

Canada – United States
Inter-Parliamentary Group
Canadian Section



Groupe interparlementaire
Canada – États-Unis
Section canadienne

Report of the Canada–United States Inter-Parliamentary Group

Pacific NorthWest Economic Region 29th Annual Summit

Saskatoon, Saskatchewan, Canada

July 21–25, 2019

Report

DELEGATION MEMBERS AND STAFF

From 21–25 July 2019, Senator Yuen Pau Woo and Randy Hoback, M.P., Vice-Chairs of the Canadian Section of the Canada–United States Inter-Parliamentary Group (IPG), led a delegation to the 29th annual summit of the Pacific NorthWest Economic Region (PNWER), which was held in Saskatoon, Saskatchewan. The other members of the delegation were Senators Jim Munson, David Tkachuk and Pamela Wallin. The delegation was accompanied by Mr. Brett Capwell, Advisor to the Canadian Section.

THE EVENT

Established in 1991, PNWER is a statutory, bi-national, regional, private–public partnership that includes five U.S. states – Alaska, Idaho, Montana, Oregon and Washington – and five Canadian provinces and territories – Alberta, British Columbia, Saskatchewan, Yukon and the Northwest Territories. It has two meetings each year: its annual summit in the summer and its economic leadership forum in the fall.

PNWER's goals are the following:

- Coordinate provincial and state policies throughout the region.
- Identify and promote "models of success".
- Serve as a conduit to exchange information.
- Promote greater regional collaboration.
- Enhance the competitiveness of the region in both domestic and international markets.
- Leverage regional influence in Ottawa, Ontario and Washington, D.C.
- Achieve continued economic growth while maintaining the region's natural environment.

DELEGATION OBJECTIVES FOR THE EVENT

PNWER's annual summit provides IPG members with the opportunity to discuss regional cross-border initiatives with state and provincial/territorial legislators, as well as engage with private and non-profit organizations that are working to strengthen economic relations between Canada and the United States.

The discussions at PNWER's 2019 annual summit enabled the delegates to enhance Canada–U.S. relations and to identify topics where increased collaboration could be mutually beneficial, including in relation to ratification of the Canada United States Mexico

Agreement (CUSMA), border security, innovation, livestock health, infrastructure and disaster resilience.

ACTIVITIES DURING THE EVENT

PNWER's 2019 annual summit involved policy tours, keynote addresses and policy sessions in a number of areas, including the following:

- Agriculture
- Asian markets
- The Arctic
- The Canada–U.S. border
- Cross-border livestock health
- Climate policy & economic growth
- Disaster resilience
- Forestry
- Green house gas reduction & reuse strategies
- Indigenous businesses
- The financing of infrastructure
- Infrastructure Resilience & Energy Innovations
- Invasive species
- Trade
- Transportation
- Tourism
- Water policy
- Workforce development

This report summarizes some of the points that were made at the keynote and selected concurrent sessions.

KEYNOTE BREAKFAST

David Jacobson, *former U.S. Ambassador to Canada*

- There are currently three U.S. citizens with more wealth than the bottom half of the U.S. population; such income disparity is driving current U.S. populism.
- The odds of the United States Mexico Canada Agreement (USMCA) being ratified by U.S. Congress prior to the 2020 U.S. federal election are low.
- The fact that President Trump could initiate the *North American Free Trade Agreement's* (NAFTA's) six-month withdrawal provision in an attempt to force congress to act is a concern. The lack of an operational free trade agreement would be very harmful to North American economies.
- The USMCA's ratification is one of many issues confronting the U.S. House of Representatives at the moment. For that reason, the ratification of the agreement is given less attention than it warrants.

David Wilkins, *former U.S. Ambassador to Canada*

- According to a poll released by the Pass USMCA Coalition, 51% of U.S. voters that were polled are in favour of U.S. Congress passing the USMCA, compared to only 14% who oppose its ratification.
- The closer the U.S. Congress gets to the next U.S. federal election, the less likely it is to ratify the USMCA.
- While the USMCA is not perfect, it is a step in the right direction as it “moves the goalposts forward” with respect to North American trade practices.
- There is a considerable power imbalance between the U.S. Ambassador to Canada and the Canadian Ambassador to the United States. The former has the influence to arrange a meeting with any Canadian official at almost any time, while the latter does not have equivalent influence in Washington, D.C.

Michael Kergin, *former Canadian Ambassador to the U.S.*

- The United States Trade Representative, Robert Lighthizer, is working diligently with representatives from the Democratic party in order to move forward with the ratification of the USMCA.
- With respect to making changes to the USMCA, Canada would not re-open the negotiations, but additional side letters to the agreement might be possible.
- The USMCA brings about important updates with respect to North American e-commerce.
- All major Canadian parties support the agreement and would not obstruct its ratification.

- The quality of the relationship between Canadian Prime Ministers and U.S. Presidents have varied over the history of our countries, but our overall economic relationship outlives these officials.
- The Canadian Ambassador to the U.S. and U.S. Ambassador to Canada should work collaboratively to address bi-lateral issues before they reach the executive level.

A GLOBAL PERSPECTIVE ON THE NORTH AMERICAN TRADE RELATIONSHIP

Edward Alden, *Western Washington University*

- Until recently, the “rules of conduct” for international trade had been clear and objectively enforced. The World Trade Organization is designed to put economies on equal footing regardless of their size. That approach appears to be ending as President Trump continues to leverage the size of the U.S. market and economy in his trade practices.
- President Trump’s trade policies have had a negative impact on trade flows, though their effects are muted in North America due to the integration of its economies, as opposed to elsewhere. For example, U.S. exports to China have decreased by 20% since President Trump’s trade actions against that country, and one-third of U.S. companies have reported lower profits as a result of this.
- For Canada, the largest trade issues have stemmed from China’s retaliation over the detention of Huawei Technologies Co., Ltd. (Huawei) executive Meng Wanzhou. Other issues that are creating difficulties for the sale of Canadian goods abroad include Saudi Arabia’s announcement that it would stop buying Canadian wheat and barley, and country of origin labelling practices in Europe.
- Current geopolitics have led to the highest levels of trade uncertainty in the last 50 years.
- Nearly 50 multi-national companies are relocating their operations from China to elsewhere to circumvent the U.S.-China trade dispute. Many have moved to Vietnam, as it has seen its exports increase by 35% since this trade dispute began.
- The United States is poised to impose \$20 billion in tariffs onto goods produced in the European Union (EU) in response to the dispute over Airbus. The EU is expected to respond in equal measure.
- Robert Lighthizer is deeply respected in Washington, D.C. and has been working with Democratic members of the U.S Congress on their USMCA concerns.
- The USMCA is a difficult issue for the U.S. Democratic Party, which traditionally is skeptical of free-trade. The party has been slow to change its position in this regard despite Democratic voters holding – for the most part – pro-trade opinions.

- With respect to U.S-China trade negotiations, China views the United States' objectives as fundamentally imbalanced. This dispute is not solely over trade practices, as it also concerns the supremacy of emerging technologies, such as 5th generation telecommunications (5G).
- The U.S. administration is likely comfortable with a drawn-out dispute with China, as it can carry a "tough on China" narrative through to the next federal election.
- With respect to automation technologies, Chinese investment into the United States decreased by 90% from its 2016 levels, negatively impacting U.S. growth in this area.
- The U.S. Democratic Party is enthusiastic about expanding restrictions on Huawei, which – along with its and 68 of its non-U.S. affiliates – have recently been placed on the U.S. Commerce Department's "entities list," making them subject to specific licensing requirements for their U.S. imports and business dealings.
- There are no companies in North America that are "major players" in 5G technology. Huawei holds 40 % of the global 5G market. If North America continues to deny market access to Huawei, it will need to develop equivalent technology to keep pace with China.
- It is likely that Canada will follow the United Kingdom's approach and institute monitoring provisions on Huawei technology used in Canada, which may upset U.S. partners.
- President Trump's plan to address China's unwanted trade practices should include working with its international partners so as not to "fight this battle" alone. The President's approach – chiefly his continued use of tariffs – may backfire on U.S. citizens.
- With respect to replacing the Chinese market with another jurisdiction as a top U.S. export destination, India is an unlikely candidate as it uses a protectionist approach.

U.S.-CANADA TRADE PANEL

Lucia Piazza, *U.S. Consul General, Calgary*

- The U.S. Administration supports the construction of Canada-U.S. oil pipelines. U.S. refineries are well suited for Canadian oil and the Administration is doing whatever it can to move these projects forward.

Scotty Greenwood, *Canadian American Business Council*

- The Canadian American Business Council (CABC) was formed in the wake of the original NAFTA negotiations.

- CABC advocated in favour of the United State's entry into the Trans-Pacific Partnership Agreement, and now advocates in favour of the USMCA.
- Organizations like PNWER should not assume that the USMCA will be ratified without lobbying efforts.
- Members of the Democratic Party need to be informed that it is acceptable to vote in favour of the USMCA in spite of President Trump's backing of the agreement.
- When NAFTA came into force, North American governments failed to adequately address the workforce displacement effects it created.
- The resistance to the ratification of the USMCA in Washington, D.C. is mostly political posturing, as there is far greater organized support for the agreement than organized opposition.
- The pinnacle of North American economic co-operation would be the construction of joint infrastructure projects.
- Canada will soon be able to produce sufficient levels of hydro-electric power to produce "zero-carbon aluminum."
- The Fulbright cultural exchange programs are excellent longer-term investments in North America's economic future. These exchange programs produce individuals in prominent rolls who support the Canada-U.S. relationship, which may impact bi-national policies for generations to come.

Stéphane Lessard, *Consul General of Canada, Denver*

- It is important to raise the public's awareness of the impact of technology on labour displacement. For every job displaced by free trade, 7-8 are displaced by automation.
- It is incumbent on all stakeholders to ensure that the projected benefits of the USMCA are known to the average worker.
- Businesses understand that North America needs to "deepen its trade ties" in order to outcompete other economic regions.
- Many mayors have noted that the U.S tariffs and corresponding countermeasures have negatively affected public sector budgets, as they have significantly increased the cost of public projects.

Ben Voss, *Morris Industries Ltd*

- Innovation in North America is being stifled by the uncertainty businesses perceive as a result of government policies and trade practices.

- With respect to section 232 tariffs on certain steel and aluminum products, businesses have passed the price increase on to their consumers. However, when the tariffs ended, the prices did drop by a commensurate amount.
- When farmers are affected by trade disputes, their primary cost-cutting measure is generally to stop buying new equipment, which has a negative impact on their farm's efficiency and relative competitiveness going forward.
- Third order effects of trade tensions are significant, though they are often outside of the media's attention. Some examples include increased costs of trade insurance, greater scrutiny applied to business transactions as a result of lower risks tolerances, and general uncertainty. These examples all add to the operating costs of businesses, and the manufacturing industry is particularly affected in this manner.
- China's Belt and Road infrastructure initiative across much of Asia is a prominent example of the emerging threats to North America's economic competitiveness. North American countries must meet these challenges or be left behind.

Gordon Stoner, *U.S. Dry Pea & Lentil Association*

- U.S. states and Canadian provinces generally produce more of agricultural goods than can be consumed locally and therefore rely on export markets. This should be made clear to those advocating protectionist policies.
- In our efforts to sway members of Congress to move forward with the ratification of the USMCA, the personal stories of their constituents are often more effective than economic data.
- The U.S.-Colombia trade agreement took many years to complete. In comparison, the USMCA discussions have been short lived, and it may take several years to finalize.
- This U.S. Administration takes a transactional approach to its endeavours, only engaging in one issue at a time. Its current issue is being "tough on China," and this may need to be resolved before the USMCA is ratified.
- The U.S. Administration made a strategic error in attempting to address China's trade practices without the support of its allies.
- A lack of co-operation among the three North American countries can have lasting economic impacts. For example, the United States' wheat industry has supplied the vast majority of Mexico's needs since NAFTA took effect in 1994. However, partly as a result of the U.S. positioning its NAFTA renegotiations as a zero-sum game, U.S. wheat exports to Mexico dropped by 38% in 2018 as Mexico made efforts to decrease its dependency on U.S. suppliers. As Mexico continues to invest in infrastructure to source wheat from other jurisdictions, the damage to the U.S. wheat industry is irreversible.

BORDER SESSION

Ron Reinas, *Buffalo and Fort Erie Public Bridge Authority*

- The Peace Bridge – which connects Buffalo, New York, to Fort Erie, Ontario – is 93 years old, and carries 1.3 million trucks per year containing \$50 billion of merchandise.
- The Buffalo border plaza is relatively small – at 15 acres – which presents a challenge to the flow of trade, in comparison to the 70 acres Canadian side of the bridge.
- Too many commercial vehicles at the Buffalo point of entry causes bottlenecks, resulting in a number of pilot programs to address the issue led by Customs and Border Protection agency (CBP) personnel.
- Collecting customs fees through the use of cash at commercial border crossings is a considerable bottleneck for traffic, as are commercial vehicles that do not make use of radio-frequency identification (RFID) transponders to transmit data – such as their e-manifest of cargo – to border officials.
- To address these bottlenecks, CBP officers on the Peace Bridge are piloting the Pre-Arrival Readiness Evaluation (PARE) program, which uses license plate readers to identify commercial vehicles and checks if their cargo manifest has been filed with CBP, as well as if their border crossing fees have been paid.
- Since its implementation, PARE has resulted in a 83% decrease – during peak times – in the manual collection of user fees.
- Canadian border policy is lagging behind that of the United States with respect to scanning technologies. New non-intrusive inspection (NII) technology is being used in the United States: it takes a picture of the commercial vehicle's license plate, takes a low dose x-ray of the vehicle's cab and high dose x-ray of its trailer, retrieves the e-manifest, takes a picture of the driver. If everything is in order, the truck does not need to stop at the border crossing at all. This technology remains under review by the Canadian Nuclear Safety Commission.
- Commercial trucking stakeholders in Ontario have approved the use of NII technology
- The peace bridge is working to transfer – where applicable – the successes from its commercial pilot projects to its passenger travel processes.
- “Flagpoling” is the act of applying for the renewal of a work or study permit – or the validation of a permanent residence status and/or visa – at the Canadian border by crossing into the United States and re-entering immediately. This practice forces border officers to complete the renewal immediately upon re-entry, which

circumvents the normal renewal process of mailing an application to Immigration, Refugees and Citizenship Canada (IRCC).

- Flagpoling occurs because IRCC can take several months to respond to an individual's application, and individuals are seeking faster services or greater certainty in the processing time of their applications. This practice places an undue administrative burden on border officers and slows border traffic with unnecessary crossings. There were 30,000 instances of Flagpoling in the Niagara region in 2018-2019.

Mike Leahy, *Canadian Border Services Agency*

- New data analytic technology is allowing for the probability-based analysis of threats in commercial packages. For example, the technology can use the delivery address of a package to link it to other information associated with that area, such as its crime rates and opioid use to flag the package for additional screening. This technology is not in use at the present time but may be in the near future.
- The Canadian Border Services Agency (CBSA) is testing this analytic technology using e-manifest data from the last 15 years in order to hone the technology.
- At present, all mail arriving in Canada from certain countries undergoes x-ray scanning, though CBSA is working on a risk-based scanning approach to speed up the processing of packages.

KEYNOTE: BUILDING INFRASTRUCTURE FOR THE 21ST CENTURY

David Miller, *CN Rail*

- Growth in the Canadian rail sector has recently been concentrated in the west coast; particularly in the port of Vancouver.
- Rail line construction suffers from a lack of "social license" in urban areas, where it faces opposition from residents because of its proximity to housing and noise levels.
- The Canadian federal infrastructure program has been very useful for rail, particularly because the funding is divided by need, not by province/territory.
- Environmental regulations are onerous for rail development. For example, certain rail projects have taken over four years to successfully complete the environmental review process, with an estimated total completion time of 11 years or more.
- Public-private partnerships have produced faster and safer trains with increased efficiencies.
- New rail projects are taking climate change into account and are being built to be more resilient to climate events, such as quicker recovery time in the event of environmental damage.

- The rail industry would benefit from more predictable long-term infrastructure funding programs.

Robin Silvester, *Port of Vancouver*

- Growth is the main challenge for ports, as demand grows by 3-4% per year – or 5 million tons of new cargo. The increasing demand requires a corresponding increase in capacity in a limited physical space.
- Ports are attempting to shift their land-use narrative from identifying their land as “trade enabling land” instead of “industrial land.”
- Canada is heading towards a crisis of insufficient trade enabling land to support its commercial needs.
- Example of successful collaborative projects between Canada and the United States include the Clean Air Alliance and the Enhancing Cetacean Habitat and Observation (ECHO) Program.
- Community engagement helps educate individuals on the need for port infrastructure, on the services these ports provide and the environmental protection policies they implement.

Vee Kachroo, *Canpotex*

- North America must develop its infrastructure capacity to maintain or grow its market share of Global exports.
- By 2050, the world will need 70% more food than is currently being produced.
- New infrastructure must be prepared to quickly recover from disruptive events. Planning for these disruptions is not a precise science, and therefore requires many contingency plans to ensure the reliable movement of goods.

Jim Titsworth, *BNSF Railway*

- There is a lack of industrial land - or supply chain land – which will soon become a significant problem in North America.
- It is often the case that safer trains are also more efficient, as advances in safety-related technology have a positive impact on their operations.
- Unmanned aerial vehicles now fly over rails in order to detect rail conditions.

Gael Tarteton, *Washington State Legislature*

- A great deal of North American infrastructure was built between 50 and 150 years ago.

- Policy makers have to decide to re-invest in their infrastructure or lose what they have. For example, Seattle owns two bridges for which there is no replacement budget, despite an increasingly pressing need for such funds.
- Educating policy makers on the requirements and benefits of infrastructure is constantly required, as policy makers move in and out of office.

INNOVATION: BUILDING A SUSTAINABLE INNOVATION ECOSYSTEM

Aaron Genest, *SaskTech*

- The Saskatchewan technology sector is in need of skilled labour that cannot be filled domestically; as a result, it has begun recruiting in other countries.
- Saskatchewan is now working to build technology programs into its education system to fill this need. Education initiatives are now taking place at the elementary school level with initiatives such as robotics programs and through secondary polytechnic degrees in cybersecurity, among others.
- Saskatchewan's digital economy accounted for 2.5% of the province's overall GDP in 2017, placing last among all other provinces in this regard.

KEYNOTE LUNCH

Edward Alden, *Western Washington University*

- Efforts to ratify the USMCA in Washington, D.C. have been very positive. The agreement is in-line with many of the priorities of the Democratic Party, though party-politics are still an impediment.
- Although Canada and Mexico are not willing to reopen negotiations, they have demonstrated flexibility with respect to the addition of side letters to the USMCA.
- Public perception of border security is extremely important, as the perception that the borders are out of control curtails U.S. immigration irrespective of the facts.
- Pushing U.S. immigration problems to Mexico and Guatemala is not a long-term solution.
- The perception of the North American perimeter remains strong with respect to security, but not with respect to immigration.
- The most innovative and proactive trade-relation measures are happening at the regional level.
- The idea of an increasingly integrated North America has been placed on hold, hopefully on a temporary basis.

- Ratifying the USMCA does not necessarily ensure that North American trade relations will return to their previous levels. President Trump has – in spite of the USMCA – threatened tariffs on Mexico if they do not address immigration issues. The same is true with respect to Guatemala despite both countries being signatories to the *Central America Free Trade Agreement (CAFTA)*.
- Neither the Canadian or the U.S. government adequately advertises the NEXUS program, despite the benefits it brings to border traffic flows.
- Stakeholders must be cognisant that a well-functioning North American relationship did not arise by itself, and that it requires constant efforts to maintain.
- Labour mobility is a North American strength that should be leveraged in our effort to outcompete other economic regions.

Goldy Hyder, *Business Council of Canada*

- There will be considerable uncertainty among businesses if the USMCA is not ratified before the 2020 U.S. federal election.
- President Trump does not understand why the Canadian federal government did not pass the agreement prior to the summer Parliamentary break.
- The New Democratic Party and the Green Party of Canada recently traveled to France to lobby against CETA, an action that is concerning to Canadian businesses as a Canadian federal election draws near.
- Canadian and U.S. businesses believe the border is working well despite the security measures that were implemented following the 9/11 terror attacks.
- Canadian and U.S. businesses also see the need to modernize trade agreements in order to remain competitive with other economies.

Laurie Trautman, *Western Washington University*

- Canada-U.S. border policy advances have stalled since the implementation of the Beyond the Border initiative. The private sector is trying to fill this gap through initiatives such as the Cascadian Innovation corridor and the Beyond Pre-clearance initiative.
- Managing public opinion is important to border policy, as border issues are filled with public misconceptions that can damage productive border policy.
- It is increasingly important for port directors to undertake pilot projects, collect data, and work to innovate this transportation hub, as demand on this infrastructure continues to grow.

Respectfully submitted,

Hon. Michael L. MacDonald, Senator

Co-Chair

Canada–United States Inter-Parliamentary
Group

Hon. Wayne Easter, P.C., M.P.

Co-Chair

Canada–United States Inter-Parliamentary
Group

Travel Costs

ASSOCIATION	Canada-United States Inter-Parliamentary Group
ACTIVITY	Pacific NorthWest Economic Region (PNWER) 29th Annual Summit
DESTINATION	Saskatoon, Saskatchewan, Canada
DATES	July 21-25, 2019
DELEGATION	
SENATE	Hon. Yuen Pau Woo Hon. Jim Munson Hon. David Tkachuk Hon. Pamela Wallin
HOUSE OF COMMONS	Mr. Randy Hoback
STAFF	Mr. Brett Capwell
TRANSPORTATION	\$ 3,998.40
ACCOMMODATION	\$ 2,801.33
HOSPITALITY	\$ 0.00
PER DIEMS	\$ 550.24
OFFICIAL GIFTS	\$ 0.00
MISCELLANEOUS	\$ 5,790.58
TOTAL	\$ 13,140.55