

Report of the Canadian Parliamentary Delegation respecting its participation at the 54th Annual Meeting with Members of the U.S. Senate and House of Representatives

Canada-United States Inter-Parliamentary Group

Ottawa, Ontario, Canada 6–9 June 2014

Report

DELEGATION MEMBERS AND STAFF

From 6–9 June 2014, Senator Janis Johnson and Mr. Gord Brown, M.P., Co-Chairs of the Canadian Section of the Canada–United States Inter-Parliamentary Group (IPG), hosted the IPG's 54th annual meeting in Ottawa, Ontario. The meeting was also attended by six Canadian Senators, seven members of the House of Commons, five U.S. Senators and four members of the U.S. House of Representatives (see the Appendix). Ministers Peter MacKay, Kerry-Lynne Findlay and Lisa Raitt, and the Honorable Bruce Heyman, the United States' Ambassador to Canada, joined the delegates at selected activities. The U.S. delegation was led by Senators Amy Klobuchar and Mike Crapo, and Representative Bill Huizenga.

The Canadian delegation was supported by Ms. Angela Crandall, Executive Secretary, Ms. June Dewetering, Senior Advisor, Mr. Jim Lee, Advisor and Mr. Jed Chong, Advisor.

THE EVENT AND DELEGATION OBJECTIVES FOR THE EVENT

Established in 1959, the aims of the IPG are to find points of convergence in respective national policies, initiate dialogue on points of divergence, encourage exchanges of information, and promote better understanding between American and Canadian legislators on issues of shared concern.

A principal means by which the IPG achieves its aims is through an annual meeting. The meeting, which alternates between Canada and the United States, is attended by delegates from the Canadian Parliament and the U.S. Congress. During the meeting, delegates seek to identify shared values and common goals, and find possible solutions to a variety of bilateral and multilateral matters of concern to both countries.

ACTIVITIES DURING THE EVENT

During the IPG's 54th annual meeting, delegates participated in opening and closing plenary sessions, and held plenary discussions on the following topic areas:

- Water and energy;
- International security;
- Trade issues; and
- Public-private partnerships.

As well, they attended a reception hosted by the United States' Ambassador to Canada, the Honorable Bruce Heyman.

OPENING PLENARY SESSION

During the opening plenary session, delegates introduced themselves, and identified their state or province, primary interests and committee assignments.

TOPIC-FOCUSED PLENARY SESSIONS

A. WATER AND ENERGY

1. Ballast Water Regulations

A Canadian delegate launched the discussion on U.S. ballast water regulations by suggesting that regulations that work well for both Canada and the United States are needed. In speaking about the 2013 U.S. Environmental Protection Agency's (EPA's) vessel permit regulations for ships operating on the Great Lakes, and the exemption for Anticosti Island and for ships built prior to 2009, the delegate indicated that there are no U.S. ships built post-2009 that are operating on the Great Lakes. According to the delegate, from the Canadian perspective, the technology that is needed to comply with the regulations does not exist and Canadian ships do not have on-board treatment facilities; moreover, the ballast water treatment system that is needed would entail a cost of \$5 million for each Canadian vessel, and – as American operators do not have to face this cost, Canadian operators would be relatively less competitive as the price of their goods would have to rise to cover the cost. In also speaking from the Canadian perspective, a colleague commented that invasive species are a serious problem, but not one that Canada has experienced for quite a number of years.

An American delegate highlighted a bipartisan letter that was sent to the EPA urging the development of harmonized regulations where it is practically and technologically feasible to do so, and noted that some see the regulations as a "hammer" that will "drive" the needed technological developments that do not yet exist. According to a colleague, the regulations are designed to address invasive species, which are a major problem and can cause economic harm. Another American delegate noted that the United States and Canada have a shared interest in ensuring a lack of invasive species, but said that care must be taken regarding expectations about the use of technology that does not yet exist.

2. Energy

The discussion on energy issues was started by a Canadian delegate, who stated that Canada and the United States have the largest integrated energy market in the world, as well as diverse energy sources. In characterizing Canada as a safe, secure and reliable supplier of energy to the United States, the delegate noted that Canada is both an exporter of energy to, and an importer of energy from, the United States. A colleague mentioned that an inexpensive and reliable supply of energy is important for the economic growth and competitiveness of both countries, while another Canadian delegate said that Canada must have export markets for its oil; it will export to countries other than the United States, if required. According to an American delegate, the United States is proud of its energy relationship with Canada, and the two countries share concerns about the safe movement of oil by rail. A colleague said that "of course, the United States should buy oil from Canada, its best provider, and, of course, Canada should sell oil to the United States, its best customer"; it is important for Americans to understand Canada's options: if Canada does not export oil to the United States, then it will do so to China or other foreign markets. An American colleague spoke about the goal of reduced dependence on fossil-based fuels, while another identified the need for stronger efforts to protect the environment.

In addition to highlighting their frustration about the delays in approving the Keystone XL pipeline proposal, Canadian delegates noted that the oil sands are important for both Canada and the United States, and will continue to be developed regardless of whether the proposal is approved. They also commented on the existing pipeline structure that crosses the shared border, suggested that moving oil by pipeline is less dangerous than doing so by rail, and described the Keystone XL pipeline proposal as a political "football."

American delegates differed in their views on the Keystone XL pipeline proposal. One delegate expressed frustration with what were characterized as unjustified delays and urged immediate permitting and operation, while a colleague said that the objections to the proposal are without basis and underscored that a network of pipelines already crosses the U.S.–Canada border. Still another American delegate believed that the federal process should be allowed to continue to its conclusion, as circumventing it would set a bad precedent. American delegates highlighted that members of Congress vary in their support for the proposal, although there is some consensus that a decision about the proposal must be made.

A Canadian delegate stated that U.S. funding of Canadian environmental groups is hindering the adoption of a balanced regulatory approach, while a colleague noted that oil sands-related greenhouse gas emissions are falling. Another Canadian delegate spoke about the province of Alberta's requirements regarding returning lands to a natural state after oil has been extracted.

As well, a Canadian delegate said that climate change is a global concern that is not defined by borders and urged Canada–U.S. cooperation on climate change issues, while an American delegate identified the need to examine the science underlying climate change.

3. Other Water Issues

In characterizing water as the greatest resource of all, a Canadian delegate highlighted the ways in which Canada and the United States currently work together on water issues; particular mention was made of the International Joint Commission and a range of water quality agreements. The delegate also commented on the implications of hydraulic fracturing for ground water, and said that extreme weather events and climate change are affecting water quality.

An American delegate mentioned extreme weather, noting that there are significantly fewer hurricanes and more droughts in drought-prone areas. The delegate also suggested that the global temperature is no longer rising, and that carbon dioxide emissions cannot be the only consideration. A colleague indicated that the U.S. Department of Agriculture has a climate office, and highlighted the severity, intensity and erratic nature of extreme weather events.

A Canadian delegate spoke about the rising concentration of medications in water, including antibiotics, and stated that Europe has taken a strong stand on antibiotic use with animals and the impact on water supplies. The delegate highlighted "take back medication" programs, and an American delegate noted that 50 tons of drugs were collected in one day during a "take back medication" initiative.

B. INTERNATIONAL SECURITY

1. Arctic

The discussion on Arctic issues was launched by a Canadian delegate, who noted the importance of the Arctic region to Canada generally and, specifically, to those who live there. The delegate also commented on Canada's chairmanship of the Arctic Council, and identified concerns about the security and sovereignty of Canada's North.

In highlighting that the United States will assume chairmanship of the Arctic Council from Canada, an American delegate said that the transition should be seamless and that many of the goals should be the same. The delegate also mentioned that the development of the Northwest Passage that is resulting from climate change is reducing shipping costs and enhancing export capabilities.

2. North Atlantic Treaty Organization and Ukraine

An American delegate started the discussion on the North Atlantic Treaty Organization (NATO) and Ukraine by characterizing Russia's invasion of Crimea as unacceptable and destabilizing, and by suggesting that developed countries need to work together in addressing these types of issues. According to the delegate, the United States should not be expected to react alone; instead, there is a need to be smart and realistic, and engage other countries. While commending Canada for its help in Ukraine and Afghanistan, the delegate urged Canada to increase its spending on defence; as a percentage of the country's gross domestic product, Canadian defence spending has been stable or falling since the 1990s. Similarly, a colleague commented favourably on Canada's role in conflicts in Afghanistan and around the world. Moreover, another

American delegate stated that Germany is a powerful country and should act like it, and that NATO is more important now than at any other time in its history.

According to a Canadian delegate, Russia has increased its spending on defence, and a collective will with a collective financial capacity is needed; Russia's President Putin must be made to realize that actions have consequences. A colleague suggested that Russia's takeover of Crimea is an incremental movement, and is consistent with Russia's behavior with other countries, when it has acted without consequences; if Russia sees countries reacting to its actions "like lambs," it will act aggressively. Another Canadian delegate noted that, since 11 September 2001, the world has changed, and the United States' enemies are Canada's enemies; as the two countries are allies around the world, that relationship should be reflected at the shared border, which should not be a barrier.

3. Cybersecurity

The discussion on cybersecurity issues was started by a Canadian delegate, who said that – as we now live in a digital society and no country is immune to data breaches – the risks presented by that society must be addressed, including those relating to the permission-less, multi-stakeholder Internet. The delegate also suggested that, while Canada and the United States are good at collecting data, they are not particularly good at protecting data; there is a need to increase our vigilance. Canadian colleagues highlighted the privacy rights that exist in Canada, mentioned the *Canadian Charter of Rights and Freedoms*' rights to assemble and associate and questioned the government's need to know with whom and when a person is assembling or associating, said that the "real war" of today is the theft of intellectual property, and identified the challenge in finding the right balance between protecting privacy rights and ensuring national security while addressing vulnerabilities.

According to an American delegate, our greatest current vulnerabilities are cyberrelated, and the United States' critical infrastructure is not – at present – at all secure. A colleague reiterated the vulnerabilities and the constant "cyberassaults" that are occurring, while another American delegate noted that cyberattacks originate from individuals, organizations and other nations, and that "big data" is a "big deal"; with a phenomenal amount of information collected about us every day, there are privacy considerations and it is legitimate to question whether individuals are protected by having one or more entities knowing seemingly everything about them. Still another delegate urged a close partnership between the United States and Canada regarding potential cyberattacks, said that significant vulnerabilities exist, and made particular mention of the need to protect utilities as the digitization of transmission systems grows.

C. TRADE ISSUES

1. Trade Agreements

In launching the discussion on trade agreements, a Canadian delegate identified the United States as Canada's primary trade partner in both value and volume, and noted the agreements recently concluded or being negotiated between Canada and the European Union, South Korea, Japan, India and the Trans-Pacific Partnership (TPP) countries; regarding the last of these, the United States could be helpful in "moving negotiations along." The delegate suggested that Canada's agreement with the European Union is much broader than the *North American Free Trade Agreement* (NAFTA), although the latter agreement was successful in creating jobs, establishing North American supply chains, and increasing the value of trade among Canada, the United States and Mexico. As well, the delegate spoke about the Global Markets Action Plan, which is the federal government's new international trade policy, and the Plan's specific targets and countries.

A Canadian colleague commented on the importance of a continental perspective, as – collectively – the three NAFTA countries are competing against the rest of the world; free and fair trade is needed as the NAFTA countries are an "economic player" in the global environment. The delegate noted that cars manufactured in North America cross the shared borders many times and incur certain fees at each crossing, while foreign automobiles cross fewer North American borders – perhaps only one border as they enter North America – and incur fewer fees.

According to an American delegate, the United States appreciates the trade relationship that it has with Canada, and there is scope to do more with each other and with Mexico; that said, in both of the United States' political parties, there is opposition to trade agreements. A colleague said that some Americans believe that NAFTA led some businesses to leave the United States for Mexico, while another American delegate noted that trade issues are increasingly difficult and polarized in the United States, although it is important for the United States to project "who it is" through trade, as well as a focus on rule of law and win-win solutions. A colleague suggested that the job losses that have occurred in the United States are not the result of trade agreements, but rather currency manipulation, while – similarly – other American delegates commented on the harmful effects of currency manipulation, including by China.

Delegates also discussed the TPP negotiations. An American delegate identified the negotiations as critically important, especially for developing countries, and said that the quest for trade promotion authority (TPA) for the President – which expired in 2008 and provides assurances to the United States' trading partners – has gone on too long; both the TPP negotiations and TPA are priorities, and will have a great impact on what the world will look like in a decade. A colleague commented that the conclusion of the TPP negotiations and TPA for the President are unlikely to occur before the November 2014 mid-term elections, while another stated that TPA "short circuits" the approval of trade agreements, mentioned the treatment of labour, environmental and currency issues in trade agreements, and noted that a bipartisan letter was sent to the President about currency issues in the context of the TPP negotiations. Another American delegate expressed the reluctance by the U.S. Congress to put an "unamendable" trade

agreement before Congress, and suggested that the TPP agreement probably would not pass without TPA. A Canadian delegate noted that there are some concerns in Canada about the TPP negotiations, including in the manufacturing sector.

An American delegate said that, while Americans may recognize intellectually that Canada is the United States' largest trading partner, they may not internalize – or see the effects of – this reality. A colleague commented that free trade "does not cut it" unless it is fair trade, and urged a much more open discussion on the outcomes of trade negotiations, including the likely impact on the United States' trade surplus or deficit.

2. U.S. Country-of-Origin Labelling Requirements

A Canadian delegate started the discussion on the United States' country-of-origin labelling (COOL) requirements by characterizing them as a prime example of "what not to do," as both Canada and the United States are being hurt and the livestock sector used to be the most integrated sector in North America; a trade war benefits no one, although Canada has developed a retaliatory list that could be activated, if required. The delegate noted that the dispute about the COOL requirements is but one among a number of disputes – including in relation to Buy American provisions in U.S. legislation, intellectual property rights and, on occasion, softwood lumber – and said that the COOL issue could be resolved by applying a "North American" label following processing. A colleague reiterated that the COOL issue is serious and has led to job losses in both countries; instead of disagreeing with each other, Canada and the United States need to join forces and compete in foreign markets.

An American delegate indicated an awareness that the United States has repeatedly lost when the World Trade Organization has ruled on the issue of its COOL requirements, and characterized both repeal of the requirements and a "North American" label as problematic and complicated respectively; one concern is identifying the point at which the meat product becomes "North American." A colleague said that the label should reflect where the animal came from, while another American delegate stated that it is important to resolve the issue soon.

Delegates also discussed the dairy sector. An American delegate indicated that Canada has severe dairy supply limits, noted that the dairy sector was not addressed in NAFTA, and said that some Americans would like to increase trade with Canada in dairy, egg and poultry products. The delegate suggested that U.S. changes to its dairy program have resulted in a more market-oriented approach. A Canadian delegate commented that Canada's supply management system is a control system and does not guarantee a profit for farmers; moreover, the United States still has some considerable subsidies for its dairy producers.

3. Beyond the Border and Regulatory Cooperation Council Initiatives

The discussion on the Beyond the Border (BTB) and Regulatory Cooperation Council (RCC) initiatives was started by an American delegate, who identified these initiatives as critical to making the border that is shared by the United States and Canada more fluid for goods and people; progress with the latter initiative is relatively slower, and a number of pilot projects exist in relation to the former initiative. The delegate highlighted a need to fund both initiatives appropriately, and a colleague identified the requirement for the United States and Canada to "stand together" to be more effective as, worldwide, the interests of the two countries are aligned. Another American delegate urged the United States and Canada to work with Mexico as part of a trilateral relationship.

According to a Canadian delegate, the genesis for the BTB and RCC initiatives is the terrorist attacks on 11 September 2001, which led to the Smart Border Action Plan between Canada and the United States in December 2001; in some sense, this Plan was the predecessor to the BTB and RCC initiatives that were announced in February 2011. The delegate suggested that bilateral approaches between Canada and the United States, and between the United States and Mexico, must become trilateral, as the focus must be a North American trading area. As well, the delegate noted that Canada is financing the U.S. customs plaza at the new Detroit, Michigan–Windsor, Ontario border crossing. A colleague stated that the seamless movement of goods and people across the shared border is important to the gross domestic product of both countries. Another Canadian delegate said that "thinning" the shared border and streamlining supply chains would yield significant benefits and enable productivity improvements that enhance competitiveness, while a colleague said that the fewer the restrictions between the two countries, the greater the benefits.

An American delegate noted that it is the United States' responsibility to contribute to the funding of the new Detroit–Windsor crossing and the U.S. customs plaza, and thanked Canada for the country's willingness to finance the new crossing, as the Ambassador Bridge is the busiest bridge in North America. A colleague noted that, as there is a pilot project at the United States–Mexico border that is a public-private partnership, this approach needs to be used at the United States–Canada border too. The colleague also highlighted the importance of protecting intellectual property rights, and of combatting intellectual property theft and counterfeit goods, and noted that Canada is on the U.S. Trade Representative's Special 301 watch list.

D. PUBLIC-PRIVATE PARTNERSHIPS

A Canadian delegate launched the discussion on public-private partnerships (P3s) by noting that Canadian P3 projects started with rail before expanding to other sectors and project types, perhaps especially municipal infrastructure. A colleague noted that the keys to a successful P3 project are structuring the project so that interests and incentives are properly aligned, and allowing the private sector to decide the "how" after the public sector has designated the "what." Another Canadian delegate cautioned that, before beginning a P3 project, the contractual obligations must be clear.

According to an American delegate, Canada is better at P3 projects than is the United States; that said, in the United States, P3s are among the new ways in which infrastructure and transportation needs can be funded. Similarly, a colleague identified challenges in the United States in funding transportation, and noted that – politically – it is difficult to increase tolls; another American delegate said that tolls slow down traffic and result in more gas use.

CLOSING PLENARY SESSION

During the closing plenary session, the main points that were made during the annual meeting were summarized and areas where follow-up actions are required were identified.

A. Water and Energy

Regarding ballast water, delegates agreed on the need to ensure the existence of harmonized regulations that are practically and technologically feasible, and noted that invasive species can be a significant and costly issue.

On the issue of energy, delegates agreed that North American energy security is important, and that the Keystone XL pipeline and the safe transportation of hydrocarbons are aspects of that security. It was noted that Canada continues to be the United States' primary, most reliable and most secure supplier of a range of energy sources and that, as an energy exporter, Canada's energy exports should be mainly to the United States, rather than to other countries. As well, delegates highlighted that many pipelines currently cross the Canada–United States border, and said that a decision about the Keystone XL pipeline proposal needs to be made as soon as possible, bearing in mind that there is a regulatory process in place.

Delegates commented that Canada and the United States have a number of bilateral water agreements in place, that water is the greatest resource of all, and that extreme weather and other climate-related events are affecting water. According to them, water quality issues relating to pharmaceutical runoff containing hormone disruptors must be examined.

B. International Security

In noting that the Arctic is vital to both countries, delegates mentioned that the transition from Canada's chairmanship of the Arctic Council to the United States' chairmanship should be a smooth process. As well, they characterized the development of the Northwest Passage as a shipping route as a positive result of environmental changes that are occurring in the Arctic.

Regarding NATO and Ukraine, delegates said that Russia's actions in relation to Crimea are unacceptable and destabilizing, and that countries must stand up to Russia. As well, they said that Canada is to be commended for its support in Ukraine and Afghanistan.

On the topic of cybersecurity, delegates suggested that countries must address the risks of the digital society, and noted that the permission-less and multi-stakeholder nature of the Internet creates risks. They suggested that Canada and the United States need to work together on data protection issues, as our greatest vulnerabilities are cyber-related.

C. Trade Issues

According to delegates, people in both of the United States' political parties oppose trade agreements; that said, if trade is to occur, it should be free and fair. Delegates also stated that integrated supply chains within North America indicate the need for Canada, the United States and Mexico to work together. Moreover, they said that the TPP negotiations are important, and that some U.S. legislators feel that TPA for the President is vital.

In commenting on trade disputes, which they felt benefit no one, delegates said that Canada and the United States need to determine how to move forward – not backward – together, including on such key issues as the United States' COOL requirements, softwood lumber, Buy American provisions in U.S. legislation and protection of intellectual property rights. They suggested that a "Made in North America" label could solve many problems.

Delegates characterized the BTB and RCC initiatives as useful in helping to improve competitiveness and prosperity, and said that measures – including the U.S. customs plaza at the new Detroit, Michigan–Windsor, Ontario border crossing – need to be funded. They also stated that, as parties seek the seamless movement of people and goods across shared borders in a secure manner, bilateral initiatives need to become trilateral measures among Canada, the United States and Mexico.

D. Public-Private Partnerships

Delegates noted that Canada has used P3s in a number of areas, including transportation and other municipal infrastructure, with a range of benefits; for example, private-sector expertise has been used for public benefit. According to them, the United States needs to address its transportation and other infrastructure needs in new and creative ways; in that regard, the United States can learn from Canada in relation to P3s. In the view of delegates, letting the public sector identify the "what to achieve" and allowing the private sector to identify the "how to achieve it" is beneficial.

E. Areas for Follow-Up Actions

The following areas for follow-up action were identified:

- 1) Ballast water: American delegates will examine U.S. Senator Begich's bill on the topic.
- 2) Keystone XL pipeline proposal: Canadian delegates will provide information regarding reclamation of oil sands areas, as well as other environmental statistics.

- 3) Currency standards and manipulation: American delegates will send information on the topic of currency manipulation in the context of free trade negotiations.
- United States' COOL requirements: American delegates will consider pursuing a "North American label" if the World Trade Organization ruling is against the U.S. position.
- 5) Intellectual property rights: Canadian delegates will send information regarding trademarks in the context of the recent budget implementation bill and will provide updates as Bill C-8 progresses through the legislative process.
- 6) Canada–U.S. border: American delegates will compare pilot projects at the Canada–U.S. border to those at the Canada–Mexico border.
- P3s: American delegates will pursue the idea of a briefing at the Canadian Embassy or on Capitol Hill to inform members of Congress about Canada's experiences with P3s.

Respectfully submitted,

Hon. Janis G. Johnson, Senator, Co-Chair Canada–United States Inter-Parliamentary Group Gord Brown, M.P., Co-Chair Canada–United States Inter-Parliamentary Group

Appendix

Canadian Delegation:

Senator Janis Johnson, Co-Chair Senator Daniel Lang, Vice-Chair Senator Michael L. MacDonald, Vice-Chair Senator Paul Massicotte, Vice-Chair Senator Paul Massicotte, Vice-Chair Senator Wilfred Moore, Q.C., Vice-Chair Senator Judith Seidman Senator David Wells Mr. Gord Brown, M.P., Co-Chair Mr. Gord Brown, M.P., Co-Chair Mr. Tarik Brahmi, M.P. Mr. Bob Dechert, M.P. Mr. Bob Dechert, M.P. Mr. Rick Dykstra, M.P., Vice-Chair Honourable Wayne Easter, P.C., M.P., Vice-Chair Honourable Rob Merrifield, P.C., M.P. Mr. LaVar Payne, M.P., Vice-Chair Mr. Brad Trost, M.P.

U.S. Delegation:

Senator Amy Klobuchar, Chairman Senator Mike Crapo, Vice Chairman Senator Roy Blunt Senator Jeff Sessions Senator Debbie Stabenow Representative Bill Huizenga, Chairman Representative Bill Owens Representative Tom Petri Representative Paul Tonko

Travel Costs

ASSOCIATION	Canada–United States Inter-Parliamentary Group
ACTIVITY	54th Annual Meeting with Members of the U.S. Senate and House of Representatives
DESTINATION	Ottawa, Ontario, Canada
DATES	6–9 June 2014
DELEGATION	
SENATE	 Hon. Janis G. Johnson, Senator, Co-Chair Hon. Daniel Lang, Senator Hon. Michael L. MacDonald, Senator Hon. Paul Massicotte, Senator Hon. Wilfred Moore, Q.C., Senator Hon. Judith Seidman, Senator Hon. David Wells, Senator
HOUSE OF COMMONS	Mr. Gord Brown, M.P., Co-Chair Mr. Tarik Brahmi, M.P. Mr. Bob Dechert, M.P. Mr. Rick Dykstra, M.P. Hon. Wayne Easter, P.C., M.P. Hon. Rob Merrifield, P.C., M.P. Mr. LaVar Payne, M.P. Mr. Brad Trost, M.P.
STAFF	Ms. Angela Crandall, Executive Secretary Ms. June Dewetering, Senior Advisor Mr. Jim Lee, Advisor Mr. Jed Chong, Advisor
TRANSPORTATION	\$ 2,243.50
ACCOMMODATION	\$ 0.00
HOSPITALITY	\$15,810.16
PER DIEMS	\$ 0.00
	\$ 269.97 \$ 225.00
MISCELLANEOUS / REGISTRATION FEES	\$ 225.00
TOTAL	\$18,548.63