Thank you, Mr. Chair.

I think many of you recognize that the Canadian wine industry was not believed to be able to survive after the Canada-U.S. Free Trade Agreement, but we clearly did. Industry leadership and government encouragement help us do that. Today we're a \$9-billion industry, supporting 37,000 jobs. Canada is the second fastest growing wine market in the world, three times faster than the global average. We're also the sixth largest importer of wine in the world.

We're very small by global standards, with about 0.5% of global production. We're also small in terms of our comparison to the U.S. Where we have 600 to 700 wineries, they have 10,000. Our economic contribution is \$9 billion; theirs is \$275 billion. We have 31,000 acres; they have 678,000 acres. This is a David and Goliath story.

Nonetheless, we do support free and fair trade. Since 1987, we've seen wine sales in Canada double to 476 million litres. However, 85% of those sales have gone to imports over the past 30 years, while our market share has decreased from 50% to 32%.

Over that period, we've signed three major agreements: the Canada-U.S. Free Trade Agreement, NAFTA, and the Canada-EU wine and spirits agreement.

Since 2004, under the Canada-EU wine and spirits agreement, the EU has benefited from \$478 million in increased sales. Our sales to Europe have increased by \$838,000.

Since the Canada-U.S. Free Trade Agreement, sales to Canada from the U.S. have increased by \$485 million to half a billion dollars. That's 13% growth every single year for the past 30 years. Our sales to the U.S. have increased by \$8.2 million, or 25,000 cases, over the past 30 years.

The Chair: Sorry, sir. I know this is very unfair to you, but you're the last guy, and I have to wrap it up. I do assure you we have the presentations and they'll be read. I'll just give you 30 seconds to wrap up and then we'll have to call it a day here.

Mr. Dan Paszkowski: Basically, we're not afraid of free trade. We'd like to modernize NAFTA. We'd like to maintain what

currently exists within the North American Free Trade Agreement. We'd like to see greater access to the United States than what has been provided to us, and we'd like to see the trans-Pacific partnership agreement wine annex brought into a modernized NAFTA to support harmonization and streamlining of regulations.

The Chair: Thank you, sir, and I have to apologize again. It's just been a rough day for us here. We're going to get the questions to you. I have to adjourn the meeting.

The meeting is adjourned.

[See appendix—CanadianVintnersAssociation-e]

[See appendix—ForestProductsAssociationOfCanada-e]

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**PRESENTATION TO
HOUSE OF COMMONS STANDING COMMITTEE
ON INTERNATIONAL TRADE**

**Priorities of Canadian Stakeholders Having an
Interest in Bilateral and Trilateral Trade in North
America, Between Canada, United States and
Mexico**

October 4, 2017

Thank You Mr. Chair, and all members of the Committee for this opportunity.

I am sure that you remember that there were many who said the Canada-US Free Trade Agreement would be our sectors demise. It was industry leadership and government support that ensured the wine industry's ability to transition and build resilience in a changing marketplace.

Today, Canada is a premium global wine producer, producing high quality, award-winning wines while contributing more than \$9 billion to the national economy, supporting 37,000 jobs and attracting roughly 4 million tourist visitors each year.



Canada is now the 2nd fastest growing wine market in the world, with wine consumption growing three times faster than the global average.

We are the 6th largest wine importer in the world, and over the past decade, imports have captured 70% of Canada's wine sales growth.

Our industry is small by global standards, representing 0.5 percent of global wine production. We are also small when compared to the U.S. wine industry. For example:

- Canada has 685 wineries VS U.S. 9,091
- Canada has 31,100 acres VS U.S. 670,000
- Canada produces 20.6 million litres VS U.S. 326 million liters

Yet, the CVA supports and welcomes the opportunity for free and fair trade with the U.S. and Mexico in the NAFTA re-negotiation, with a focus on “do no harm,” regulatory streamlining and modernization, and greater access to both the U.S. and Mexico for Canadian wine.

Since 1987, wine sales in Canada have doubled from 242 million litres to 476 million litres, while Canadian wine sales market share has declined from 49% to 32%. Imported wines have captured roughly 85% of total wine sales growth in the past 30 years.

Over this period, Canada has signed two major free trade agreements, the CUSFTA/NAFTA and the Canada-EU Wine and



Spirits Agreement, whose member countries represent roughly 61% of total wine imports into Canada.

Since the signing of the Canada-EU Wine and Spirits Agreement in 2004, EU wine imports have increased from \$682 million to \$1.16 billion, an average annual sales growth of 4.5%. By comparison, Canadian wine exports to the EU increased by \$838,000.

Since the signing of the Canada-US FTA which was followed by NAFTA, U.S. wine imports have increased by \$485 million from \$504 million, an average annual sales growth of 13%. By comparison,

Canadian bottled wine exports to the U.S. have increased by \$8.2 million.

With CETA taking effect on September 20th and NAFTA completion as early as year end, the stakes and risks are high for the Canadian wine industry which is already challenged by prohibition era restrictions on interprovincial trade, inflation indexation of the wine excise duty introduced in Budget 2017, a carbon tax, and proposed small business tax amendments, to name just a few. Further, if Canada proceeds with TPP, roughly 90% of total wine imports into Canada will enter tariff free, valued at over \$2 billion FOB,



The wine and grape industry in each of these countries, are heavily supported by their governments. For example, in 2017, EU wine and grape support is budgeted at \$C1.83 billion, while the Australian government just announced a \$50 million wine export support program. In regards to the U.S., and more specifically California where 94% of U.S. exports to Canada originate, their government provides millions in export support, electricity and water rate subsidization etc.

A modernized NAFTA must offer immediate and tangible benefits to the Canadian wine industry, which includes maintaining all existing NAFTA provisions, ensuring great access to the U.S. market, and the

inclusion of the regulatory harmonization and streamlining provisions

developed by the World Wine Trade Group including:

- Mutual Acceptance Agreement on Oenological Practices;
- Wine Labelling Agreements; and,
- Good Regulatory Principles.

Given the level playing field that was promised by both the CUSFTA and NAFTA, Canadian vintners should have performed far better, not only in our home market, but also through increased export sales into the United States. While the Canadian wine industry has done well and works hard to do better, its efforts to increase economic activity have been suppressed by unfair U.S. trade measures. In this regard,



Canadian vintners have not benefitted from the promise of trade liberalization under either CUSFTA nor NAFTA.

The Canadian wine industry looks forward to a modernized NAFTA agreement that is based on free and fair trade. However, given that the U.S., like the EU, have and will continue to reap the immediate front end competitive benefits of these free trade agreements, it is crucial that NAFTA ratification include federal domestic support for a :

- competitive wine excise duty system;
- competitive small business tax system; and,

- the introduction of a wine industry innovation program to align with the governments Strategic Innovation Program to support private infrastructure investment

These, together with the removal of interprovincial barriers to wine trade will help stimulate innovation and business investment, enhance our competitive position, capture greater domestic market share and help take advantage of the export opportunities that NAFTA can provide.

In conclusion, the CVA believes that a modernized NAFTA provides an opportunity to balance the playing field so Canadian vintners can enjoy the benefit of an agreement that offers free and fair trade.

Thank you.

Speaking Notes for Derek Nighbor (CEO) to the House of Commons International Trade Committee on NAFTA and trade in North America

October 4, 2017

Thank you very much for having me here on behalf of the members of the Forest Products Association of Canada or FPAC.

Who We Are

- FPAC is the voice of Canadian wood, pulp and paper producers nationally and internationally.
- Canada's forest products industry generates \$67 billion dollars annually, representing 12 per cent of Canada's manufacturing GDP.
- The industry is one of Canada's largest employers, operating in 600 forest-dependent communities from coast to coast, and directly employing 230,000 Canadians across the country.
- Given we operate primarily in rural and northern communities we live and work in close proximity to Indigenous communities and are one of the largest employers of Indigenous people in Canada; our sector also works with some 1,400 Indigenous businesses across the country.
- We export over 33 billion dollars worth of goods to 180 countries.

Beyond the quality of our products, one of the key selling points for the Canadian forest products sector on the global scale is the sustainability of our forest practices in Canada.

In another global study released in August by NEPCon with the support of FSC - the Forest Stewardship Council - Canada's forest management framework was again touted as one of the best in the world. This can be attributed to our

strong legislative and regulatory regimes, the fact that we have the world's most 3rd party audited and certified forests, and how we manage for multiple values when we plan a harvest in Canada – from species considerations to wetlands preservation to promoting watershed health and mitigating carbon.

NAFTA and Forest Products

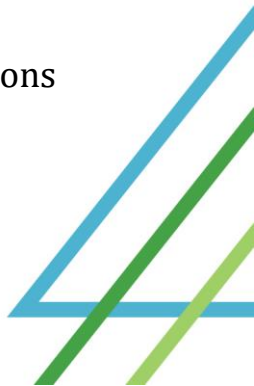
- Since NAFTA's entry into force in 1994, Canadian forest products exports to NAFTA counterparts have grown 7% overall, with over \$24 billion dollars going to the United States, and \$202 million to Mexico in 2016.
- The United States by itself represents 70% of Canada's forest products exports.
- Canada imported over \$8 billion dollars of forest products from NAFTA nations in 2016, growing 119% between 1993 and 2016.
- FPAC works with foreign and domestic partners to support government efforts to expand or open up foreign markets, including the modernization of the NAFTA and appreciates the Government of Canada's ongoing pro-free trade advocacy campaign across the U.S. and Mexico
- There continues to be significant market opportunities for forest products with our NAFTA counterparts, including undefined emerging opportunities for innovative new products such as cross-laminated timber, nano-crystalline cellulose, cellulose filaments, bio-fuels, pellets for electrical generation, and other bio-based products.
- The economic importance of the already existing forest products trade with the United States and Mexico, along with the opportunities to grow and diversify this trade, including new market segments, make the renegotiation and modernization of NAFTA, a critically important issue to FPAC members.
- An updated agreement can provide Canada with new advantages and support to grow the industry that supports over 600 forest-dependent communities from coast to coast, while strengthening protection against



future possible trade conflicts with a robust dispute resolution mechanism.

Primary Interests for Forest Products in NAFTA

- FPAC believes that one of the primary global objectives of a modern NAFTA should be to further enhance and secure fair trade between the partner countries.
- FPACs objectives for the renegotiation of NAFTA are the following:
 - Improvements to labour mobility policies (movement of talent across borders) to allow company professionals to cross into and out of the U.S. and Mexico more easily.
 - The freer movement of people across the border will be beneficial for Canadian companies that have trouble filling skilled employees positions.
 - Create a new chapter on regulatory coherence
 - More common regulatory standards and mutual recognition will allow cross-border trade to speed up and increase.
 - Using the improvements achieved in the Trans-Pacific Partnership (TPP) negotiations like the TPP chapters on "regulatory coherence" as well as "transparency and anti-corruption" will help enhance NAFTA.
 - Include free trade in clean tech, such as low-carbon expertise.
 - Ensure that sanitary and phytosanitary measures are science based.
 - Ensure stronger intellectual property rights.
 - Include a robust dispute resolution process.
 - The inclusion of a robust dispute resolution process ensures the protection of all industries, in all three countries, helping ensure they have an effective method to debate the application of antidumping and countervailing duties.
 - On September 14th, Ambassador Lighthizer, Secretaries Ross and Perdue and Director Cohn of the United States received a letter from 35 American Agriculture Associations



outlining the importance of preserving and improving Chapter 19.

- Safeguards – Any work on safeguards should ensure they cannot be used to unfairly discriminate against Canadian products
- Rules of origin
 - Ensure that rules of origin are beneficial for all three countries, specifically relating to machinery.
- Government procurement
 - All three countries should have equal access to government procurement.
- Advancing all these interests, will enable us to keep growing Canada’s foreign markets for wood, pulp, paper and other forest products, including efforts moving up the value chain.

The North American Block

- To continue increasing North American block strength, it is important that Canada’s national objectives are positive and not disruptive to the supply chain. These should include:
 - Transportation between the three nations must flow more efficiently in order to ensure better access to goods.
 - This includes improving Canada’s transportation system to reduce bottlenecks at border crossing and ports.
 - Disruptive trade remedies
 - Trade remedies are an important part of any trade relationship between countries, but they must be fair and based on accurate data.
 - Implementation of GHG regulations
 - FPAC leads the greenest workforce in Canada, and works jointly with governments on environment and climate change priorities such as our *30 by 30 Climate Challenge* to reduce greenhouse gas emissions by 30 megatonnes of CO₂



a year by 2030 – more than 13% of the Canadian government’s emissions reduction target.

- Strengthening the North American supply chain is beneficial for all Canadians and for the Canadian economy.

