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THE STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS AND INTERNATIONAL TRADE

met this day at 10:30 a.m. to study opportunities for strengthening cooperation with Mexico since the tabling, in June 2015, of the committee report entitled *North American Neighbours: Maximizing Opportunities and Strengthening Cooperation for a more Prosperous Future*.

Senator A. Raynell Andreychuk (*Chair*) in the chair.

The Standing Senate Committee on Foreign Affairs and International Trade has been authorized to study opportunities for strengthening cooperation with Mexico since the tabling in June 2015 of the committee report entitled *North American Neighbours: Maximizing Opportunities and Strengthening Cooperation for a more Prosperous Future*.

Under this mandate, the committee will hear today from Mr. Carlo Dade on North American trilateral relations.

For some of the new committee members, and as a refresher course for the rest of us, we did study trilateralism. We reported then that NAFTA was certainly important in our trilateralism, but what we wanted to look at are other benefits of, and opportunities for, strengthening a trilateral relationship.

The report said in detail that we have totally ignored MexicoCanada relations, and that is to our disadvantage. We were looking for more opportunities to interconnect and strengthen the bilateral, as well as the trilateral.

Mr. Dade is Director for the Centre for Trade and Investment Policy at the Canada West Foundation. He is also Senior Fellow at the School of International Development and Global Studies at the University of Ottawa and Senior Associate of the Americas Program at the Center for Strategic and International Studies, Washington, D.C. Mr. Dade's bio is much longer than that, and it has been circulated.

This is not the first time you have come before our committee. You know South America, Central America and Canada very well, and we're very pleased that you will share your expertise and opinions with this committee, as you have in the past. We are looking forward to hearing from you today as you bring us up to date on your perspectives on trilateralism since the last time you were here.

Welcome to the committee, Mr. Dade.

(French follows – Mr Dade – Merci beaucoup, Madame la présidente.)

(après anglais – La présidente: Welcome to the committee, Mr. Dade.)

Carlo Dade, directeur, Centre for Trade and Investment Policy, Canada West Foundation: Merci beaucoup, Madame la présidente. Avant tout, j'aimerais remercier le comité de son invitation et je souhaite une bonne journée à tous.

(anglais suit – Good morning...)

(Following French – Mr Dade – ... bonne journée à tous.)

Good morning to everyone on the committee.

First, let me bring greetings from our new CEO at the Canada West Foundation, someone with whom I'm sure many of you are familiar. Martha Hall Findlay has been Chair of the Canada West Foundation for a good few months now. Under her leadership we do hope to be back in Ottawa quite a bit more often, taking part in testimony and the events here on Parliament Hill.

I would also note that at the Trade and Investment Centre at the Canada West Foundation, which I run, we have a focus on trade infrastructure. We were just in town yesterday putting on a round table for Minister Sohi, looking at ways to incorporate private sector involvement and intelligence in the government's spending on trade infrastructure.

We also focus a great deal on the Pacific Rim. We have a *paper out at Policy Options on a plan B for the failure of the TPP*, if anyone is interested in what Canada should be doing in terms of Pacific engagement in North America.

Given the trade profile of Canada – back in Alberta, 90 per cent of our exports go across the border to the U.S. – North America is a singular focus of the Canada West Foundation and indeed of Saskatchewan, Manitoba, and even British Columbia: more than 51 per cent of that province's exports go south to the U.S.

What's happening south is indeed an issue for all of us, and I would like to follow Colin Robertson's testimony to you and take more of a look at what's happened in the U.S. and what follows in terms of rethinking some of the things we discussed the last time I testified and some things that are being discussed today.

I must note, though, that in looking at your report, it was a real pleasure to see Recommendation 7 taken up in it – the strengthening of subnational relations. This is something on which we are focusing an intense amount of effort at the Canada West Foundation, and it will be a major focus of my work going forward. I will have a few suggestions and ideas at the end for things that can be done in the subnational context.

This morning, I would like to discuss three things in the time that we have.

First, I'll offer a note of insight and caution about this very type of exercise, post what we have just seen in the U.S.

As this is a very sophisticated group, more so than several with whom I speak, we can skip the introductory, "Why is the U.S. important?" We can also skip the things that are being discussed prominently in the news, and I would like to hit three issues that aren't getting a lot of attention that I think deserve and warrant a deeper look from committees like this and from Canada.

Finally, I'll offer a few ideas for dealing with some of the issues I mentioned and also dealing with the new environment.

First, on the note of caution, if you go to *Huffington Post*, I had an article out five months ago saying that there's no way in bejesus that Trump could ever win the election. I had a list of reasons, a stunning logic and analysis, clarity, evidence, data. Two weeks ago, I put up a piece saying I was wrong. But it's not just that we as analysts were wrong about Trump winning. It's not just that we were wrong about the big things; we were wrong about damn near practically everything.

So you have to have a ground game to get out the vote. Wrong. You can't win with Twitter. Wrong. You have to spend on TV commercials. Wrong. You have to win the Philly suburbs to take Pennsylvania. Wrong. This is the year of a woman. Wrong. This is the year we finally see the Latino surge. Wrong. There are no hidden Trump voters. Wrong. You cannot win by insulting veterans. Wrong.

It's not just that we were wrong; it's that we were so wrong about so much for so long. And we and I include myself in this were so hard-headed about admitting that we were wrong and facing up to data that contradicted our analysis and data that didn't make sense.

So I'd offer this note of caution, and I'm sure I'll do what every other witness before this committee and every other person you hear speaking on TV has done, admit that they were wrong about things in the past and that they are cautious in going ahead. We can't stop analyzing what's happening. We have to engage, but we really have to call into question our frameworks and the sort of facile assumptions and our confidence in our ability to gather intelligence, to understand intelligence, to interpret intelligence and to make predictions upon it.

We have seen a real seminal change in the States, and I just worry that enough of that caution isn't guiding our thinking going forward.

With that, let me touch on three things that I think are going under the radar in or thinking about changes in the U.S. after this election and how we should respond:

First, the Supreme Court. The average retirement age of the U.S. Supreme Court is 80 years old. We currently have, if I get this right, Bader Ginsburg at 83, Kennedy at, I think, 78 and Breyer at 80. I may have the last two mixed up. Trump has one nominee in hand, the vacant position that will tip the balance of the court, and he may have three others.

We're looking at generational change to the Supreme Court, the very real possibility of hard, conservative, rightwing justices in a majority that is someone accidentally having a heart attack proof for generations to come. Even if Bernie Sanders were to win the next two elections and Elizabeth Warren the two elections after that, you're still looking at a U.S. Supreme Court, the third leg of the governance stool, that is out of sync with the majority of people in the country who voted for Hillary Clinton.

What does this mean for a divided U.S., but, more importantly, what does it mean for Canadian interest? I don't know. But it's such a large change and such a profound potential impact that this is the type of question to which we need answers. It very well may be that this has no impact upon Canada and our interests, but, if that is the case, I would like to know now, rather than being surprised by something in the generations that come in the U.S. So I flag that.

The second change that's not being taken in the North American context and looking further south, is AMLO, Andrés Manuel López Obrador. He is the left wing, populist candidate who has twice failed for the presidency of Mexico. His MORENA party is currently leading in the polls for the 2018 presidential election. Several analysts, including folks in the Mexican government, are once again dismissive of AMLO's chances of winning the presidency, even if he is ahead in the polls, but what we have seen with Brexit, what we have seen in the U.S., what we have seen around the globe, should really make us not too dismissive of the possibility of his actually getting the presidency this time.

With a Donald Trump in the White House, this is enough, in my mind, to say, "Well, there's the push for Mexico to take the most populist option." So, in North America, we face the very real possibility of a right wing ideologue, antitrade demagogue, populist in the United States, and a left wing demagogue, ideologue, populist, antitrade president in Mexico.

So our neighbourhood has gone from being very good to being a lot more difficult. It's not just the U.S. we have to think about. It is the potential changes in Mexico.

If we're looking at engaging with the U.S. visàvis Mexico, we have to take into account the possible changes in Mexico. Let me be clear: This is not suggesting that we turn our back on Mexico or that we cut ties with Mexico or that we don't think about engaging Mexico in the short term to deal with the U.S. It is just a note of caution that we have to think about this now and that we should begin planning for this scenario and this eventuality and take this too into consideration.

The third idea is one that really worries me and what I think you have to be cognizant of in the States. The election was not just the defeat of Hillary Clinton and the gutting of the Democratic Party. Trump gutted the Republicans and the Republican establishment as much as he gutted the Democrats. He took out two

political dynasties, including a Republican political dynasty in the Bushes. The Republican elite, the old line Republican leadership with which we are familiar, which likes Canada, which knows us well, with which we are comfortable, which kept a lid on a lot of the more hardline appointments of the Bush era, is gone. I can tell personal stories from my time in the U.S. government of some of the Bush appointees in Western Hemisphere wanting to come after Canada and how the administration and more sober voices in the Republican Party kept a line on them. But those voices aren't there anymore, so who gets appointed at state, who gets appointed at WHA, sorry, Western Hemisphere Affairs of the undersecretary, these are important for us.

But the traditional establishment elite has been gutted. People like John McCain are weaker. Are they going to have capital to spend defending us when they are fighting other things?

The media was also gutted, the traditional media. You see in fake news stories, Internet news. So what happens as a fob experiment and I almost hate to say this out loud in public should we start seeing fake news stories in the U.S. about Canada having a thousand ISIS supporters amongst our Syrian refugees, we can't go to the paper that published the fake story because there is no paper. We can't go to the Washington Post or The New York Times to try and counter the false stories because they have been discredited and aren't trusted as sources, especially by the supporters of the new administration. So thinking offensively about protecting our relationship, our brand in the U.S., the Americans love Canada. We poll better than Obama. We currently poll better than Michael Jordan in 1997. (There are lots of New York Knicks fans in the States. That's why Michael Jordan didn't poll better than us,) but our brand is very good. We rely on that a lot, exemptions to Buy America, exemptions to COOL that we're thinking about in the future rely on our brand, rely on people liking us. We really have to think creatively about defending this.

I don't have an easy answer for what we do, but, again, as with the Supreme Court question, this is something we want to start devoting resources to. God help us if we need creativity out of the government, but we're going to need creativity and thinking about this at Foreign Affairs, at DFAIT.

So the last point is the one on Recommendation 7 from last time. Since I last appeared before this committee, I had the fortune to be a keynote speaker at the U.S. Council of State Governments, the western group's annual meeting, so this is a group of U.S. state legislators and state government officials who meet in caucuses. I'm sure some of you have been to the meetings. Actually, there were quite a few senators there. Our good friend Senator MacDonald, from Cape Breton, was at the Western meeting.

But the point about this is it was states from Hawaii through Arizona, Montana; all of the Western states were there, hundreds of U.S. state legislators. There were two dozen Canadians in the room, chairing committees, participating in meetings, working together on joint resolutions, disseminating information and building a brand, an awareness, an exemption of Canada as the other on joint projects, on working together, on common issues.

There was one Mexican. The consul general from Seattle showed up for a couple hours. Our consul general from Seattle was kind enough to invite the Mexican consul general to the reception that Canada sponsored at the event to which there were about 100 U.S. state legislators. He gave the Mexican consul general a few minutes.

But the point is that we have this forum to ourselves. There are 160 embassies in Washington DC, and 20 international organizations all crowding Congress, visits of foreign congress people and parliamentarians coming in.

But that's not the case in Boise. That's not the case in Sacramento. That's not the case in Springfield. We have these forums largely to ourselves. We can interact directly with American state legislators, people who are at the grassroots level, who are closer to smaller businesses and communities. This is a unique asset that we have in Canada and one that we really need to think about defending, in light of what's happened, in light of the changes in Washington but also in institutions in the States.

There are two GOPs in the U.S.: the one in Washington and the one at the state level. The one at the state level is the one we know. There hasn't been a cataclysmic change at the state level, so this combination gives us a real opportunity to advance and defend our interests.

Three ideas on this. First, we need the provinces to do more. I personally am pushing the provinces to lift budget restrictions on travel to the U.S. and hosting meetings. It's like a business in that if your business is hurting, you need to generate sales and your biggest customers change, you don't cut the travel budget or sales budget. You don't tell your sales force to stay at their desk. You have people out visiting your biggest customer in your market to try to win back share to protect your interests. This is what the provinces have to step up and do.

Foreign Affairs has to reverse the cuts to the enhanced U.S. representation initiative that were made by the previous government and, again, increase resources.

The feds can help the provinces. On Western diversification, the regional economic diversification groups can spend money to host meetings like the Pacific Northwest Economic Region, like the U.S. Council of State Governments, which will be holding a meeting in Quebec or Montreal in the near term. We can, we must, do a lot more on the public diplomacy front.

We can also look at replicating the *C trade table*. Replicate it to focus on the U.S. Have the provinces and the U.S. section of Foreign Affairs sitting down and meeting on a regular basis to share intelligence and to plan common strategies in terms of outreach.

There are concrete things that we can do to take advantage of the opportunities that are here with the statelevel engagement.

I would just stress overall that, in terms of the States, we're going to have to increase our engagement and our focus. This does not mean that we leave Mexico behind. This does not mean that we ignore the investments we've had and the relationship with Mexico, but we have to be smart about this. We can't do it in ways that make the Americans associate us with Mexico in a negative sort of way.

The U.S. and the Trump administration are focused on Mexico. We, on the other hand, poll highly, so we can't do anything to endanger that. At the same time, we can't ignore the investments and lose the investments we've made in Mexico. Mexico is growing. It will be part of North America in the future, and we have to be cognizant of that. We also have hard interests that tie directly with Mexico that warrant special attention.

It's just that until we know exactly what the Trump administration is doing, who's going to be appointed and what will happen, we have to keep our powder dry and our options open. Let me stress: This does not mean going at the bilateral route only, nor does it mean a reflexive embrace of trilateralism. We need to do what's in Canada's interest, and we need to make that determination based on what we see coming out of the new administration.

But right now we can prepare, and that preparing is increasing our engagement at all levels, but especially at the provincial level. That's something I think the federal government can help the provinces do, and I think the provinces would certainly welcome it. Thank you.

The Chair: Your opening remarks were not only amusing but I think factual.

You say that you're worried about the ideologues in Mexico and in the United States. Just a bit humorously, in the last week or two, we're hearing that it's not any ideology in the United States. It may be ego on the one hand, but it's going to be much more practical than that. If you knew what an ideology was, you could trace it, but if it's going to be pragmatism, then I think your statement of the end is the better one – that we focus what is in Canada's best interests and strategically be prepared to react if we have to, but we should set our own course.

We're doing a trade study, because trade agreements have been on the map. We are hearing that trade agreements alone don't bring economic prosperity or jobs; it is innovation, productivity, education and all of these other factors. We're pondering what recommendations to make there.

I didn't hear any of that. You've just simply said, "Stand back and let Canada look after its interests." But what are our weaknesses that we should be reinforcing in this very unusual world? You focused in the United States, but we also have Europe now, which is not the Europe we were intending to deal with.

Do you have any comments?

Mr. Dade: Sure. You can expand the scope here a bit.

I'll take these in turn. On ideologues, Mexico and ideology. The ideologues I'm worried about in the States are of the 4,100 appointees that the president gets. Who comes in as Undersecretary for Western Hemisphere Affairs? In the past, we've had people who have been quite ideological about, say, Cuba, and I'm worried about those folks coming back in without a President Bush or someone above to temper their ideology and their beliefs in going after Canada for engagement with Cuba. So I'm worried about the ideology – obviously not with Donald Trump you're absolutely right he's not an ideologue – but I'm worried about the appointments he's making, and that's something we have to pay attention to.

On the idea of "more than trade," we're actually working on a project on creating a North American infrastructure bank to look at a way to make a proactive offer to the new administration to protect our most important interest in the U.S., which is the movement of factors of production across borders. I mentioned that 90 per cent of Alberta's trade goes south, but even in Central Canada, our joint ability to produce cars together, or out West our ability to make beef together, relies on an open border and a border that is competitive visà-vis trade blocs in Asia and Latin America that are investing in crossborder infrastructure.

So a concrete proposal and one that I think would fly well in Washington is a proposal for an institution and mechanism to allow our border infrastructure to protect jobs in North America. We have so many jobs that are tied to selling goods to each other and to producing things together. These jobs require us to be able to move factors of production. The average person gets lost when you say “factors of production,” but when you explain to the average person that Asia is investing in infrastructure banks, not just for financing but for knowledge, to improve their ability to make products together that they sell to us and to improve their ability to be more efficient to take jobs from us, and we have no such institution in North America; we are the only global trade bloc that doesn’t have an infrastructure bank, all our competitors who are trying to take jobs out of North America do. I think the average person begins to understand this.

You won’t convince every Trump supporter, but you can get more than enough with those who realize or answer the question “Do you want to trade at all?” If they say “yes,” do you want to trade with China, where three cents of every dollar that you import from China has U.S. content, do you want to trade with Canada where 25 cents of every dollar you import from Canada is U.S. content, or from Mexico where 40 cents of every dollar you import has U.S. content? That 40 cents or 25 cents is your job in the U.S.

If you want to protect that job from folks in Asia who have just voted to create a second infrastructure bank to try and take that job from you, then Canada has an idea for you. We can help fund infrastructure together. We are not a free rider. We will contribute to solving a problem that we both have.

Trump’s talked about jobs and he’s talking about infrastructure. We have a real possibility with this proposal, I think, to come at the Americans proactively to help solve two problems they have that are also problems we have. Also, we’d hopefully create an exemption for things like buy America for infrastructure spending. We will have copies of the paper here hopefully before the session is over and you can look at that.

That’s an example of something that can proactively engage the administration issues that they’ve announced are important.

Senator Downe: Thank you for your presentation today. Just as an aside, I understand that the Canadian Parliament is considering an increase of funding so parliamentarians can participate more in international meetings with their counterparts. That’s under consideration.

After President-elect Trump’s victory, the argument about the impact to trade deals has been raised in many quarters. The argument is advanced that Canadian corporations and multinationals have benefited greatly. We see the elimination of many companies and middleclass jobs. Either for technology or trade reasons, they have disappeared and may or may not come back.

If you look at the trade deficit we had in 1994 when NAFTA was signed, Canada’s trade deficit with Mexico was \$2.9 billion, and in 2015 that trade deficit was \$24.6 billion. In the same time period, our trade surplus with the United States has gone from \$23.7 billion to \$115 billion. So the arguments advanced are that the end of NAFTA may not be that bad for Canada. It would hopefully take Mexico out of the equation and we could continue our trade with the United States, where the bulk of our exports go.

What is your counter argument to that argument that's been advanced in some quarters?

Mr. Dade: First your point about trade agreements and jobs, I have two observations. One, people who tend to lose jobs tend to protest. I don't mean to be glib about this, but if you're gainfully employed, you don't have time to hit the streets.

We don't hear about the success stories for trade. A plant closing makes news. A second shift added to a factory isn't going to make much news. So I would question the data behind our perceptions about trade. We don't see the benefits. People who benefit don't talk about trade, and this has been the major push as well, to get businesses that do benefit from trade to start talking more and speak out about the benefits of trade when they do win a contract and when they do add a shift. We need to get that information out more.

The other aspect is we really haven't done a good job of protecting people who have been hurt. We won't even admit that trade agreements are tied to job losses. Yes, they are. Anyone who is an advocate for trade who says otherwise is lying to you, yet we won't even admit that when we have discussions about trade.

Things like the infrastructure bank are concrete ways that governments can show they understand these impacts and that they are investing resources in concrete ways that people can see and understand, not some vague promise about assistance or job training that may or may not do something for you. So we have to change our response and start responding in ways that are concrete.

In terms of NAFTA, my response to the shift would be Palliser Furniture. We don't have any senators from Manitoba. Palliser Furniture shed jobs in Winnipeg because they are producing furniture in Mexico. That has made them more competitive to sell in the United States, and they've added a smaller number of higherend jobs in design and sales in Winnipeg. If they were not able to move production to Mexico, they would have lost out completely in the U.S. market to furniture manufacturers from Malaysia. Bombardier will tell you similar stories.

We've lost a little to save what we're very good at, the higherend jobs where we've done better. This is a shift occurring globally. If we're going to close ourselves off to markets, if we don't want to sell wheat to places like Malaysia, if we don't want to sell beef to places like Vietnam, then we're also not going to be taking in imports. From a Western Canadian perspective, I would also argue that we have done well in terms of increasing some of our exports out.

It's a balance. We have managed to hold onto good jobs by integrating with Mexico. In a world where we stand to lose everything or to hold onto things that are really important, I would say Mexico has been crucial for us to hold onto things that are really important.

Senator Eaton: This has been fascinating, really fascinating. Thank you for this discussion.

You mentioned we should focus on trade infrastructure. I sit on the Senate Finance Committee and we're dealing with infrastructure issues. Could you elaborate a little bit more on trade infrastructure and where we should put it and what it is?

The Chair: Senator Eaton, I think maybe we need a definition, because both of us sit on Finance, and infrastructure bank there is a Canadian concept where I think this is different.

Senator Eaton: No. That's different.

The Chair: I think for the benefit of the group, you're referring to a new proposal, not the one that the federal government has put out for Canada. We need that on the record.

Mr. Dade: This would be completely different. The focus is on information and intelligence. The financing component of the North American bank would be a much smaller operation designed to deal with problems we have with the U.S. not being able to access Highway Trust Fund money. It's much more an intelligence function, like the World Bank, like the Asian Infrastructure Investment Bank, a source of information on integrated supply and production chains to improve decisionmaking about infrastructure. The financing fund is a lot smaller.

Senator Eaton: This would be comprised of experts from various fields, which you would then disseminate the information?

Mr. Dade: Correct. You'd have experts on infrastructure, financing and supply chains collecting information. We don't have information on integrated supply and production chains in Canada feeding into our infrastructure investments, so this is one thing that hopefully the Canadian infrastructure bank would be able to do. Talk to the private sector, which has supply chain information and can tell the government where it makes sense to place investments because of what Loblaws, Canadian Tire and some of the other big supply chains will do based on that, or what the railroads will do with that information. We don't have the mechanism to get that dynamic feedback in Canada, and we don't have that mechanism in North America.

I talked to Professor Matti Siemiatycki, who wrote the paper at the U of T. We've been talking back and forth about our various proposals, and the idea in Canada too was intelligence to improve the return on investment and to improve the decisionmaking about where to place the infrastructure. We talked with an ADM from one of the ministries. I won't rat him out by saying which one, but he says he's got a dozen proposals for the Lower Mainland in B.C., and he doesn't have the intelligence or the data to know which ones should be financed and which ones would give the greatest return on investment. Not based on what the proponents tell you, but what would happen in the community. If you make an investment here, how will other companies respond? How will the local economy move? How will major investors change their distribution centres and other things?

Senator Eaton: Are you talking about making investments into physical infrastructure?

Mr. Dade: Yes.

Senator Eaton: Such as ports, railways and energy corridors?

Mr. Dade: Yes. You could take the North American concept and expand it to digital. We have two options in the paper. One is for an institution that would fund within so many kilometres of the border on both sides, only hard infrastructure.

A second path is to fund the entire supply and production chain throughout Canada, the U.S. and Mexico. The second proposal would require criteria and knowledge as to what exactly is integrated infrastructure. You don't want the Governor of Kentucky suddenly finding a new pot of money to fund things in Kentucky that have nothing to do with producing things in North America.

If you take the more robust model, the one that will have higher returns in terms of improving our ability to make stuff together, you would need more intelligence and two years or so to do the work to figure out where the supply and production chains are and to develop the criteria. Then you could go beyond pipelines, electrical grids and bridges and get into the deeper things, but that would require a different level of governance.

We can't trust the Governor of Idaho not to spend on things that should be spent along the border elsewhere in the state. You would also need more intelligence. But that could easily be done by groups like the InterAmerican Development Bank, of which we have a member and which already has intelligence on Mexico.

Senator Eaton: Do you think you could do it from Canada, U.S. and Mexico, trying to keep politics out of it, trying to keep it in the form of something like banks? Do you think that is a possibility?

Mr. Dade: I think all of our competitors have done it. The Asians have two of these. The folks in Latin America benefit from the InterAmerican Development Bank, the CAF, the Andean Development Corporation. All our competitors have managed to set up models that work in terms of providing intelligence, permanent databases and permanent forums that aren't idiosyncratic and change from administration to government. Everybody has managed to do it around the globe. I don't see why we couldn't.

Senator Eaton: Are those other places like the Asian bank and the one in South America made up of democratic governments?

Mr. Dade: I think, yes, sure. Take the one in Latin America. The largest shareholder is the U.S. in the InterAmerican Development Bank. We're, I think, the third or fourth largest shareholder in the bank.

The funny thing is we've helped to capitalize the InterAmerican Development Bank, we've helped to capitalize the Asian Development Bank, the African Development Bank, yet we don't have a similar institution.

So as to the democratic issue, we're part of each of these institutions. We sit on the boards of these institutions. We finance the InterAmerican Development Bank so much that we've got our own seat. I think it's us and the U.S. that have our own seat. Everyone else shares seats with other countries.

So, yes, we have done this before.

Senator Lankin: I'm very interested in what you're talking about in terms of the infrastructure bank concept. I think one of the challenges we've had is that over the years there have been various initiatives of sectoral strategies and other sorts of things to try to collect some of that data. It has always been provincial based, and it's always been competitive. So this, of course, raises it to an international cooperative level, but it also would harness provinces in a different way.

I don't know if your report goes in depth on these examples of other jurisdictions, but it's something, Madam Chair, that I would be very interested in receiving more information on and being able to delve into that.

I'm going to ask you a couple of questions about other parts of your presentation.

You talked about international and interparliamentary diplomacy as a tool. You said provinces need to do more – the funding, the foreign affairs enhanced U.S. relationship. You talked about replicate C3, and the infrastructure base.

Those are elements of a broader strategy. Where does that strategy get housed? How does that get enacted? What complementary roles can the Senate and others play to move this forward? They might be great ideas but if they don't get knit together and if there isn't a comprehensive planning for, as you say, when things become more clear south of the border, we're going to be behind the eight ball.

Could you talk about what steps would help us move forward on that?

Mr. Dade: Real work. We need a new strategy for North America, and that has to come from the government. Parliament and the Senate can play roles in terms of holding hearings to help determine this, but we need an overarching strategy.

I just gave a presentation to the B.C. federal council where my copresenter also likened the need for a response to resemble 9/11. On the one hand, I understand what they're trying to say, that in terms of coming together and singular focus this is what we need. So I would say, yes, that's what we need in strategy. Coming together, singular focus, coming out with a coherent strategy to respond – that would include subnationals – but I would never use that analogy. It's a little too much. I think it's a little too alarmist.

What we do need is clearheaded focusing on the strategy. The strategy has to include subnational engagement.

But the strategy would think longer term. How do we adapt to the new U.S.? How do we respond to the gutting of the traditional party elites? How do we respond to the fact that there are two GOP parties, one at the state level and one at the federal level? What do we do about defending our reputation in a world where traditional media is no longer there? These are the elements that would have to come together.

But, yes, that's a job that only elected government can do. Folks like myself, Colin and Laura, can offer you ideas and thoughts and can even help with it, but at the end of the day, the government has to set the strategy.

I would also note that regarding this trilateral bilateral argument that we're seeing resurface, we've got to come to ground on this in the country. We can't go down to the States with two different approaches. Well, I think we all know what will happen to us if we go and we're not organized and clear on that. So that's something else the strategy would help us hammer out and come to a common point on.

Senator Lankin: Another question in a different area: I'm relatively new to participating in this committee – new to the Senate as well, but new to this committee – so I don't have all of the background of the reports that you've done and the recent report that you are referring to.

I heard you talk about let's hold our powder and we have to come to terms, as you said, with bilateral-trilateral but we need some more information.

Keeping the home fires burning in terms of relationships, though, is an important piece. I think you alluded to that. We don't go down and embrace Mexico in a way that feeds into paranoia and a U.S. administration, but that relationship is important.

I'm wondering at the state of our soft relationships with Mexico. I'm sitting beside someone who has a particular interest in the arts and the role of art exchanges and internationally and what role that can play.

I'm also thinking about education. I was on the board of Seneca College at one point in time in Toronto, which is the largest community college in the country. The board management strategy, supported by the board, was for a major expansion in attracting foreign students and in setting up institutions or support for institutions in other countries. And that's not the only postsecondary education institution that's done that. We see numbers now of foreign students in Canada, the two largest being 34 per cent from China and 14 per cent from India. Those are both target countries for a lot of postsecondary education. There's a growing middle class in Mexico. Mexican students currently are 1 per cent of foreign students.

Is this an area in terms of our relationships that are not direct hard political, direct diplomacy and direct trade that we should be looking at utilizing as a way to continue to keep relationships growing strong?

Mr. Dade: Absolutely. It's also in the area where creativity is needed. The CanadaMexico partnership meeting was just here in town and they were talking about educational exchanges. My wife actually is a director in international programs at University of Calgary, and she's working on exchanges with Mexico so I know that file well. We've been at this path for ages with minimal return on our investment. We've created scholarships but the scholarships aren't being taking out. The education route, while important, is an easy one, and it's one where we haven't seen, I would argue, the real returns. We need to get more creative.

The real issue, as I think I mentioned in the last report, is that we do not have a single centre for the study of Mexico in Canada. We don't have a single centre on North America. I don't mean a university department with academics who work on really interesting esoteric issues in the relationship, but a hard policy centre, a group like Canada West that focuses on immediate, relevant communications and networks. We don't have the policy chops on Mexico. I don't think we have the policy chops on it is U.S., to be frank.

I think of my counterparts in the U.S. where there are centres on Canada, where there are centres on Mexico. If you look at Mexico, they have more think tanks doing more work on Canada than we have on centres doing work on Mexico. I'm a member of the Mexican Council on Foreign Relations. I'm the only Canadian resident in Canada who is a member.

So it's on the hard policy side where we don't have the connections and we really need the investments.

Let me add that it's not just us. I'm going to call Mexico out on this; Mexico has to invest. Mexico has to come to the table in a way that is serious. On the Canadian side, after doing this for decades, I am a little tired of always having to carry the load for Mexico on this.

So we also need to deliver a blunt message to the Mexicans that just as they finally began to pick up their public diplomacy game in Mexico, they have to do the same thing in the States.

The visa issue that we had before, the Mexicans are puzzled as to why a majority of people from Alberta, Manitoba and Saskatchewan are in favour of keeping the visa. How much have you visited any of these places? How much are you publishing the papers? What are you doing to promote Mexico, to create these sorts of ties?

As Jim Prentice, bless his soul, said to Albertans: You have to look in the mirror. I think for Mexico, too, in terms of the relationship in Canada, they need to look in the mirror as to what they haven't done.

On our hand, yes, we could do a lot more in Mexico, but I would argue that we have been at it a lot longer and a lot harder, and especially in the States. If Mexico wants to come with us in the States, if Mexico wants to take advantage of the subnational route, they're going to have to start investing more and they're going to have to start showing up.

The Chair: I have a couple of final questions.

You've said at one point that we shouldn't invest in Mexico; now I'm hearing that we should. Obviously, you're saying what we have been doing isn't the route, that we should develop new strategies.

Mr. Dade: Exactly. We need to continue the education and the scholarships. But that can't be the, easy, entirety of our response. Every time this issue comes up, we go back to scholarships and education. Yes, education; yes, scholarships – but let's start thinking creatively. Why don't we have policy centres in Canada that are focused in North America? The Alberta Institute for American Studies closed a few years ago, and to my mind that's one of the last ones that we had in this country.

We don't even have a centre on the United States. We don't have the equivalent to the U.S. think tanks that have people working on Canada and doing Canada programs, let alone Mexico. How can we hope to compete in the policy environment in thirdtrack diplomacy, and people working on projects like a North American infrastructure bank as the centre of their work as opposed to something that they are doing on the side?

We need to increase our policy chops, I think, more than our education. Education is fine. We're investing in that; that's fine. We don't need to throw more money at that. But we do need to think creatively and we do need to think about new channels.

The Chair: It's been sort of a therapeutic counselling session, which I'm enjoying.

I want to use an example. When I was posted in Africa, Australia made a strategic move that they weren't going to blanket the world, and that they were going to concentrate on their AsiaPacific. They knew there would be downsides in moving out their diplomats and strategically moving into AsiaPacific. They did that, and now they are moving strategically, further and further, enveloping world initiatives.

Canada, it seems to me – and it's gone from government to government – keeps finding a region, and we're concentrating on it; and then we find another region and we concentrate on it. We have done some geographic studies – we did Russia, China, India, Turkey, Brazil – and we're always told that Canada is a little late to the table. When a country moves and changes, strategically other countries are there to benefit. So they know where they want to go, they know what they've got, and they know how to leverage that.

Canada seems to pivot. That's really a U.S. term, but we seem to be doing a lot of that. Is the subliminal message you're giving us that Canada should determine its strengths, get its house in order on innovation, technology, education, et cetera, and then be ready to respond because of our national interest, rather than saying, "Where can we find our niche when everyone else is jockeying there too?" I don't know if that makes sense.

Mr. Dade: It does. Thank you for that question. Let me move from subliminal to blunt, maybe offensively so.

We in the West have seen this country invest resources in places that do not matter for our prosperity, that do not matter for the future – not of the West but of this country. We're getting sick and tired of this out west; it's time that we got serious about doing things that advance our interests.

We have only one trade agreement across the Pacific with Asia. Countries that compete with us for these booming global middleclass markets – this is where the growth of the world is going to be: 3 billion people added to the global middle class, consumers, and the majority of them are around the Pacific Rim. Yet we have wasted time and effort in negotiating with CARICOM, and we have wasted time and effort signing agreements with countries like Honduras. Even the agreement with CETA, a region with a middle class that's stable and not growing, is not going to be key to our longterm prosperity, and certainly not for the West.

I think we've had it out West. This government has to focus on the Pacific Rim. Australia has over a dozen trade agreements around the Pacific; New Zealand has more than that; even Chile has more than that. If you're in B.C. and you're selling salmon, ore, fruit, wine or timber, you're competing with countries like Chile that have agreements. So we are losing out.

If this government, if Ottawa, is not committed to signing these agreements, I think it will have a real problem in Western Canada. We need access to these markets. We need a level playing field with our competitors. We need to get our goods and products to these markets, and we are losing out.

Countries that have had trade agreements are building advantage. We saw what happened in Korea when the Australians signed an agreement and the Americans signed an agreement. In our TPP paper you can see Canadian pork sales going down and American sales going up. We are doing this time and time and time again around the Pacific.

We need to focus on our interest and what will ensure longerterm prosperity in Canada, and that means, first, defending market share in the U.S. – the richest, fattest, easiest market in the world into which we have privileged access.

Second, it means engaging around the Pacific, where we are woefully behind. Only Ecuador has fewer trade agreements with Asia than do we on this side of the Pacific. I think that we in the West – I can't speak for the West, but I can certainly speak as a voice from the West, and I can tell you that we would like to see stronger engagement around the Pacific. Thank you.

Senator Ataullahjan: We did a study on AsiaPacific, and while we were travelling and hearing from witnesses, the one thing we consistently heard was that Canadian businesses are riskaverse. Also, the way Canada and Canadian businesses do it is they go for a meeting, spend a day or two, and if nothing happens, they leave. In certain countries, it's about building relationships before you get involved in business.

How do we get this message to Canadian companies? We also heard from witnesses who went to the extent of saying that Canadian businesses lack courage. It seems we are being left behind because we are not willing to take risks. I don't know how we can get the message across to companies that it's worth it for them to spend time and money there so they can pick up some business.

Mr. Dade: I think we do have companies that are engaged. I'm talking about helping those companies that are taking the risk, that are going out, and simply levelling the playing field for those companies that are moving commodities, that are moving services into these markets.

We do have companies that are going out, and we're making it difficult for the ones that are going out, which doesn't send a good signal to the ones that are thinking about going out but haven't gone out. So the first thing we can do is to level the playing field and create opportunities. Groups like the Asia Pacific Foundation are working on Asian competency, starting at the elementary school level, to try to raise generations that are more comfortable going abroad.

I think the issue isn't that Canadian companies aren't courageous; I think it's that Canadian companies are smart. If you have access to the fattest, easiest and richest market right next door, why would you work twice as hard to make half as much money someplace else? We have been cursed by our success in this country. We have been cursed by the blessings that we have had from being next door to the U.S. Yes, I know there are problems with the U.S., but try being Uruguay and being stuck next to Brazil and Argentina. You realize how good we have it being stuck next to the U.S.

I think it's a combination of factors, but companies are going out. If we can sign agreements to make things easier, I think we can convince more companies.

Then it's groups like mine that are constantly advocating. We're putting out a series of case studies on how to get into the Korean market, trying new forms of communications for business. We're talking to chambers of commerce. I'll be in Lethbridge in a couple of weeks talking about this.

We're trying, but clear opportunities make it easier for those companies that are there.

The Chair: Thank you. I think you have exhausted all of our questions and provoked us and given us some new ideas about trilateralism or bilateralism. You have gone even further to talk about other agreements.

We are in the process of putting forward a trade report, and we're also looking to update our trilateralism report.

Thank you very much for coming today. As usual, you've left us with more than I had even hoped when you were called. Thank you and your group for the work you do.

You said you had some papers. If you can leave them with the clerk, we'll make sure that they get into the right hands.

(French follows – **M. Dade:** Malheureusement, c'est en anglais)

(après anglais La présidente:... make sure that they get into the right hands.)

M. Dade: Malheureusement, c'est en anglais seulement. Il y a des demandes pour publier quelque chose en français, mais j'espère que ce n'est pas un problème.

(anglais suit La présidente: We appreciate your organization...)

(following French – Mr. Dade – ...que ce n'est pas un problème.)

The Chair: We appreciate your organization.

I want to inform senators, you will get an email shortly. The Deputy Speaker of the Vietnam national assembly is here and has asked to meet with us as a delegation. We don't have the time, so I'm going to propose an informal meeting, and the time that has worked out for them is December 6, Tuesday at 9 a.m. So those of you who can come, we can meet with the Deputy Speaker of the Vietnam national assembly.

(The committee adjourned.)