



THE CANADIAN
CHAMBER
OF COMMERCE

LA CHAMBRE
DE COMMERCE
DU CANADA

The Voice of Canadian Business™
La porte-parole des entreprises Canadiennes^{MD}

Testimony of Warren Everson, Sr. Vice President, Policy The Canadian Chamber of Commerce To the Standing Committee on Foreign Affairs and International Development

April 10, 2017

[This text edited]

The Chair: Thank you very much for the little bit of delay.

On behalf of the committee, I want to take this opportunity to welcome the Canadian Chamber of Commerce. In front of us is the Senior Vice-President of Policy, Mr. Warren Everson, and his colleague, Adriana Vega. I don't know what Adriana's position is, but I think Mr. Everson will tell us.

We're going to turn the floor over to Mr. Everson and get right into the presentation. Hopefully, we'll get through—and I apologize in advance, Mr. Everson because I've got a funny feeling the bells are going to start ringing but we'll keep going as long as we can, with the proviso that you will accept our invitation to come back at some point, if we can't get anywhere near where we think we need to go on this presentation. I'll turn the floor over to you, Mr. Everson.

Mr. Warren Everson (Senior Vice-President, Policy, Canadian Chamber of Commerce): Thank you so much. I've become the Quasimodo of witnesses here. Every time I sit down, the bells start to ring.

I am very pleased to be invited to this committee. This is my first appearance in front of the committee in this Parliament and I'm very delighted to see you taking this issue to ken, not being a more important issue for Canada's foreign relations than our relationship with the United States, and I do believe that we'll probably be back in one form or another in front of you before your work is finished.

I do want to commend the staff here. Ms. Crandall and her staff prepared a list of questions. I think it was the first time that I've had a list of questions from the committee in advance, and it was very thought-provoking. Unfortunately, we're confined to the economic issues of the chamber's mandate, so I can't wander off into all the other fascinating issues that were raised here.

We are all watching the U.S. situation with fascination and with concern. There is an angry, almost violent, quality to U.S. politics right at this moment and threats emerging from all manner of different sources, but in truth there is no anti-Canada lobby in the United States.

In the chamber, we're mobilizing our members and our own leadership to engage with U.S. business in their home districts to remind them how valuable our relationship is, and how damaging it would be to them if that relationship was disrupted.

The person to my left, Adriana Vega, is our international affairs director and will be one of the key actors in the chamber's campaign. Adriana is a polynational. She was born in Mexico. She served with the Canadian embassy in Mexico and in Beijing. She lived in London and worked with the UK India Business Council before coming and joining us. She just got back, yesterday, from Japan.

With regard to our relationship with the United States, we have a great story to tell Americans. We're just trying to find the best way to tell it. Millions of Americans depend on us for some part of their prosperity, and almost none of them know that. Over the next few months, our CEO and some of the key members of our industry groups will be participating in missions in the United States. We're working very closely with David Morrison and his team on this. Our first visit will happen in a couple of weeks when our President will be in Carolina and then back into the south again a few weeks later.

I think we have to be somewhat limited in our expectations. Americans don't need a big, long economic essay on their relationship with Canada. They just need to be reminded of it and warned that every time something bad happens in Canada, it will tend to rebound back into the economy of the United States, and people there will be victimized.

I think we shouldn't have a convention, or an annual meeting, or whatever at all this year in which somebody doesn't stand up and say "Folks, we have a good relationship going with Canada. Don't let those (insert adjective here) in Washington screw it up." That's almost all we need. As I say, there's no pent-up aggression towards Canada among Americans.

I'll mention three key areas we're looking at, and then I'm anxious to get on to questions.

The first one is the renegotiation of NAFTA. Then, secondly, the promised tax reform in the United States represents another big sprawling issue, and then, loosely, a category we call "everything else" because, as we all know, there are hundreds of other issues that might intrude.

Speaking as quickly as I can about NAFTA; we have renegotiated NAFTA a number of times, I think about 10 times since the agreement was signed. The provision in the agreement is for the parties to reset definitions and small changes, literally the "tweaks" that Mr. Trump referred to a

couple of months ago. That doesn't, however, appear to be what the Americans are now planning.

As recently as a couple of years ago, the Canadian Chamber of Commerce was advocating that NAFTA be reopened and renegotiated simply because it's an old agreement. It doesn't include a raft of things that are present in our economy such as e-commerce. It has very antiquated definitions of employment categories and the like. We thought it was a grand idea. Also, negotiators from Canada and other countries were showing us what could be possible in the CETA agreement and in the TPP where more ambitious and very interesting provisions were being included.

I don't think we would have chosen to open NAFTA in the current environment, but these are the cards that were dealt. I think all three countries can look forward to significant improvements in this agreement if the attitude of the negotiators is that it should be of mutual benefit.

I agree it's not obvious that's the attitude today. The rhetoric from important Americans, most notably the presidential candidate Donald Trump, was far from any suggestion of mutual benefit, but I do think Canada should enter these negotiations with the same hopeful and tough-minded approach that we bring to all negotiations.

We will have to make some concessions. We will also seek some advantages. We certainly have things to get from a new NAFTA. If the concessions we're asked to make are excessive, we'll have to be prepared to walk away from this agreement.

We should remember the Americans didn't enter this agreement out of charity or as any kind of favour to ourselves. This was very beneficial to them. Those of you who noticed it, the draft letter that was prepared for Mr. Vaughan's signature to the Congress two weeks ago started with a report on how significant NAFTA has been to the U.S. economy. I don't think when wiser heads prevail they will be cavalier about the future of the agreement.

We have a whole list of offensive objectives here. We have an updating of our occupational designations. I mentioned that the enormous administrative burden around the current rules of origin administration, that should be lightened if possible. Your previous witnesses talked about the regulatory cooperation exercise. We're very strong supporters of that and U.S. members of the Chamber of Commerce are also. That's been a bright spot in our relationship for recent years. We do think that should be enshrined in NAFTA as a chapter.

On the defensive side, we think Canada has to fight very fiercely against the most blatant protectionist measures that are being talked about such as Buy American and Country of Origin labeling.

We should remember the whole purpose of the North American Free Trade Agreement was to expand trade and make it more free. We should be very hostile to the concept that we are negotiating a trade restraint agreement.

I was EA to the minister of trade at the time the negotiation was finalized, and we brought the legislation to the House. Chapter 19, the counter-billing duties dispute settlement mechanism was really one of the main reasons why Canada entered into the Free Trade Agreement, to get away from this endless legal harassment.

There is a big lobby in the United States to get rid of Chapter Nineteen and go back to the courts. It should be a very high priority for Canada to fight that. Chapter Nineteen is not working very well, it's all gummed up. But we know that Americans who claim the issue is their sovereignty are really just anxious to getting back to using the court system essentially as a tool of trade harassment.

When we see the official notice to Congress from the administration we'll have a better sense of what they are actually after and then we can start to calibrate what we have to gain and when.

I'll just very quickly mention that in some ways I think the tax reform exercise is more hazardous for Canada because there is no adult supervision. It's going to be a massive food fight in Washington and as the parties horse trade, they are not going to be really aware of who is winning and who is losing, beyond the specific interest that they are advancing. It does not appear—as my own comment—that the administration will hold a very tight rein on Congress and they'll be able to dictate the terms.

We see these massive, sweeping proposals for moving the revenue sources of the United States very dramatically from estate taxes and individual income tax to border taxes and payroll taxes and so forth. Those kinds of grand designs are hazardous, probably to them, and certainly to us. But I don't think we should panic at this point. Back in February—my favourite quote so far—Senator Tom Cotton, who is a Republican, said in the House, talking about the border tax, “Some ideas are so stupid only an intellectual could believe them”.

Some hon. members: Oh, oh!

Mr. Warren Everson: I do think the fusion of protectionist sentiment with a desperate need to find new sources of revenue is a significant risk to Canada. Again, the only way to stop this is for Americans, themselves, to be on the watch for their own best interest and if they see something that's going to be very negative to Canada, and therefore destructive of their biggest customer, they may speak in their own defense and therefore help our situation as well.

Our third section is called “everything else”, which would include all the other possible irritants and exacerbants that may emerge between us.

I want to make a final point. The most important threat that we face from the United States is probably not any of these overt actions, but just a general move by the United States administration to improve the competitiveness of U.S. business.

Regardless of whether we like what they're doing—the cutting of taxes, cutting of regulation, deferring environmental spending, repatriating capital from other countries with a tax amnesty—and whether we think any of those are good things or not, they will have a very significant impact on the competitiveness of American business,

Neighbours like us are going to have to respond to that. I think that is actually the biggest challenge that we face, and not any of the specific actions but the general improvement in the opportunities to invest in the United States and diminution of attractiveness of investing in Canada.

I do want to say that the Canadian government so far has done a masterful job of engaging with the United States both at the political level, and we've seen everybody, from the moment they were appointed as they come out of the Congress, a Canadian is waiting for them to take them for coffee and that's been very impressive. American diplomats are reflecting that to us, that they've not seen a campaign this effective, or at least this active.

But the next exercise is to get out of Washington and into the heartland where Americans are talking to their own legislators about their own interests and make sure that Canada is seen as a positive for that so that dangers to our relationship are avoided.

That, I think, would be a good place for me to stop, Mr. Chairman, and I look forward to questions.

**The Chair: Thank you, Mr. Everson.
We're going to go straight to Mr. Allison.**

Mr. Dean Allison: Thank you very much, Mr. Everson, for being here, and to Ms. Vega, as well. One of the things that always concerns me is that we always perceive America as being this great entrepreneurial heartland and fair in what they do, and yet they have really been protectionists in the past, and I think more so now with Mr. Trump.

I agree with what you're saying in terms of the engagement, etc. When they start talking about trade deficits, the reality is that we actually import more than we export to them, even though that number is pretty close.

Give us some more examples of things—we talked about being down there—you guys are doing at the chamber, and what more can we do? I know we're talking about the possibility of being able to go down and actually go to places other than just Washington to have these

discussions with state legislators, etc. Would you just expand on that a little bit more in terms of what more we can do?

Mr. Warren Everson: We're having discussions with the war room that David Morrison runs over at Global Affairs to plan visits. Starting with our CEO and other significant business people who might be in our membership, we want to see whether or not it's possible to have a Canadian politician or various Canadian politicians come along at the same time, and that way perhaps bring out

American legislators at state or federal level who happen to be in their districts. There's an enormous amount of information being built up now about the relationship, so that when you're in, let's say, Louisville, Kentucky, and you happen to mention to somebody that the largest customer of this particular factory is the Canadians, it doesn't take them very long to figure out that an unemployed Canadian is not going to be able to buy these products.

So we're trying to build these regional campaigns, combining with media and social media and so forth, to try to warm up each area of the country. When we talked to Foreign Affairs, they said they would like us to go south, because they had the border states pretty much cross-hatched with Canadians visiting, but in Alabama they couldn't pick a Canadian out of a police line-up.

So they want us to go down there and remind them that we buy rubber tires and chemicals, and all sorts of things from them.

We are the largest purchaser of American goods in the world. We bought \$48 billion of trucks and cars from them in 2015 and there isn't another market like that around the world for them. So to the degree they are seized of that reality, then we think we're as well defended as we can be.

Mr. Dean Allison: My other question is in terms of when you guys talk to your counterparts in business down there. Obviously they understand as well because they're selling to us. Is there any kind of activity on their behalf...I realize that until it happens, we'll be thinking it's not going to happen. Maybe it won't. People don't respond, but is there any thought of them also reaching out to their own legislators?

Mr. Warren Everson: To some extent, yes, I think so.

Mr. Donohue, the head of the U.S. Chamber of Commerce, was here a couple of months ago and visited with the Prime Minister and others, and made a speech, and he made it absolutely clear that he considers the Canada-U.S. relationship to be of tremendous benefit to the American economy, and that his organization will be very hostile to actions that are negative to it.

Again, I think there's an appreciation among lots of people. Our biggest dangers are probably from backhanded, collateral damage when they take an action against some other country, and we get caught up in it.

Mr. Dean Allison: I'm going to turn to Peter, but just one thought. I think it's a great idea if business is going down to try and include legislators as well, because then there's an opportunity to try and open those doors at the same time. It's always great when we go down as politicians. That's one thing because we meet with politicians, but when we go down with business people, I think that adds another dimension.

Mr. Warren Everson: Obviously the politicians bring a level of skill that not every business leader has as well, so I think you can do a one-two punch that's effective.

Mr. Dean Allison: Some would call it skill, sure. Thank you. We appreciate that.

The Chair: Thank you, Mr. Allison.

I'm going to go to Mr. McKay. We're going to keep it fairly tight because we'll see what happens with the vote and then we'll get to everybody.

Mr. McKay.

Hon. John McKay (Scarborough—Guildwood, Lib.): Thank you, Chair. Thank you for coming. I agree with your central premises. The Canadians know how important the American economy is to them but very few Americans actually know the reverse, and hence, the value of those little brochures that the embassy gives out when you're sitting with a congressman or a senator, and it's broken down by state and even sometimes by district, as to the amount of trade. Almost inevitably the eyebrows shoot through the top of the head, and they'll say they didn't know about it.

I don't know whether your organization had much to do with putting that together, but I found that to be a very useful tool.

I want to ask a number of questions with respect to the thickening of the border. I got a very irate call from a very good friend of mine yesterday who runs a small business. It's a spice business. It's a very prosperous business. He imports spices and distributes them to 36 countries, and obviously, the U.S. is a major client. So when he sends a shipment down to be distributed in the U.S., he sends with it one of his employees who teaches the distributor how to mix and match, etc.

This particular individual had been doing it for 13 years. He got turned away at the border. By the way, he didn't have a Muslim name or anything like that. He got turned away at the border because the border guard said he was going to take away a job from an American. This guy's going to be in and out in 24 hours. He's going to take a job away from an American.

I've got a number of anecdotes to that effect. The question is, in your observation, is there a trend developing here? Are there anecdotes that actually end up as trade impediments?

Mr. Warren Everson: We hear those kinds of anecdotes now. The U.S. Embassy says they track the numbers, and that the numbers are down, those kinds of harassment things.

By the way, I don't think that's a legal gesture by that border guard, he's not entitled to deny access to the United States for that reason. You heard the previous witness talking about pre-clearance on the land border. It does seem maddening that the same truck leaves the same plant with the same product heading for the same buyer driven by the same driver every day on behalf of Chrysler, Magna, or someone, and has to be stopped and searched at the border over and over again.

You wonder why we can't build a better trusted shipper design. Your friend with the same driver going every year, or more often, would be a candidate for it.

I'm of the mind that this American administration will like that kind of stuff. I think we'll see them engaged on that. I think they'll see it as forward progress and a way of getting rid of the wastage of resources that are currently employed.

The one caveat here—and I think we all know it—the nightmare scenario for us is that someone we've let into our country, that the Americans wouldn't have allowed in their country, crosses the border and commits a crime. That will be on every news broadcast. Americans have to believe we have their backs, and that we're serious about their security. We have to be, and the political leaders have to demonstrate this, I think, more than anyone. That's an overwhelmingly significant issue, and not one that we quite absorb north of the border.

Hon. John McKay: It's almost a paranoia. I just came in from Phoenix. The craziness of the security there was just.... There's no analysis of actual whether I was a security risk, for instance.

Mr. Warren Everson: Americans also don't know the degree of intimacy of co-operation on our defense. There are Canadian officers commanding in Cheyenne Mountain, there are the Five Eyes, there's daily exchanges of intelligence. There is an enormous amount of co-operation. We have their backs. We need to tell them that continuously.

Hon. John McKay: My next question has to do with the Canada-European trade agreement. I see this as ultimately quite an advantage to us. The Americans have no interest in multilateral agreements, either TPP or EU stuff. In terms of using that as an advantage, is it an argument to be made that some product being made in California with the ultimate destination being in Europe, is there some arguable advantage to ship it through Toronto?

Mr. Warren Everson: Yes, there might be.

Hon. John McKay: Should Americans be reminded of that?

Mr. Warren Everson: Not in noisy ways! There is the whole argument around country of origin. The rules about that are arcane and very expensive to administer. Mr. Ross, the new Secretary of Commerce, spoke a lot about tightening up on rules of origin under NAFTA, which I don't necessarily think would be a bad thing for us if it was North American-oriented.

Generally Canada has, over the last 20 years, secured for itself some highly advantageous positions with respect to access to markets that other people don't have.

Hon. John McKay: This lunacy of border tax. When I was in Washington a few weeks ago, I'd sit with a congressman and say, "Look, when I'm in my living room in Toronto, I'm consuming electricity that was produced in Cleveland, or in New York, or in Quebec, or in Ontario. How are you going to tax that?" Not one of them had any kind of coherent answer. My suspicion is that a lot of this nonsense about border tax, when it's actually addressed, will be simply that. It's virtually an impossible thing to do.

Mr. Warren Everson: I have a couple of points and of course, I agree with you.

There are at least five or six significant tax reform plans being proffered about Congress right now: I believe Mr. Grassley has one, Mr. Brady has one. Obviously Mr. Ryan has been out early on with his proposals. It's too soon to tell where this is going to go, but the Americans have a problem in that their tax system only affords the federal government five or six sources of money. They have: corporate and individual income tax; payroll tax; estate taxes; and, they have tariffs and there's not a lot else.

They've already pledged to get rid of the estate tax. Any significant saving on corporate tax and some individual tax reductions as well puts them into a gigantic deficit situation. They can't actually bring legislation to the Congress that proposes that massive deficit, so they have to construct some sort of argument that they will make the money up somewhere else; hence, the word "adjustment" to the border adjustment tax that Mr. Ryan put forward.

We think there's every chance that they will try to raise revenues on the borders, but this is all posturing at this point. I don't think any of the plans that I've seen really make a whole lot of enduring sense. Yes, you get a lot of money in the first year when you put a huge tariff on, but then there's nothing in the second year. How is that going to work? How fast can Americans repatriate money and build new facilities and drive up the payroll tax revenues for the government. This is a very tricky situation for them.

I don't want to waste your time, but I think there will be within this administration's mandate, some push-back from Americans, because protectionism is very expensive. It's expensive to the producers. They are trying to export their products. They have to use higher cost inputs. And it's expensive for the consumer.

I do think at a certain point, probably at some annual meeting of some mega corporation that investors are going to stand up and ask why exactly are we moving the facility into a high wage jurisdiction when we were in a low wage jurisdiction and still getting a very fine product? They're not going to be immune to that debate.

The Chair: Thank you, Mr. McKay, we'll go to Madam Laverdière, s'il vous plaît.
[Français]

Mme Hélène Laverdière: Merci beaucoup.

Merci de votre présentation et de votre humour aussi, qui est fort apprécié.

Juste une petite note sur la Border Adjustment Tax. J'étais à Washington il y a deux ou trois semaines, j'entendais un conseiller économique de Ronald Reagan nous expliquer que c'était la même chose qu'une taxe sur la valeur ajoutée, ce qui me semble un peu douteux, mais en tout cas, on verra où cela ira.

Ma question porte surtout sur ceci. Lors de votre présentation, vous avez mentionné votre campagne, celle que vous souhaitez faire aux États-Unis. Je sais qu'on en a un peu idée, mais j'aurais aimé avoir plus de détails sur ce que vous planifiez exactement.

Mr. Warren Everson: Yes. I don't want to oversell our effectiveness so far. I think we're just trying to spool ourselves up. What we actually want to do is talk to U.S. legislators in the presence of their own constituents about the relationship we have, and the prosperity it has generated.

We think that's the most effective way to send them back to Washington with, at least, caution in their minds about actions that will be bad for Canada.

In cooperation with the government, we plan to pick different regions of the country and research the business relationships. I think Americans and Canadians are not aware sometimes of how dense the relationship is and how important it is. In Texas there are 180,000 people whose jobs are connected to Canadian businesses. I would imagine 179,000 of them have no idea.

Our thought was to send at least our CEO, who has a good profile, and some other Canadian business leaders, and then talk to the government about whether or not politicians could also join. We'll just try to make the case in as friendly a fashion as possible, but with some warning.

For example, Minister Freeland mentioned to Mr. Ryan that his state produced \$1 billion of exports to Canada and Mr. Ryan was visibly affected by that number and said 'that's pretty good research on your part.' As I say, I don't believe Americans are hostile to us. They just need to know how complex the relationship is and how easy it is to hurt themselves by doing something that's negative to Canada.

Mme Hélène Laverdière: Merci beaucoup.

Nous avons des échos au fait que l'attitude des États-Unis s'est durcie beaucoup à l'Organisation mondiale du commerce. Je ne sais pas si vous avez été à même de constater ceci. J'ai cru comprendre que dans une récente déclaration, ils avaient même refusé de parler de *room based system* et des expressions assez standards.

Pourriez-vous commenter à cet égard?

[English]

Mr. Warren Everson: You know, all my life Americans have protested against the decisions of the WTO when they go against them, and it doesn't stop Americans from going to the WTO to petition against Chinese steel, for example, solar panels, Canadian wine, etc.

We have a view which is no more educated than anyone else's view. The negotiating tactic of some of the people in Mr. Trump's administration is pretty clear. They come on very strong. They assert a very bullying tone and they try to intimidate. Whether that, in fact, turns out to be their strategy...I mean, some Americans have talked about pulling out of WTO. Is that actually something that the country would like to do? It's too soon to tell.

I make the point again, it's not obvious that this administration is going to lead Congress very effectively. It's going to be a much more chaotic environment, so what the administration may wish to do is not necessarily what Congress wishes to do. Hard to tell.

The Chair: I'm going to go back to Mr. Kent because we cut his group off a little short because we were thinking there was going to be a vote, but there isn't, so I'm going to go to Mr. Kent and then over to Mr. Fragiskatos.

Hon. Peter Kent: That's very gracious, Chair. Thank you.

I just have one question, Mr. Everson. It has to do with the border import tax, the Republican "A Better Way" agenda. It seems to mean different things to different Republicans, depending on how close their state is to the Canadian border. I'm just wondering, what is your messaging with regards to this potential pretty much largely undefined concept?

Mr. Warren Everson: I want to make sure that we understand what the Americans actually are proposing before we start tilting against it, I think Mrs. Laverdière mentioned that the Americans don't have a VAT. They're one of just a handful of countries in the developed world without one. There seems to be a consensus that they can't have one, and that it would be politically impossible, so Mr. Ryan is trying to mimic one by punishing imports and rewarding exports.

Our main message, I think, is not going to be very complicated. When you put a huge tax on imports, the cost of imports goes way, way up, and the consumers have to pay.

Americans have enjoyed, in our lifetime, just an astounding reduction in retail prices, from sweaters to lawn mowers, everything. I think consumers in the United States enjoy that quite a

bit, so a decision to reverse that and start driving those prices back up is politically very, very challenging. I think we'll probably end up making that point.

Because we're a major energy supplier, there's a vivid lesson to teach, because you can say, 'well what benefit is it to you of raising the price of oil entering your country so that at the pumps you have to pay more, and every factory needs to pay more for heating?' I think that's easy for them to understand.

Hon. Peter Kent: They already have the benefit of the American discount on Canadian petroleum products because of our land-locked nature.

Mr. Warren Everson: And we are, all of us, trying to break that land-lock, aren't we?

Hon. Peter Kent: Yes.

Thank you, Mr. Chair.

The Chair: Thank you, Mr. Kent.
We'll go to Mr. Fragiskatos, please.

Mr. Peter Fragiskatos (London North Centre, Lib.): Thank you, Mr. Chair, and thank you for being here today.

You mentioned Mr. Donohue, the president of the U.S. Chamber of Commerce, that he was here in February. I want to read a quote: "Let me say right up front that withdrawing from NAFTA would be devastating for the workers, businesses, and economies of our three countries."

That's what he said in his speech when he was here. This is the first meeting we've had on Canada-U.S. relations as part of this study, and I think it makes sense to hear from you a very general point about the importance of the NAFTA and free trade in general. It's been almost 30 years since we had a seminal election on that very issue, and now even the NDP is open to the importance of free trade. This is such an important idea for this country's future prosperity. It generates so many jobs. I want to hear from you on the value of NAFTA. If you could talk about it in terms of the perspective of supply chains, and use a particular example, auto for instance. There are particular goods that have to cross the border a number of times before they're finally put into a finished product. You can use that example, or you can use any example.

Mr. Warren Everson: I think above all else, before it was NAFTA, it was Canada-U.S. That was really the political dialogue that happened. If you recall, NAFTA was kind of slid in without a lot of controversy.

What the two countries declared was that we have a special relationship, we have the best relationship. No other two countries trade like this and trade as amicably and have such a complete and respectful relationship in education and sports, the faith community, the defense relationship, all manner of things. That's why I said chapter 19, the decision to create a body to take us out of courts when we have trade disputes, was such an important central gesture because it said these two partners ought not be stuck in the sixth district for 11 years on some dispute. We're special partners, we should have a facilitated system. That's why we think it's so important we maintain that.

As the economy has evolved, the United States and Canada are jointly...there's a kind of fortress North America, although we don't perhaps see it quite like that. We are jointly making products. In Canada, at least 70% or 73% of our exports go to the United States, but about 20% of those are on-bound. In other words, we're feeding into an American supply chain that is then exporting. Our products are actually ending up in the rest of the world, they're just doing so over that partnership. As Mr. McKay said, there are some cases where Americans are sending their product through for assembly in Canada to be on-shipped. We are quite significant partners with each other. We're actually partners in commerce. We just need to remind them of that.

Mr. Peter Fragiskatos: Thank you very much.

You mentioned twice in your remarks that millions of American jobs depend on a strong trade relationship with Canada, but most Americans do not realize that. Why do you think that is? Is it a function of Canadian modesty? Have we not told our story well enough since the free trade agreement was put forward by Mr. Mulroney, and then competed in the mid 1990s under the Liberals with NAFTA? What exactly is the explanation there?

Mr. Warren Everson: I don't know that I have any brilliant insights.

Of course, I think Canadians are modest. The biggest problem, I suppose, is that we rarely cause any serious problems. I have a sign on my desk that says, "War is god's way of teaching us geography." The only reason anyone in Washington pays any attention to anybody is there's some great opportunity, or big problem that they have to address, and then they pay a lot of attention to it. We never seem to represent either of those things.

I don't know why it is. I don't care why it is. We don't expect that much from our efforts to talk to the Americans now. We don't think we should be trying for some new Jerusalem. We should just remind people where their best self interests are and the usefulness of our relationship on a very pragmatic level.

The Chair: Thank you.

Mr. Ellis.

Mr. Neil Ellis (Bay of Quinte, Lib.): I just want to touch back on the thing you said about opportunity. In any risk management and with the Trump administration looking forward...I had

a meeting a while back with an international company. Some of the questions were asked by fellow MPs about carbon pricing and how the States were maybe turning around on that. The answer from the worldwide company was, it's inevitable that it's coming. Whether it's now, today or tomorrow, we have to get aboard. That speech isn't what I'm hearing to today. Where do you think those opportunities are? It seems like we're trying to flank here and go this way and go this way. I look at, there are opportunities out there. You guys represent businesses. Do you see taking advantage of these opportunities, whether it's green technology, whether it's other businesses that can spin off? As business leaders, have you guys had meetings to say on risk management what we can do to create business and create jobs?

Mr. Warren Everson: Sure. Let me take two aspects of that.

The Chamber of Commerce has advocated carbon pricing for six or seven years now. We do believe that it's appropriate to try to price carbon up so that people will use it less, where they can. Use it less. Also that the relative cost between carbon and other forms of energy is closer. However, we're extremely concerned that carbon pricing, which will throw up a lot of money into the hands of governments, be immediately recycled back into the economy to protect the competitive situation of the companies that are paying those taxes. We're a little bit alarmed about some of the comments being made by provinces as to how they intend to use the money.

We're not agreeing as a nation to be taxed so that governments will have more tax revenue. We're agreeing to be taxed so that carbon will become less attractive economically. That can be done if those governments then sign themselves over to a program of making sure that companies retain their competitive situation. Otherwise in the near term we're going to face a very significant disadvantage for investors coming into Canada versus the United States. We have to head that off.

I do think that the longer term, and not really very long term, is that technologies in less emitting energy sources will be extremely attractive. I think Canada with its innovation investments now has an opportunity to steal the march on the United States and be a significant supplier of that.

Mr. Neil Ellis: Okay. Thank you

The Chair: Thank you very much, Mr. Ellis. Last question, then we're going to wrap it up. Mr. Saini.

Mr. Raj Saini: Thank you very much for your comments.

Just one point of sort of conservance, is that you know, if you look at the history of Canadian trade especially with the United States, you look at even the early 70s, Mitchell Sharp wrote a paper called the "Third Option" designating that we should broaden our trade.

Just as a member of the Chamber of Commerce, do you think now maybe looking at the challenges that we're facing with the United States that this would probably be the best time to sort of reinvigorate that option of trying to expand our trade and not be beholden to one market?

Mr. Warren Everson: Absolutely. I think governments, past and present, are doing exactly that. It took us six or seven years to get the CETA in place, but as some people have mentioned here, there are some significant opportunities for Canada now that we have it.

This government has announced the beginning of a study with China. The Chinese are very interested. We keep hearing from them. They keep approaching us. I do think there is a possibility of something quite attractive there. And long before it comes into reality, it will be attractive to investors who are making their investments against the decade future. Adriana just came back from Japan. We keep urging the Japanese to move quickly with an EPA directly with Canada. The Japanese tend to have a romantic love of the TPP. They keep hoping that it will somehow reappear at their door. Certainly a most attractive market, that we are not yet doing very well with, is Japan.

I do think that this sort of thing is happening. We do find other markets. Those of you who know a lot about soft wood lumber will know that when the Americans really brought the hammer down, the Canadians found markets for lumber all around the world, to a quite considerable extent. I hope that lesson wasn't lost on people in the United States.

Mr. Raj Saini: Thank you very much.

The Chair: Thank you very much, Mr. Everson and Madam Vega. Thank you for this opportunity.

I'm almost excited about the fact that we did get this through and didn't have to break it off and go to a vote.

This is a very important study as has been mentioned. As far as the committee goes we all are seized with the same interest that you've presented to us in a non-partisan way. This is so important to Canada we don't have time to play politics.

Again, I want to thank you for your remarks. If there is any other information that you want to present to the committee, please feel free to send it on. We are very interested in where the Canadian Chamber of Commerce is going. Of course, as you know, I sat in the House with Mr. Beatty, so I'm one of the few that's been around long enough to have met him when he was younger. We were looking forward to seeing him as well.

Again I encourage you to feel comfortable in reaching out to us, and let us know where the Chamber is going.

Mr. Warren Everson: Thank you very much, Mr. Chairman.