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CANADA

## **Standing Committee on International Trade**

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**EVIDENCE**

**Thursday, May 18, 2017**

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**Chair**

**The Honourable Mark Eyking**



## Standing Committee on International Trade

Thursday, May 18, 2017

• (1525)

[English]

**The Chair (Hon. Mark Eyking (Sydney—Victoria, Lib.)):** Good afternoon, everyone.

What a wonderful sunny warm day it is here in Ottawa. It's something we've been looking for for a long time. We've had snow and rain for the last six months here, so it's good to see things warming up and drying up.

**Hon. Gerry Ritz (Battlefords—Lloydminster, CPC):** [Inaudible—Editor] and wonderful things happen.

**The Chair:** It's what happens when you have climate change, Mr. Ritz.

**Hon. Gerry Ritz:** Say that with a straight face.

**The Chair:** Anyway, we are honoured to have some people through video conference from Mexico.

Welcome, folks. My son-in-law is from Querétaro, so I go to Mexico.

**Mr. Agustín Barrios Gómez (Co-Chair, Working Group on the Future of North America, Mexican Council on Foreign Relations):** That's a beautiful city.

**The Chair:** I go there many times.

Folks, as you know, we are doing our study. Our committee is a very busy committee. We finished a European trade agreement. We've also done a major study on TPP, which of course Mexico was involved with, and right now our study is very focused on our future trade with Mexico and the United States. Of course, this is on the minds of many right now. Not only our three countries but the rest of the world is watching us.

Our committee has already done some extensive travel in western United States. Many Canadian stakeholders, who do a lot of business with United States and Mexico, have come in front of us.

Today we're very appreciative that we have some people from Mexico to speak to us. Sometimes video conferencing can be inconsistent, so I think we're going to start right off the bat with our folks from Mexico so we can get their comments in.

Gentlemen, we usually have around five minutes—it would be appreciated—and then we will go to dialogue with the MPs.

Without further ado, we're going to start off and we're going to go right to Mexico. From Mexico we have Mr. Ortega from the Canadian Chamber of Commerce.

Welcome, sir. You have the floor. Go ahead.

**Mr. Armando Ortega (President, Canadian Chamber of Commerce in Mexico):** That's very kind, sir. We are very honoured to be able to talk to you and to state the position of the Canadian Chamber of Commerce in Mexico. Our membership comprises around 300 Canadian companies that have ventured to invest in this country, that trade actively, and that are very much concerned and interested in ensuring that NAFTA is defended.

As stated in an open letter to President Peña on January 17 of this year, sir, the chamber considers NAFTA to be the main international trading asset of the three countries, and certainly of Canada and Mexico, in our view. I have here this open letter that was published in one of the main national newspapers. We also said that, after so many years of being in full force, the agreement certainly is fit to be modernized, and we consider TPP a very good reference for that exercise. It's an exercise that has already been done, which Canada and Mexico were a part of.

We also said that modernization should always be directed toward increasing the competitiveness of the North American region, which is something that NAFTA achieved in the many years of being in force, so to ensure that we have an increasing value within all the trade chains and all the investment chains.

The last we thing we said is that Canada—and this is the message for Mexico—is a reliable partner. Our position is that this should be a trilateral negotiation since NAFTA is a trilateral deal. As happened during the negotiations many years ago—anecdotally, I was a negotiator in those days—Canada and Mexico, if they joined forces, could do a good job in ensuring that it gets modernized.

Finally, in reading the letter that was sent by the USTR representative Mr. Lighthizer to the Senate, we are happy to read that Mr. Lighthizer is explicitly mentioning the concept of modernizing NAFTA. We wholly subscribe to that objective. This modernization, I think, is on our agenda. In particular, it is on the agenda of the Mexican government. We very much support that approach. Again, we consider that the TPP will be the main reference.

Finally, whatever happened with that negotiation, this is also a position we have stated publicly and in other forums to our representatives in Canada and Mexico. We consider that Mexico and Canada should reinforce their bilateral relationship within NAFTA, under the aegis of NAFTA, or elsewhere. There are many avenues to achieve that.

Whatever happens to NAFTA and that negotiation, certainly they should push for a successful TPP negotiation if the 11 countries left are able to launch it without one of the members that quit. The position of the chamber is that such an option should be explored, and I think it would be worth it.

That is what I have to say, sir.

• (1530)

**The Chair:** Thank you very much.

We're going to move to the representative of the Mexican Council on Foreign Relations, Mr. Gómez.

Go ahead, sir; you have the floor.

**Mr. Agustín Barrios Gómez:** I want to thank you, and to thank the committee.

It's a pleasure and an honour to be a part of these hearings, and it's certainly extremely timely. I know you didn't plan it like that, but of course today is the official notification on behalf of the USTR vis-à-vis Congress and the negotiations that are happening.

If you'll allow me, I'm going to go back a bit. I don't think it's highlighted enough that the only reason we're living through this period of bewildered uncertainty is that our collective generation in North America was tested in the run-up to the American elections and we were found lacking.

In the case of Mexico it is perhaps more patently obvious. The current President of the United States based his campaign on ignorance and xenophobia vis-à-vis Mexico and Mexicans. As you know, he led the Republican field only after calling Mexicans rapists and he consolidated his base around the rallying cry, "build the wall". Then he became a serious candidate in the eyes of many when the Canadian, American, and Mexican private sectors, as well as the Democratic candidate herself, responded with a deafening silence to his attacks on NAFTA. Suddenly he was perceived as being right on a very important policy issue and the die was cast. Now we are suffering the consequences of our negligence, to be perfectly frank.

Whenever I speak to a Canadian audience—and I think this is very important—there are a few things that need to be highlighted because our relationship with the United States is not as well known in Canada as it might be.

The first is that Mexico and the United States are the two most integrated, large countries in the world. We have the most legally crossed border in the world, with 350 million border crossings through 330 entry points. Mexico has the equivalent of the population of Canada in the United States, with 36.9 million Mexicans and Mexican Americans. Of those, 80% are either U.S. citizens or legal residents; that is, the Mexican experience is not an undocumented experience.

At the same time, Mexico is by far the most important destination for the U.S. diaspora. At any given time there are between one million and three million Americans in Mexico, which is between four and 12 times more than in Canada.

Official Washington is very well aware of the staggering depth of our relationship, which is the reason that Mexico City is the only place, outside of Washington, D.C., where every U.S. government agency is represented. It's the reason the new U.S. embassy here in Mexico City is a billion-dollar project, or at least it was because as is so often the case with this administration, nobody really knows what's going on anymore.

At the same time, Mexico maintains the largest consular presence of any country anywhere in the United States.

I'll try to give a focus to this. Basically, when I had the opportunity to introduce the Governor of Texas here in Mexico City, he talked about our being neighbours, which led to my very politely correcting him. We're not really neighbours; we're roommates. The bottom line is that just as with respect to Canada, American prosperity and national security directly depend on a co-operative and stable Mexico.

What is the Mexican perspective on what's going on in North America in general? There is certainly an element of anger at the insults, as well as significant bemusement at the lies, but mainly we don't have a clue as to what's going to happen with American policy, with one day NAFTA being on the verge of cancellation, another day NAFTA being saved because the U.S. President apparently likes his Canadian and Mexican counterparts. I don't know how viable that is in the medium and long term as a reason to stay in NAFTA, the fact that he gets along with Prime Minister Trudeau and President Peña Nieto.

Then we hear that the U.S. will seek separate arrangements with Mexico and Canada, which, if you actually know anything about our position, is a non-starter, at least with Mexico, and I think it is the same with Canada at this point. I know it didn't start like that, but that's at least our feeling. and we'd be very interested to find out your views on that.

But if the White House chief strategist Steve Bannon's whiteboard is to be believed, the U.S. will do its best to quarantine the rest of the world from his city on a hill, sunseting American visa laws and all of that.

• (1535)

Canadians are being told by the president of Goldman Sachs to relax because the President of the United States apparently likes them, and I guess the corollary being that Mexicans should be sweating because he doesn't like us. I mean, we don't know how to interpret those things.

In his interview with *The Economist*, the President said that the problem with NAFTA is our VAT, our value-added tax or EVA—which at least is something the Mexican consumer can get behind—although I don't think he really knew very much what he was talking about. The truth is that nobody knows.

We're having to deal with the United States, which sounds more like a volatile developing country than the world's largest and most sophisticated market, sort of Venezuelaization of the United States, but at the same time nothing happens, right? Until today, of course. The peso drops. The peso has dropped significantly. We are about 20% below where we should be because of these tweets and these lies, and because of everything that's been said. Then, of course, American exporters are hurt, and everybody is worse off in a climate of insecurity and fear.

This brings me to Canada. Our perception of Canada is that after the unfortunate episode of Ambassador MacNaughton's comments in Washington that fed the whole throwing Mexico under a bus narrative, Canada has come to realize what was obvious to us from the beginning. That is something I've had a chance to share on CBC's *Power & Politics*, and I know it caused a bit of an uproar. It was the fact that it was just a matter of time until Canada was going to be put in the crosshairs. It's the reality.

It would be foolish to think that it is in anyone's interest to negotiate individually with this administration. I'm well aware of the fact that the Canadian business community is very interested in flying under the radar, and I'm sure you're being pressured to be accommodating, but with respect to this, I don't think it's a good idea. I think it's about acting on principle.

That's what I would share with you in this first round.

• (1540)

**The Chair:** Thank you, sir, and thank you for your concise and frank description about where we're at right now.

Before I move on to our next witness, I'd just say that our committee is very focused on our relationship with Mexico. It's very important. We had conversations when we were doing the TPP.

To let both of you know, our committee is planning on going to Mexico. It's in the final stage. We're hoping to go down there this fall if everything works well, and if we do, we hope to meet you both there.

I will just let you know we're very close and we're still friends, and we want to work on the future.

**Mr. Agustín Barrios Gómez:** That's excellent news, sir.

Thank you.

**The Chair:** Thank you.

Mr. Dade, you're from the Canada West Foundation.

**Mr. Carlo Dade (Director, Centre for Trade and Investment Policy, Canada West Foundation):** Are you going to Colin next, or to me?

**The Chair:** I have a third one. I'm sorry about that.

Mr. Robertson, go ahead, sir. I didn't recognize you down at the bottom there. Sorry about that.

You're coming from Montreal.

**Mr. Colin Robertson (Vice-President and Fellow, Canadian Global Affairs Institute, As an Individual):** I am.

**The Chair:** Okay. Thank you.

Go ahead, sir.

**Mr. Colin Robertson:** Thank you, Mr. Chair.

My remarks will cover the upcoming trade negotiations, the Canada-Mexico relationship, and the need for middle powers like Canada and Mexico to stand up in support of the rules-based, liberal international system.

With regard to the North American accord, we need a new North American accord. NAFTA worked to the benefit of all three parties—Canada, U.S.A., and Mexico—but it is time to bring the NAFTA negotiated before the digital age and the arrival of e-commerce into the 21st century.

The trans-Pacific partnership would have largely accomplished this, but the Trump administration has withdrawn from this Obama administration initiative, so we need to adjust to the current circumstances. A new agreement would include and set the standards in emerging areas like e-commerce and the growing digital trade. We can also make improvements to integrate into the agreement standards on labour and the environment.

We need to address labour mobility, including the mutual recognition of accreditation. Then we can make maximum use of the talent pool that North America enjoys, but that we need to harness, to make us the most competitive region in the world. This means provision for trade adjustment so that those who are displaced by trade decisions or by efficiency improvements in automation, robotics, and artificial intelligence are guaranteed the opportunity to improve their skills or have training in another area. In doing so, we have the opportunity to create, just as NAFTA did in its time, the new model for trade agreements: a realistic but progressive trade agreement that gives a helping hand to those who are displaced or who lose out.

A trilateral trade negotiation leading to a new North American economic accord would respect the sovereignties of the three nations. It would be a very different model from that of the European Union with its centralized and heavy bureaucratic oversight. Rather, we would continue with the current approach of ad hoc working groups to ensure and evergreen the agreement to allow for continuous improvement in areas like transportation.

In the coming weeks, we'll hear a lot of noise and nonsense about Canada and Mexico out of Washington. We need to distinguish between what is real and what is theatre. To paraphrase the great Gretzky, we need to go "where the puck is going", and keep our eyes on the net and on the goals that we want and can score.

With regard to Canada-Mexico, NAFTA transformed the Canada-Mexico relationship from one of cordial distance based on a shared neighbour into that of family. Today, there is an annual, increasing flow of two million Canadians to Mexico, especially during the winter months. Canadian investment, mining, manufacturing, and banking have increased manyfold, while trade has more than tripled—even faster than with our traditional partners in Europe and Japan. Today, Mexico is our third-largest trading partner, but it's not reciprocal. Mexican investment in Canada never took. There is one notable exception: Grupo Bimbo's acquisition of Canada Bread in 2014. It now operates 17 bakeries and employs over 4,000 across Canada.

The imposition of the visa in 2009 affected more than half of Mexican travel to Canada, effectively chilling tourism, study, and investment. The lifting of the visa this past December and its replacement with the electronic travel authorization has resulted in a significant increase in Mexican travel to Canada. We are already reaping rewards and more tourists, but we should be doing more in terms of tourism promotion. We expect more students, especially given President Trump's comments about building a wall on the Mexican border. We should encourage recruitment visits here by middle and high schools, university and vocational schools, and provincial education ministers.

Beyond students, we could do a lot more in joint research projects in manufacturing and agri-food. In the longer term, ease of entry into Canada would also generate more investment, but we need to target Mexican investment that matches Canada. Most promising are the automotive and automotive parts sector and the energy and energy services sector.

Goldman Sachs estimates that by 2050, Mexico will overtake China in terms of per capita GDP. There is already a middle class of 40 million in Mexico. Mexico is our springboard into the potential of the Americas. We already have preferred observer status in the Pacific Alliance that includes Mexico, Peru, Colombia, and Chile. In the short-term, before the end of the year, Prime Minister Trudeau should lead a "Team Canada" mission with premiers, business leaders, and university presidents to Mexico to deepen Canada-Mexico relations and to underline our solidarity with Mexico in negotiating a new North American accord.

The picture of solidarity, Mr. Trudeau with President Peña Nieto in Mexico City, would be appreciated in Mexico. Its significance would also be recognized in the United States, and it would give encouragement to our many allies in the Congress, the states, the business community, and even within the Trump administration.

● (1545)

A vigorous partnership with Mexico is already working to our mutual benefit, but we still have to realize the full potential of the Canada-Mexico relationship.

In terms of worry about middle powers, we live in a world of disarray. The rules-based, liberal international system and supporting architecture that Canadians helped engineer in the period after the Second World War has kept the peace and created the conditions for extraordinary growth and prosperity. Today, it is under strain and in need of reform and rejuvenation, and the middle powers need to step up. China and Russia would like to see a return to spheres of

influence and a concert of great powers. This would not serve Canadian or Mexican interests.

The United States, which guaranteed this system and built it on its military might, wants more burden-sharing by like-minded states. This we must do, because the hard truth is that the U.S. carries and sustains the system under which Canadians and Mexicans have thrived. We need to stand up with like-minded middle powers such as Mexico and reaffirm our support and commitment to the rules-based, liberal international system. A new, progressive approach to sustainable trade and labour mobility in partnership with Mexico and other democratic middle powers is the place to begin the necessary reform and rejuvenation.

Thank you, Mr. Chair.

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

We're going to move now to the Canada West Foundation, with Mr. Dade.

Thank you for joining us here today, sir.

You're the wrap-up guy. Go ahead.

[*Translation*]

**Mr. Carlo Dade:** Thank you very much, Mr. Chair. It is a great honour to speak after Mr. Colin Robertson and Mr. Augustin Barrios, who I have known for a long time, as well as Mr. Armando Ortega, who I have not met before.

First of all, I would like to thank the committee for inviting me to present a few points of view relating to Canada West and to the prospect of long-term work with North America.

[*English*]

I would also like to introduce Canada West by bringing greetings from our CEO, your former colleague, who I think has worked with many of you here before, Martha Hall Findlay.

You'll notice that my presentation is much different than in the past. It is more formal. She gave me strict instructions to clean up my act when I came back to Parliament, so given that we have a new CEO, you'll see a change with Canada West.

I had the committee to myself this morning with foreign affairs. I'll cut my much more detailed testimony to something a bit more brief, in light of the news that we just received from Washington this afternoon.

With the informing of Congress by the administration of a written submission on goals by the administration for the negotiation of NAFTA, we have entered what could be called the TPA phase of negotiations. We are leaving the phase or the period of the sole formation of U.S. trade policy being done by tweet at 2 a.m by Donald Trump.

We are now in an era when Congress is exercising control over U. S. trade policy. This does not mean that Trump's influence on the administration will be completely negated, but it does mean that we now have balance. Article I, section 8, clause 3 of the Constitution of the United States, the commerce clause, states that Congress has responsibility for the regulation of trade between the United States and foreign states, among the states, and with the Indian nations.

It is clear that trade is a congressional area of responsibility. The negotiation of agreements is certainly the responsibility of the administration, but the rules on trade, the laws on trade, the rules and laws on tariffs, and anything the administration negotiates has to be approved by Congress. We are now entering an era when Congress will start exercising control. I would not refer to 20 years of U.S. history in trade negotiations but to a month and a half to two months ago.

On March 21, Secretary Ross and acting U.S. trade representative Vaughn went to the Senate finance committee to talk about their plans for trade and for renegotiating NAFTA. Secretary Ross, according to *Politico* and other sources in Washington, attempted to slip in a notification that they would like to begin renegotiating NAFTA.

The response from Ron Wyden, the ranking Democrat, and the rest of the committee, was practically to laugh him out of the room. This is not proper notification.

You have to give a written submission of how the negotiating positions of the administration align with the priorities established by the TPA legislation. The administration then has to listen to input from Congress, and not just respond but incorporate changes from Congress, the Senate, and the Committee on Ways and Means, into what the administration is proposing. It then has to demonstrate how they'll be going forward. That was not done.

The next attempt by the administration was to suggest that Vaughn, the acting USTR, could do this. Again, it was set back, with half of the committee saying, "No, it has to be a USTR." The recent evidence, the facts and evidence before us by means of Congress strengthening its role suggest that it has never ceded its authority to the administration for trade policy; it has delegated. We're seeing a Congress that in evidence is exercising more influence.

I think we really have to take heed of the role that Congress is playing and will likely continue to play if recent evidence, not of the past 20 years but of the past couple of months, and even the questions they put forward today to the new USTR are any indication.

There are strict calls in the TPA legislation for updating Congress and for Congress to have access to the negotiating documents from the United States and its counterparts in the negotiations. There is every indication that Congress is going to hold the administration to this.

●(1550)

We are arriving at a period of balance. Having to wake up at two o'clock in the morning and worry about what Trump tweeted is going to be a little less important in light of the role that I expect Congress to play.

What does this mean for us and for Canada? There are a couple of things here. One is finance, ways and means. These are the areas of focus for us in Washington. If you are going to Washington, I would humbly suggest that's whom you need to spend time with. Focus laser-like on the members of the committee. Get to know them, and be able to work with them on the negotiations. Work with our Mexican counterparts in doing the same thing, targeting members of the committee. I'm quite sure that Lloyd Doggett, from Texas, would be amenable to talking to the Mexicans, given the importance of trade with Mexico for his district.

There are not just strategies for the Department of Foreign Affairs and International Trade—sorry, I still refer to them that way—but a role for Parliament to play in this, too.

Second, the other opportunity for us is getting to people to whom congressmen listen. When there is a crisis in Washington or when there are issues concerning NAFTA, U.S. congressmen may or may not answer a call from the Canadian ambassador, but they sure as hell are going to answer a call from the Speaker of the state house back home, the governor back home, or the president of the local chamber of commerce. With those ties, we have a unique ability to interact with and influence those people in ongoing relations at the subnational level.

Our premiers and Speakers of provincial legislatures in Canada are in Washington. We are a member of the U.S. Council of State Governments. We are a member of PNWER. We are a member of the Council of the Great Lakes Region. We are a member of the New England governors association. We need to pursue these, and it's something we haven't done in the past.

Part of the problem is... It's an open secret that the Clerk of the Privy Council has told the premiers that the provinces need to do more in terms of reaching out to the states to exercise their influence. We are asking the premiers and the provinces to do more, but you've seen the Saskatchewan budget. You've seen the budget in Manitoba, in Alberta, even in B.C. We are asking the provinces to do more at a time when we need them to do more but they have less. We've been working with Western Economic Diversification, trying to get them to create a fund to co-finance subnational engagement activities with the provinces to double what we are doing in the states and take advantage of this unique window to exercise influence.

Finally, the other point I can make is that North America is not NAFTA. We often conflate NAFTA with North American integration. Even in testimony here and in foreign affairs people talk about the regulatory co-operation council and they confuse that with being part of NAFTA. We've had continued success on integration with the RCC, with our trusted travellers programs. At a time when we're talking about ripping up NAFTA, there is work under way to combine the Canada-U.S. regulatory co-operation council and the U.S.-Mexico high-level regulatory co-operation council. At a time when we are talking about building walls in North America, we are still working to link our two separate trusted travellers programs into one North American trusted travellers program.

No, these do not offset the potential of a redone NAFTA, or of NAFTA being ripped up, but it is important to note that there are other avenues to advance our economic interests in terms of integration in North America: strengthening the regulatory co-operation council or, as we did in a presentation to the U.S. parliamentary working group, looking at things like creating a North American infrastructure bank. It's the type of small-scale, focused initiative that would help the Americans solve a problem they have with border infrastructure and that could really benefit Canada and give us a leg up on dealing with the Americans.

I'll close with those notes. There are things we can do. Today is an important day, and we need to be prepared for an era of more balance. We can finally sleep through the night and not worry as much about that 2 a.m. tweet coming from Donald Trump.

• (1555)

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

You're right. The timing couldn't have been better for today, for the witnesses to come and give us a little wind in our sails to forge on and bridge our relationships.

We are now going to move on to a dialogue with the MPs. We have the Conservatives up first, for five minutes.

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

**Mr. Randy Hoback (Prince Albert, CPC):** Thank you, Chair.

Carlo and the other colleagues, thank you for this. I've been working on this in the background, just as you have, and you've just confirmed the data I've seen when looking at timelines and how realistic it is that we could have things done at an appropriate time based on the elections coming up in Mexico and the mid-terms in the U.S. That actually throws a lot of reality into what can happen in the next short term and/or medium and long term, so good job on that.

I want to talk with my friend from Mexico, Agustín. We've actually met before, when I was in Mexico. We were in a session together, if you remember. We were talking about how Canada and Mexico need to move forward with our trade agendas and how, if the U.S. wasn't going to participate, we'd do it ourselves.

**Mr. Agustín Barrios Gómez:** Absolutely.

**Mr. Randy Hoback:** That's something I want to ask you about. You're looking at agricultural products. You were talking about corn in Mexico and how you source a lot of that out of the U.S., and you're looking at alternative markets. We have great barley up here

in Canada that I think you'd really enjoy, plus corn, too, so I just put that out there.

In the Mexican political spectrum, how do you see these negotiations unfolding and how do they work into your timelines in relationship to the fact that you have an election coming up in the fall? With primaries in the fall, and I think you have a mid-term this June in Mexico City, how is this all going to play out?

• (1600)

**Mr. Agustín Barrios Gómez:** It's in Mexico State, which is actually the largest state in Mexico. Mexico State has 16 million inhabitants, so it's a very important election. It's also a bellwether election. It's a state that the PRI has never lost.

To be frank, it plays horribly. Perhaps the great advantage we have right now—and by “we” I mean those people who are liberals, but liberal in a classic, British sense of the word, people who believe in economic liberty, people who believe in basic liberalism, in the rule of law and in democracy, those of us who have been fighting for that—is that we are now at a point where there is a consensus in Mexico that free trade, and particularly North American free trade, is a good to be defended. That is giving us more leeway than we would normally have.

I'm not quite sure how much longer it's going to last. As you know, these vacuums of power fill very quickly. If you start seeing these spaces where interest groups, particularly in agriculture but also in manufacturing, start smelling blood in the water, they are going to want to get their protection. We started seeing that with respect to a group of people from the countryside. They took to the streets here in Mexico in one of the protests, and they started asking to be included in the NAFTA renegotiation.

With this I'll close. Right now what we are looking at in terms of agriculture is that Mexico has realized that the white voters in Iowa are taken much more seriously than the brown voters in Texas or California. Given that reality, we have realized that it is very important to signal to the United States that those jobs would be in peril, that we would look for sourcing. We don't want to do it. We love the fact of being part of the North American supply chain. We love sourcing our products from North America. We believe very profoundly in the region as a whole and we want to protect it as a region. We want to make it more competitive, but these are things on which we cannot just idly stand by.

**Mr. Randy Hoback:** When we look at NAFTA, of course, security was part of the reason for the original creation of the U.S.-Mexico trade deal, which Canada came into to create NAFTA. How do you see security playing out and the role of these negotiations in regard to the fact that Mexico is the wall for North America? You handle a lot of bad people in Mexico who, because you take care of them, don't end up in Canada. Where does that fit into these negotiations?

**Mr. Agustín Barrios Gómez:** Security is certainly a linchpin. It's a very difficult issue. Of course, you have American guns being used for organized crime here in Mexico. The money that is being used to corrupt our local police officers is also coming from this narco traffic. What ends up happening is that narco traffic, with its very powerful economic strength, comes into these localities, into these municipalities. We have municipal police forces. They come in and they corrupt the entire system. Once that's done, the proposal is, "Lead or silver?" In other words, "I can either kill you and your family, or I can make you rich; it's important for me to make you rich because I need to make you an accomplice to me."

I think we spend too much time thinking about corruption as if it were just a question of people actually taking bribes. The "lead" part of the equation—that is, the part of the equation that says that I will riddle you with bullets—is often far more dangerous for the rule of law. That's what's going on, and basically it's being financed by drug money. Once they establish those outlets, they franchise. They franchise into kidnapping. They franchise into extortion and all of that racket. That's something we need to look at very clearly.

With respect to continental security, all our visa laws—

**The Chair:** Sorry, sir. Maybe somebody else will pick up on that point. We have to keep to our time frame.

• (1605)

**Mr. Agustín Barrios Gómez:** Oh, I'm sorry.

**The Chair:** No, it's not your fault. Sometimes these questions lead into a long answer.

**Mr. Randy Hoback:** It's pretty tough. He only gives you five minutes—

**The Chair:** And you are over six, so we're going to have to move over to Mr. Fonseca.

You have the floor. Go ahead, sir, for five minutes.

**Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.):** Thank you, Mr. Chair.

Thank you to the witnesses.

I'm glad that in all your presentations you focused pretty much on the positives of NAFTA. Maybe for too long we have taken NAFTA for granted. Maybe, as Canadians, we are quite humble and we don't like to trumpet—excuse the pun—about all of the great things that have happened with NAFTA in terms of the jobs that have been created and the quality of life we have been able to provide to our peoples.

Within those positive aspects, etc., we've created a robust strategy. We've been stateside speaking to politicians, corporates, different associations, stakeholders, and organizations, and deployed an all-of-government, all-parties approach to be able to share our message. It's really one around education and awareness.

I'd like to know what the Mexican strategy has been. Has it been similar? Has there been a different type of strategy? How have you engaged with those influencers and decision-makers in the U.S.?

**Mr. Agustín Barrios Gómez:** Is that to me or Armando?

**Mr. Peter Fonseca:** I can start with Mr. Gómez, and then we could go to Mr. Ortega.

**Mr. Agustín Barrios Gómez:** The quick answer is that we have engaged very poorly. There are millions of relationships that are going on, and they are very localized. Our border cities, our sister cities, unfortunately, have the tendency to look up and down. We call it the silo mentality. They look north and south, but they don't look east and west. What that's created is that the narrative of our trade and our border situation has been hijacked by those who would use it for their own political purposes. So the short answer is that we really have been remiss with respect to dealing with all of the stakeholders, and that is something we need to do.

Actually, I would beckon our Canadian counterparts. I know Canada does a little more. I've been there in Colorado when the Canadian consulate general does these events, inviting all of these local politicians, and I think that's excellent. However, I think Canada and Mexico would be much better served to identify those stakeholders and do a coordinated strategy. We need to take this to heart, and I would invite your learnings and our learnings to get together to do this better.

**Mr. Peter Fonseca:** Mr. Ortega.

**Mr. Armando Ortega:** I think we have the reference of what Mexico did when we launched the original NAFTA negotiation. The effort that was crafted by Mexico, especially within the United States and somehow also in Canada, but particularly vigorously in the United States, was outstanding.

Then I do share the same view as Agustín Barrios Gómez. We took NAFTA for granted and we fell into our comfort zone. Of course, businessmen have been very active creating all sorts of connections and value chains. However, if I understand your question correctly, it was the narrative that we lost. In a certain sense, we didn't think it was important to convince anybody about the virtues and good benefits of NAFTA.

This is something we have to do again. This is the right time. We could have done it before. We could probably have changed—or not—the narrative in the political spectrum last year during the electoral process in the U.S. However, this is the right time to do it.

Also, just quickly, regarding the question on agriculture, once we heard in Mexico about all the attacks against NAFTA, the Mexican government moved quickly to knock on the doors of Canadian producers in agriculture, and other producers. Theoretically you can say there is the possibility of export substitution, but certainly import substitution, and in particular the agricultural sector, is a very good candidate to shift from the normal U.S. chain to either the Canadian or Brazilian or Argentinian....

The ministry of agriculture has worked very closed with the agriculture ministry in Canada and with the producers in Canada. This will happen slowly, and I would say that Americans will at least lose a bit of that market share of the Mexican market.

• (1610)

**The Chair:** We're going to move over to the NDP now.

Ms. Ramsey, go ahead.

**Ms. Tracey Ramsey (Essex, NDP):** Thanks so much, everyone, for being here today. You've given us a lot to think about on a very important day, receiving that news this afternoon.

Mr. Gómez, you spoke about the ignorance and xenophobia that came out of the U.S. First of all, Canadians don't support that. I think it's widely known that we look to our relationship with the Mexican people as being one of a shared understanding of culture and an appreciation of it. Of course, we don't stand by anything that's coming out of the White House about that.

You brought up an important thing around human rights, an important piece that I believe needs to be part of every trade agreement. I think in the renegotiation of NAFTA we have an opportunity to strengthen human rights, and Canada can play a key role in that. I'm wondering if you can speak to us on the importance of Canada playing that role to bring peace to Mexico and to extend our human rights into the other countries.

**Mr. Agustín Barrios Gómez:** Thank you, Ms. Ramsey, first of all, for sharing a vision. I grew up partly in Canada, and these are values that I certainly learned in Canada when I was a little boy. I appreciate hearing that as often as I can.

With respect to human rights, it is a huge issue. Certainly, there are very important lessons to be learned from Canada. Canada has played a role on a global scale. I think Canada has some excellent lessons that can be shared. In my particular case, when I was working with the Secretary of Public Security in Mexico City, I used the example of community policing by the RCMP. The RCMP had—at least had back then, and I'm sure it's even better now—a fantastic model for community policing, and that is something specific that we can use. Here in Mexico City, we wanted to use it as an example for a pilot project that eventually did not receive the necessary funding from our legislature. I think that the lessons are there, and I think that's something that Canada can certainly play a huge role in, especially in community policing as practised by the RCMP.

**Ms. Tracey Ramsey:** Thank you.

There have been a lot of conversations in Canada around the fact that Mexico and Canada together have been a counterbalance against the U.S. An example of that in a dispute settlement could be the COOL legislation, the country of origin labelling. I wonder if you can speak a bit to the extent to which that engagement between Canada and Mexico has helped the two countries to settle a dispute like COOL.

**Mr. Agustín Barrios Gómez:** I would start by saying that Canada and Mexico, especially right now, are the adults in the room. I don't see it so much as a counterbalance, inasmuch as we are defending something that is very profoundly an American value. In many ways right now, it is in our hands to pick up that mantle of leadership while there is none on our neighbour's side. With respect to our co-operation, this comes back to the fact that we need to understand that this is a trilateral agreement, and that's how we need to see it. We can only be strong by working together against the protectionist and xenophobic forces being displayed in the U.S. executive.

With respect to the COOL legislation, it would also behoove us to review and to make sure that our position with respect to the rules of dispute settlement are rock-solid. It was brought up in the letter;

Robert Lighthizer does mention that. The letter is about a page and a half long. It's not as if we really have a strong idea about what's going on, but it is mentioned and it is something that Canada and Mexico need to stand together on.

**Ms. Tracey Ramsey:** Clearly, the U.S. is laying out their priorities in a NAFTA renegotiation. In Canada, we've taken an approach of waiting to see what they're going to come up with towards us. In Mexico, I know you've been doing a lot of work. I wonder if you can speak about what the main Mexican priorities are in connection with your relationship with Canada.

**Mr. Agustín Barrios Gómez:** Funnily enough, our main priorities are very much in line with that page and a half that USTR Lighthizer mentioned. We see an opportunity to modernize the trade agreement. We are interested in the phytosanitary measures, and there are amazing opportunities in customs procedures, digital trade, and property rights. We are interested in all the different things we were working on in TPP.

Everybody who knows anything about trade knows it was going to be a second-generation, improved NAFTA, and we'd like to pick up on that. I would venture to say that, curiously enough, these priorities—at least in this chapter of the ongoing saga in Washington—are shared among the three countries.

• (1615)

**The Chair:** Thank you, sir.

We're going to move over to Ms. Ludwig.

You have the floor.

**Ms. Karen Ludwig (New Brunswick Southwest, Lib.):** Thank you.

*Buenas tardes. Mucho gusto.*

I'm going to start with Señor Ortega.

You mentioned 300 Canadian companies that are involved with the Chamber of Commerce. Have you reached out at all to the companies within your chambers and asked them for their reactions or their concerns regarding any disruption in NAFTA? I'll put this in a bit of a larger context. We've looked significantly at how any disruption in NAFTA would mean job losses on all the different borders. There is a common perception in the United States that ripping up NAFTA would actually mean job increases. What is the feeling among the companies you're representing in the Chamber of Commerce in Mexico?

**Mr. Armando Ortega:** Many thanks.

Before crafting the open letter that we sent to President Peña Nieto on January 17 of this year, we had internal consultations with our members. I would not say they were with all 300 members, but I would say they were with representatives of all the sectors that are part of the chamber. We have manufacturing, mining, pharmaceutical services, etc.

The position is that this is a very valuable asset. Once you have a free trade agreement, you have not only access but certainty in the access. We heard months ago, or even weeks ago, from other members of the U.S. government that their concern would be to dismantle the dispute settlement system of NAFTA, which as you know comprises chapter 11 on the investment side, chapter 19, which is dumping and countervailing, and chapter 20, which is a general one. There is a concern among some of the members, particularly the Canadians who are investing in Mexico, that this could be eroded in any manner. Certainly any impact related to NAFTA would translate, as you rightly put it, into job losses and an environment that is uncertain.

The other position is that if you go to NAFTA article 2205, you have a hypothetical case in which one of the members—in this case, the U.S.—would be leaving NAFTA. It is spelled out clearly there that Canada and Mexico would continue to be there. The bottom line is to keep NAFTA going on if we reach that scenario, which I would say is improbable.

The other position of the main members of the chamber is that with or without NAFTA, two things should be done. We should exploit, on a bilateral basis, all the potential of our relationship. For example, in terms of connectivity—

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

I just want to go into another line of questioning. I'll pose this question to Mr. Dade.

If we look at trade deficits to the United States, we often hear from the U.S. side that NAFTA is absolutely disastrous, but when we look at the trade deficit, the trade deficit the U.S. has with Canada is \$11.2 billion; with Mexico, it's \$63 billion; and with China, it's \$319 billion. Any change here to NAFTA may actually create more opportunities for a trade deficit with China, so how do we separate the impact of NAFTA on, for example, helping our American friends with American jobs, versus the impact of China and globalization over the last 25 years?

**Mr. Carlo Dade:** I have two quick points on that.

The National Bureau of Economic Research in the U.S. has shown the full extent of trade integration—and my colleagues can join me in this, because we all say this all the time. Every dollar of goods or services that the U.S. imports from Canada contains 25¢ of U.S. content. Every dollar that the U.S. imports from Mexico contains 40¢ of U.S. content. Number three on the list is Malaysia at 8¢. You have to go all the way down to 4¢ to hit China, and 1¢ or 2¢ to hit Russia. When the U.S. imports something from Canada or Mexico, it's directly related to U.S. jobs. We talk about this all the time.

On the deficits, we're doing well because the price of oil is down. If the price of oil were back up, the U.S. deficit would be a lot higher. When the Americans talk about deficits, they talk about deficits only in trade in goods. They don't talk about trade in services. We're running a deficit in trade in services with the Americans, and we and the Mexicans need to remind them that with all those jobs they like to talk about—the new jobs, the white-collar jobs, the knowledge jobs—they're doing well in this relationship. Let's not forget that.

Investment is another area in which the U.S. does quite well. Look at the investment in Phoenix. There are tens of billions of dollars from Canada in Phoenix. I was there just a couple of weeks ago, and I was floored at the amount of Canadian money that's going down there. We need to round out the conversation and include those things.

• (1620)

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

**The Chair:** Thank you, sir.

I remind MPs to watch your questions at the end of your time because we want to get everybody in today. We're doing pretty well. We've finished the first round and we're going to go to the second round. We're going to start off with the Liberals. We have Madam Lapointe.

Go ahead; you have the floor.

[*Translation*]

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

Thanks to the witnesses for being here. It is very much appreciated. This is an important day, which makes your presence here especially welcome.

Mr. Robertson, you talked earlier about Mexican visas. They were cancelled on December 1, 2016. Do you have any figures on how that cancellation has affected tourism from Mexico, the flow of travellers, and on the impact on Mexican students in Canada?

[*English*]

**Mr. Colin Robertson:** The initial Mexican tourism statistics indicate that travel to Canada is up about 60% to 80% from what it was. It's still not exactly where it was before the visa was imposed, but there is a significant number of people now coming to Canada as students and visitors. That's all encouraging, but I think we could do more to encourage that. I think the opportunity is there for the reasons outlined by the other speakers.

[*Translation*]

**Ms. Linda Lapointe:** In your opinion, is there something that can be done to stimulate tourism? Should efforts be made in Mexico to encourage people to visit Canada more often and have more economic dealings?

[*English*]

**Mr. Colin Robertson:** Yes, ma'am. I think that's exactly what we need to do. Canada's tourism agency, as well as the provincial governments, could be going down and pointing out that it's a wonderful time to visit Canada, as the chair pointed out when he made his introductory remarks. We know Mexicans do like to travel, and now that the visa is lifted, we should point out that you can ski in the winter and how pretty it is in the summer. Tourism will encourage people to say, "What about taking my kids up here to go to school, either for a year of English or French studies or to go to university?"

I think there's huge potential. The fact that we take more students from places like Korea and Malaysia and not from Mexico is surprising. Now that we have Mr. Trump in the United States, that acts as a bit of a push factor for Mexicans to consider Canada.

[Translation]

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

Mr. Dade, I have some questions for you. We have talked about agreements. You have talked a lot about the TPP. You said that it should be used as a guide for the renegotiation of NAFTA. You did not mention CETA. Have you studied the agreement with the European Union? What lessons could be drawn from it that might be applied to the new NAFTA agreement?

**Mr. Carlo Dade:** There are some aspects of free trade in CETA that we can use in the NAFTA talks.

I have not studied it thoroughly. I mentioned the TPP and the renegotiation of NAFTA. It was U.S. policy to use the TPP to modernize NAFTA. So the links between the TPP and NAFTA are clearer. It is a bit more difficult with respect to CETA.

I have not heard any statement from the Canadian government as to whether we can use CETA for the renegotiation of NAFTA in the same way as the Americans used the TPP.

• (1625)

**Ms. Linda Lapointe:** On another matter, should we continue the TPP with 11 countries, since the U.S. has clearly indicated that they will not take part? Should we continue along that path?

[English]

**Mr. Carlo Dade:** I'll do this one in English for everyone.

**Ms. Linda Lapointe:** That's okay. I understand.

**Mr. Carlo Dade:** This is going to require a much longer response. We've just carried out a modelling exercise on TPP 11, a TPP without the U.S.

Canada will do second best of all the 11 countries, after only Mexico. We will be in essence taking market share off the Americans in Asia, market share the Americans will be thrusting our way. Every country of the original 12 will do better, except for the U.S., which will suffer losses. If we want to get the Americans back to the multilateral negotiating table, if we want to get them back on the path to common sense, then I would argue that this is the only means that we really have at our disposal to do it.

The Americans are shooting themselves in the foot by getting out of the TPP, and there is clear evidence. We've received calls from, as you would expect, Australia, New Zealand, and Japan for the modelling exercise. We've also received calls from Secretary Ross's office. We've also received calls from U.S. congressmen and congresswomen about the modelling exercise. This idea of the TPP 11 and the damage it could potentially do to the Americans is also starting to gain traction in Washington. It will help us in the NAFTA negotiations. It gives us something to counter the attempt by the Trump administration to completely rewrite the rules of the game on trade in ways that favour the Americans and disadvantage everyone else.

**The Chair:** Thank you, sir.

Now we'll go to the Conservatives.

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

**Hon. Gerry Ritz:** Thank you, Mr. Chair.

Carlo, thank you for that. We had that little discussion at the beginning of the meeting. I've been saying that exact thing for a year. Mike Froman, the former trade ambassador, has also said that TPP is NAFTA 2.0. If you want to tweak NAFTA, TPP is the vehicle to do it. So you're absolutely right that they didn't just shoot themselves in one foot. They shot both feet by pulling out.

That makes it even more important for Mexico and Canada to link arms, ratify TPP, and move ahead without the Americans. It gives us both some strength dealing with them on NAFTA, as we can point to other trade corridors—Japan especially, the crown jewel. Is Mexico looking at that seriously? At the APEC meetings coming up in Vietnam, we've been pushing the new Liberal government here in Canada to actually ratify TPP. There's nothing in there that should slow us down. Carlo just made my point on that as well.

To the gentleman from Mexico, are you seriously looking at doing that? You have elections coming up next fall. You won't have NAFTA settled by then, but you could certainly have TPP ratified by then.

**Mr. Armando Ortega:** Yes, absolutely. The formal position of the Mexican government, restated just a couple of weeks ago, is that they will go to that important meeting in Asia pushing for a TPP 11.

**Hon. Gerry Ritz:** Good.

**Mr. Armando Ortega:** I think it's in the best interests of the country, very much so. But the Mexican government has also stated that if, for whatever reason, TPP 11 is not feasible—you will recall that originally Japan was reluctant—then we should explore with Canada other avenues, such as the Alianza del Pacífico. That is a formal position, and one that I agree would help our interests.

**Hon. Gerry Ritz:** But even with a TPP four or five, Japan has ratified already. New Zealand has ratified. Australia is working on it and they're very close. With Mexico and Canada added in, you have the main players involved. Whether it's TPP 11 or TPP six, it's still in the best interests of Canada and Mexico to buffer the NAFTA talks with that agreement.

Mr. Gómez.

**Mr. Agustín Barrios Gómez:** Sorry. I'd put myself on mute so that Armando could reply.

**Hon. Gerry Ritz:** I do that during question period.

**An hon. member:** No, you don't.

**Voices:** Oh, oh!

**Mr. Agustín Barrios Gómez:** Basically, I've been dealing with our senate, which would be in charge of ratifying TPP. It is currently not a priority, even though I completely agree with you, sir. I think it is something that we should ratify immediately. I think we should take a leadership role.

I do know that we have the institutional capacity in our foreign relations ministry to pick up that gauntlet, and I hope we can do that.

•(1630)

**Hon. Gerry Ritz:** Ms. Ramsey touched earlier on country-of-origin labelling. I did a ton of work on that, where we identified like-minded people, and businesses especially, in the U.S. Mr. Ortega, you mentioned that you were doing that. We identified over the course of that, and now again with NAFTA, 35 states whose number one trading partner is Canada, and 13 more who are number two.

Has Mexico gone through that exercise as well?

**Mr. Agustín Barrios Gómez:** Yes, we have. In fact, for us 23 states in the U.S. are either number one or two. We have identified those stakeholders. Unfortunately, and I think this is true across the board, we have not done nearly enough. The efforts have been infinitesimal, in my view, in terms of actually coordinating those efforts.

These are areas where we could certainly work with Canadians. It's ridiculous that we haven't done so.

**Hon. Gerry Ritz:** I agree. There's no reason that we shouldn't correlate our list with your list and hit them with a double shot: here's what you gain from NAFTA because it's both Canada and Mexico together. Texas comes to mind and California comes to mind. They're both number one for us, and I'm sure they're right up on top of your list as well. We should compare that. If you have that list, please supply it.

**Mr. Agustín Barrios Gómez:** Yes, I mean, I keep telling our members of SRE, which is our foreign affairs, and also commerce that I want to see bumper stickers on F-150s saying, "This job is a NAFTA job".

**Hon. Gerry Ritz:** Yes. Coupled with that, we have the mid-terms coming up in the U.S. Again, all politics is local. If we could link arms and say, "Here's the amount of trade coming out of state X and here's what your congressmen and senators need to be talking about", and if we could drive that through to Washington from that level, I think it would be very important.

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

**Mr. Carlo Dade:** We have the list. It's not by state, but by metropolitan area in the U.S. It's Canada-U.S. We have to stop talking about the largest trade partner in terms of U.S. states, because I think that's actually fairly meaningless. The largest trade partner means 1% of a state's GDP, but when you get down to the metropolitan area, that's where it means something.

**Hon. Gerry Ritz:** Sure.

**Mr. Carlo Dade:** We have the list with Canada, Mexico, and who's the largest for New York, for Cincinnati, for New Orleans, etc.

**The Chair:** Thank you, sir. Those are very good comments. When our committee was in Colorado we met with the mayor of Denver, who is very knowledgeable about the importance of trade between our countries. All levels are important.

We're going to move to the Liberals now.

Mr. Peterson, you have the floor for five minutes. Go ahead, sir.

**Mr. Kyle Peterson (Newmarket—Aurora, Lib.):** Thank you, Mr. Chair. Thank you everyone for joining us this afternoon.

Mr. Dade, I'll start with you. Please do give my regards to Martha Hall Findlay. Before she was the member of Parliament for Willowdale, she ran in my riding of Newmarket—Aurora in the 2004 election, so I've known her for quite some time. Say hello to her for me when you get the chance, if you don't mind.

I'm going to quote from a research paper that was published by the University of Calgary's school of public policy, which I know you're familiar with. It states:

Closer engagement with Mexico will also help Canada to strengthen its bargaining position with the United States; the two countries can form an effective counterbalance against the United States on matters of joint interest.

That seems to be a consensus with people here, and I want to drill down on that a little bit. What matters of joint interest should there be closer collaboration on between our countries that would improve this bargaining position vis-à-vis the U.S.?

I'll start with Mr. Dade, but some of the other members can give their input as well if they get an opportunity.

**Mr. Carlo Dade:** First is the overall importance of the relationship and being able to communicate that to metropolitan areas and districts in the U.S. We are working together, so our consul general in Dallas, for example—and Colin may be able to speak to this as well—is working with the consulate generals of Mexico. Mexico has three consulate generals in Texas. We have one that has to cover Texas, New Mexico, Oklahoma, Arkansas, and Louisiana, but it's idiosyncratic with the Mexicans. Some Mexican consulate generals are very strong in the diplomatic presence; others are incredibly weak, because they're focused only on consular activities. So where there is that, we are working together.

In terms of the trade agreement, agriculture, the rules of origin within North America, is the second area. Regarding dairy, the primary concern of the Americans is not supply management. This is Martha Hall Findlay's latest paper on supply management. It will be out in a week, and I'm told to shill it for her. It's actually a damn good piece of work. The Americans' concern is with access to the Mexican dairy market. That's their number one priority. If we're worried about dairy, and the Americans are worried about continued access to Mexico, shouldn't we be talking to the Mexicans?

That's just one example.

•(1635)

**Mr. Kyle Peterson:** Exactly. Thank you for that.

Mr. Gómez, Mr. Ortega, Mr. Robertson...?

**Mr. Armando Ortega:** I would simply restate that Canada and Mexico should work together to defend the dispute settlement mechanism. That is essential. We can also join forces in terms of sanitary and phytosanitary rules. Certainly, I agree about the rules of origin, because in the end, again, we have to ensure that North America is the most competitive region in the world. I hope the Americans will understand that in the course of negotiations.

**Mr. Agustín Barrios Gómez:** To come back to country-of-origin labelling, it's something we can pick up, as well as procurement. Government procurement is something we need to work together with the United States on.

**Mr. Kyle Peterson:** Thank you.

Mr. Robertson, did you have anything?

**Mr. Colin Robertson:** I would say trade, but I think the bigger issue is the whole rules-based, liberal international system, the architecture, whether we're talking about the World Trade Organization, the United Nations... This stuff is all now under a bit of siege. Countries like Canada and Mexico have been the beneficiaries. We need to be working together with other like-minded democratic countries to shore up the system.

So yes, NAFTA, the North American economic accord, is the immediate challenge, but I think the bigger challenge we face is that of the operating system under which our two countries have done quite well and thrived, and that we now have to invest in as well, with other like-minded nations.

**Mr. Kyle Peterson:** Okay. Thank you.

Just briefly—I think I probably have a half-minute left—Mr. Gómez, if NAFTA doesn't work for whatever reason, and TPP doesn't work, are there any other joint initiatives that Canada and Mexico should undertake?

**Mr. Agustín Barrios Gómez:** The very first thing that we need to be very clear on, both our countries, is that NAFTA without the United States will work with Mexico and Canada, period. We need to be very clear. It's in the treaty that if somebody pulls out, that's fine, the other two maintain that same relationship, but we haven't said it. We haven't come out and said it, and that's something we really need to do.

**Mr. Kyle Peterson:** Okay. Thank you. I think that's my time. Thank you for your testimony.

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

We're going to move over to the Conservatives now.

Mr. Van Kesteren, you have the floor for five minutes.

**Mr. Dave Van Kesteren (Chatham-Kent—Leamington, CPC):** Thank you, Chair. Thank you, all, for a very interesting discussion.

There's one thing that nags at the back of my mind, though. That is the 49%, or whatever you think it is, 50% of people who put Donald Trump into office. We can debate free trade, and I think everybody in this room would agree that it's a marvellous thing and it makes sense, but there are a whole whack of people who have given up on free trade.

Mr. Gómez, I appreciate it. I like that idea about this truck as a NAFTA truck, but I'll tell you, you drive that truck in southern Ohio and that would get the exact opposite reaction that you want.

Here's the thing. I appreciate too, Mr. Dade, what you said about Congress coming around. I see that happening, but I just read an article, I think it was this morning—I was just trying to find it now—and this guy's calling for three million people, with guns, out in the streets if they try to impeach Trump. That's how mad these people are. We cannot ignore the one thing that brought all this about, and

that was the demise of midwest America. I suggest that every one of us should just take a road trip. I've done it. Just drive through the midwest United States and see what these people are so mad about.

We have to recognize that we're not talking about Mexico, and Canada and some other small country. We're talking about a country that, when I was first elected, had 26% of the world's GDP. Its armed forces spend more money than the top 13 countries in the world—that includes Russia, and China, and all the others. This is huge. We've talked about some wonderful ideas. We've talked about some ways that the Americans have not been very fair, and how Donald Trump...but I think he's just a phenomenon. It's the force behind him that we have to reckon with. I just wonder if somebody wants to touch on this, say a word on it, that we mend that before we come to the table and suggest we open up renegotiation.

● (1640)

**Mr. Carlo Dade:** We are not going to mend that. The hard-core opposition to NAFTA, those people who have given up hope on liberalism, I don't know that we're going to be able to move all of them.

I was in Washington, D.C., for the inauguration. What struck me most, walking around the streets, taking the metro, was how angry the Trump supporters were. You've just won the election. You lost the popular vote and you won. You claimed that the election was going to be rigged, there was no way you could possibly win, and you won, yet you are still angry. You are still mad.

**Mr. Dave Van Kesteren:** That's the point. They're getting mad all over again because they had hoped that this was going to change, and that some of those....

We can't argue. We went across Canada and we heard the same argument, not from Trump supporters, but from people who think that free trade is a bad deal. There's a whole host of people, but I'm more worried about the ones in the midwestern United States.

**Mr. Carlo Dade:** Here's the issue, though. When you look at Trump supporters, they were also mad about Obamacare, and then they realized, slowly, that people were going to lose health coverage. A lot of people didn't care that they were losing health coverage, they still supported Trump. But some people started reconsidering when they saw the impact, something that was abstract became something concrete. We're not going to get to all of the hard-core opponents of free trade. We're not going to get to the real opponents of NAFTA, but around the edges, people who didn't really think about this or didn't realize the full impact when they voted, those are the folks we can get to when we show up in their individual congressional district, or we can get to plants and show people direct jobs.

You're also seeing this in the United States—

**Mr. Dave Van Kesteren:** It's not working yet, because I'm seeing congressmen who are going back to their constituents and are getting booed right out of their—

**Mr. Carlo Dade:** I'm seeing congressmen who are talking about issues on the table with NAFTA, and are getting an earful from their constituents, who are saying, "Wait a minute, when we talked about NAFTA you didn't mention that it was going to be my job that was gone, you didn't mention that it was going to be trade". You also see people who elected Trump, who voted for Trump, who are married to illegal immigrants to the U.S., and didn't realize that their husband or their wife was going to be deported. Now they're suddenly waking up, seeing their spouse being deported, and they're suddenly realizing that what they did in anger might not have been that great an idea.

**Mr. Dave Van Kesteren:** I don't have much time, and I don't—

**The Chair:** If I may jump in here, Mr. Robertson really wanted to make a comment, so I would hope he would make a little comment and wrap it up here.

**Mr. Dave Van Kesteren:** Maybe it's the same one.

Mr. Robertson.

**Mr. Colin Robertson:** I was just going to say that we have to do much more in trade adjustment. In Canada we have a very good safety net with medicare, universal care, and with job training administered by provinces. It is vastly different from what you have in the United States.

**Mr. Dave Van Kesteren:** That's right.

**Mr. Colin Robertson:** The situations are different, and sometimes we think our system is bad, but in comparison to the U.S., ours is really pretty good. But we do have to pay attention to—and this next accord will have to take this into account—trade adjustment. That will apply probably mostly to the United States because, let's face it, the rising tide lifted a lot of yachts but not all boats, and we have to take that into account in terms of trade agreements in the future or we're not going to be doing trade agreements.

**Mr. Dave Van Kesteren:** That's a good point.

Am I out of time?

**The Chair:** You're way over. Even though you're Dutch, you're not going to get that much.

We're going to move over to the NDP.

Ms. Ramsey, you have three minutes. Go ahead.

**Ms. Tracey Ramsey:** I'll actually continue my colleague's thought and say that this is something we have to mend. Working people are the reason we're facing this right now, because they felt left out. We have to talk about fairness in trade. We have to talk about the way that it impacts workers and communities. If that means a transition into other types of jobs, if that means letting them know how closely tied their jobs are to NAFTA....

I drive an F-150. I built F-150 engines in Windsor, Ontario. I love the bumper sticker; I think it's important. We have to tell the story of trade in a positive way, and the way that we do that in this renegotiation is that we address the inequalities. We go head-on to the inequalities that people have responded to, and we fix them. It's the best way forward for us because we're a trading nation. It's incredibly important, and we have to have trade with other countries.

My question really goes around the labour chapter and how we can include workers' rights to organize and bargain collectively for those better wages and working conditions that will level the playing field across our countries. To what extent are workers in Mexico able to organize and bargain collectively for better wages and working conditions?

• (1645)

**Mr. Agustín Barrios Gómez:** I was a congressman for a centre-left party in the previous legislature. In terms of freedom to organize and to strike, those freedoms are perfectly safeguarded. The thing is that the organized labour movement has been more about filling their own pockets than it has about protecting workers' rights. The only problem is that internally they are democratic institutions, but that feudalism within our unions is popularly backed by the workers in general, so that is an issue.

Now, the party that I ran under is promoting a dramatic increase in minimum wage in Mexico. We're talking about a 200% increase, obviously staggered over time and whatnot. I think we need to revisit those issues.

I'd like to come back to defending trade as a freedom, because ideologically I think we've also been remiss. Trade is a freedom. Trade is by nature fair insofar as it is voluntary, and if we allow people to say, "Look, you know, I believe that brown people are getting a subsidy"—this is in the United States—"I don't like all these brown people receiving welfare because I see them as these welfare queens" and all of that, all of these horrible images get created over the years.

Yet they turn around, and the first thing that they want is protectionism, and protectionism is nothing but welfare that's paid for by consumers. These subsidies that people are asking for are of the same tenor as welfare, and we can't let them get away with this idea that protectionism doesn't have costs. It has significant costs. People will lose their jobs, and people's general welfare will go down insofar as they won't be able to buy the goods that they want.

**The Chair:** Thank you, sir.

We're going to wrap up. We have one more MP.

Welcome, Mr. Longfield. You're the member of Parliament from Guelph. It's good to see you here joining our very ambitious.... I'm not going to use too many more adjectives about our committee.

**An hon. member:** Best committee on the Hill....

**The Chair:** It's the best committee on the Hill, there we go.

Mr. Longfield, you have the floor for the last five minutes. Go ahead.

**Mr. Lloyd Longfield (Guelph, Lib.):** Thanks, Mr. Chair.

Thanks to everybody for being here. It's great for me to be able to hear this part of the conversation as I sit on the industry, science and technology committee and I also sit on the standing committee for agriculture, so trade is overlapping in both those areas.

I want to start with Mr. Ortega. I'm also past-president of the Guelph Chamber of Commerce and board member of the Ontario Chamber of Commerce, so the chamber network is something I hold near and dear.

Worker mobility is an issue that the Canadian Chamber has focused on, on our side of the border as well, and mobility between Canada and Mexico is something that we're trying to improve. Part of our bilateral has to look at labour mobility. Would you be able to make a brief comment on that?

**Mr. Armando Ortega:** This is certainly an area where NAFTA could make an enormous change. Between Mexico and Canada, we have this almost 40-year-old temporary working program for our people who work in your agricultural sector.

However, I think now the country of Mexico is fit to provide under a more formal framework—NAFTA or another bilateral one—a supply of skilled workers, our professionals, doctors, etc. We should explore it under NAFTA, and we should explore it bilaterally. There is no impediment whatsoever.

**Mr. Lloyd Longfield:** Thank you.

I think CETA is an example of a progressive trade deal that we've just signed, which could be used as an example.

With little time, I want to look over to Mr. Dade and Mr. Ortega—not to leave out Mr. Barrios Gómez or Mr. Robertson. We can look at the Canadian companies that are operating in Mexico or Mexican companies in Canada such as Dina and Motor Coach in Winnipeg; Linamar in Guelph, which has offices in Mexico for supply of auto parts; and Grupo Bimbo and Canada Bread, as mentioned earlier.

How do we pull those companies together to look at the advantages of the bilateral agreements and make sure they understand that the bilateral agreements, under article 2205, would still be in place? Where are we with those conversations?

• (1650)

**Mr. Carlo Dade:** That would be a question, I think, for Minister Champagne, to see what sort of outreach has been done.

I would note that on Canadian companies in Mexico, the examples you mentioned are far too few. We have underperformed in the Mexican market.

**Mr. Lloyd Longfield:** Yes.

**Mr. Carlo Dade:** We are fourth in the Mexican market in terms of softwood lumber.

Two years ago we went to the Alberta forestry association and said, "Softwood lumber is coming back again. You're looking at Asia. Why are you number four in Mexico, after Chile and Brazil?" Their response was a shrug of shoulders.

Canadian businesses haven't taken up the challenge or the opportunities in Mexico. It's not the fault of this government or

the previous government. It's on the Canadian private sector, which has had too easy a time in the United States.

**Mr. Lloyd Longfield:** Sometimes an opportunity comes because of changes. We have 7% of Mexico's agriculture imports coming from Canada in agri-food and seafood, and in a \$25-billion market we're getting only \$1.7 billion out. We need to look at what we can do together, and how we can approach the outside world together, off the North American shores.

Are there any other comments from around the table on that? I think this committee could pick up on that piece.

**Mr. Agustín Barrios Gómez:** I would back what Carlo was saying. I think we've been remiss with respect to the opportunities that we share, and a lot of it has to do with the fact that we're not establishing those links properly.

I am very happy to hear that a committee group is going to come down to Mexico. It's going to be wonderful to have you down here, and I think that's a great first step.

**Mr. Lloyd Longfield:** The Winnipeg Chamber of Commerce has done a lot of international work. They've done it all over the world, but to focus on Canada and Mexico, I think...just to throw it over to the Winnipeg Chamber of Commerce and get the chamber network behind it on both sides of the border.

**Mr. Carlo Dade:** Manitoba, I think, is the leader in Canada in terms of engagement. What CentrePort has done in terms of taking advantage of things that the previous government put on the table, with the financing initiative, and with reaching out to Mexican suppliers to use Winnipeg as a basis for distribution in North America, sets the example for the rest of Canada.

**Mr. Lloyd Longfield:** Then we have some momentum going into talks with the States.

Thank you, Mr. Chair.

**The Chair:** Thank you, Mr. Longfield. Those were good comments and questions.

Those were great presentations today, gentlemen, and very timely for us. Thank you for spending your precious time. We are going to work on getting down to see you folks in Mexico. We will be forwarding our final report in the fall for all of you to see. If you have any more comments as we go through this journey, we don't mind receiving them on the way through, because I'm sure there are all kinds of turns that are going to happen for us.

Thank you, again, for coming.

Folks, we're going to suspend for two minutes, and then we're going to go into future business.

*[Proceedings continue in camera]*







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