



# DEBATES OF THE SENATE

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1st SESSION • 42nd PARLIAMENT • VOLUME 150 • NUMBER 135

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## **STUDY ON ISSUES RELATING TO FOREIGN RELATIONS AND INTERNATIONAL TRADE GENERALLY**

**SEVENTH REPORT OF FOREIGN AFFAIRS AND  
INTERNATIONAL TRADE COMMITTEE AND REQUEST  
FOR GOVERNMENT RESPONSE ADOPTED**

Speech by:

The Honourable Diane Bellemare

Tuesday, June 20, 2017

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[Translation]

### STUDY ON ISSUES RELATING TO FOREIGN RELATIONS AND INTERNATIONAL TRADE GENERALLY

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FOR GOVERNMENT RESPONSE ADOPTED

**Hon. Diane Bellemare (Legislative Deputy to the Government Representative in the Senate):** Honourable senators, the report of the Standing Senate Committee on Foreign Affairs and International Trade, entitled *Free Trade Agreements: A Tool for Economic Prosperity*, is very insightful and instructive.

The committee held broad consultations and I commend it on that. It heard 53 witnesses over 18 meetings held between February and November 2016.

To put this into context, the new independent senators were not yet members of the committee at the time. I did not participate in the work, but in my previous job as president and CEO of the Société québécoise de développement de la main-d'œuvre, I participated in implementing Quebec's active labour market policy, so I would like to share some constructive comments about some of the report's recommendations.

I subscribe to the general thrust of the report, which is that free trade agreements are necessary to Canada's economic prosperity but are not an end in and of themselves. The report reads as follows:

Free trade agreements do not guarantee success for Canadian businesses in the global marketplace.

Nevertheless, as the report states, free trade agreements are necessary. We must not forget that Canada is an open economy and that our economic performance and standard of living are due in large part to our international success, especially at the provincial level.

I would like to point out that, from earliest colonial times, Canada's economic development has hinged on the development of natural resources, such as furs, cereal crops, minerals, wood, and fossil fuels, for export. Canada's economy has been shaped by resource development and economic openness.

Over the years, Canada's economy has diversified, but developing our resources for export is part of our economic history, and we rely on international markets to maintain our standard of living.

For purposes of comparison, our goods and services exports represented 31.5 per cent of our GDP in 2015, compared to 12.5 per cent in the United States. The World Bank produces a more comprehensive index of our openness to the world. That international trade index, which also takes our imports into account, reached 66 per cent of GDP in 2015, compared to 28 per cent in the United States. Clearly, Canada cannot afford to be protectionist. Nonetheless, some Canadians are afraid of open

markets and the globalization of the economy. In fact, both in Canada and elsewhere, the public harbours many fears about the modernization and liberalization of trade, and this is a source of economic insecurity for them. This is true of the changes associated with opening markets, as it was of the changes associated with adopting new technologies.

The public's fears concerning greater market openness remind us of the fears of machines replacing humans that came with the adoption of new technologies. Even though these changes very often enhance collective wealth, they nonetheless create winners and losers and they call for adaptation. In fact, the insecurity resulting from change is what prompts many people to oppose it.

This is the backdrop against which I say these words. Signing free trade agreements is a collective choice that leaves some people behind, and we therefore have a duty to compensate the losers, preferably proactively, by giving people access to effective ways of adapting to the changes, whether they result from free trade agreements or from adaptation to new technologies. It is crucial that they be given that access, because it is ultimately Canadians' efforts to adapt that will determine the extent of the gains we may achieve from a free trade agreement and from technological change.

[English]

In other words, we must compensate those who support the consequences of change in order to realize the collective gains of change.

[Translation]

Let's return to the statements we are being asked to endorse and adopt as our own. As the report points out, the role and importance of international trade agreements in fostering prosperity are often misunderstood by Canadians. Canadians understand that trade agreements support and expedite globalization and increase competition. That same competition can, as the report points out, serve as a catalyst that stimulates productivity and innovation, but it does not happen automatically. Increased competition will produce positive effects in cases where the economic actors take concrete action to adapt and make the necessary adjustments.

People usually need a little help adapting to change. Appropriate government measures are needed, because if people cannot adapt, there can be no gains. Adapting to change must also be done proactively because, as the report indicates, success on global markets begins here at home.

This simple statement struck me as the key message of the report. The question then becomes, how does one prepare for change? What tools, devices and programs are most likely to be the most effective in encouraging individuals and businesses to continue to adapt? To that end, the committee states the following in its Recommendation 3, and I quote:

That, when a free trade agreement is signed and prior to its ratification, the Government of Canada make public a "free trade agreement implementation strategy" in

relation to that agreement. The strategy should identify federal measures in two areas: those designed to help Canadian businesses benefit from that agreement, including in relation to trade promotion; and those intended to mitigate the agreement's potentially adverse impacts, including transition programs for negatively affected Canadian workers, sectors and regions.

On that point, I would like to emphasize that labour market impact is not just one small consideration among many others. It is the central element that determines whether an agreement will be accepted by the Canadian public. I reiterate this because it is very important; Canadians are worried about their economic security.

The likelihood that they will listen to the argument in favour of any change, whether it has to do with trade or technology, depends on the extent to which governments provide concrete measures that ensure the transition to another job, because that is the best way to compensate the people who lose their jobs.

That is why I would like to qualify this Recommendation 3. It is not effective to adopt an implementation strategy based on measures specific to each agreement. Rather, in my opinion, we must create a toolkit that is accessible to everyone and that fosters adaptation to all changes, regardless of their origin, be it free trade agreements, globalization, technological obsolescence, or adaptation to technologies that eliminate jobs, such as artificial intelligence.

An ad hoc approach results in measures that are specific to the groups affected by the provisions of each agreement. Choosing such an approach results in a segmentation of government assistance at the expense of accessibility. That is not what we should be aiming for in the area of jobs and training, which are central to the ability to adapt to any kind of change. Such segmented government approaches have led to inequities in the past. Why give special treatment to people who suffer the direct effects of a trade agreement rather than help everyone who has to adapt?

As CEO of the Société québécoise de développement de la main d'œuvre, it was my job to manage agreements like this, that were specific to people who worked in manufacturing, in the footwear and textile industries. All of these agreements specific to particular age groups or economic activities create a lot of frustration among the public because people wonder why they are getting hit while others are not.

The proposed agreement-by-agreement implementation strategy must be based on measures that are accessible to everyone. That way, there will be no inequities. In spite of the enormous progress made in the last 20 years, we have fragmented employment programs designed for older workers, youth, Aboriginal people, or persons with disabilities or apprentices, while the most costly programs always relate to EI benefits.

The forum of labour market ministers, which brings together all federal and provincial ministers responsible for labour market measures, including job training, is a major actor when it comes to adapting to globalization. The forum of labour market ministers has called in the past for simplifying and consolidating the various programs to make them more accessible. The last budget announced a substantial reform of the labour market agreements with the ultimate goal of fostering the ability to

engage in suitable, productive employment for all Canadians who want to work. We must applaud this development and ensure that the committee's recommendations support these federal-provincial concerns.

Nonetheless, the killer question—which you asked in your brief and a number of people are asking themselves—is this: Are the existing labour market measures and the active labour market policy really effective? The committee questioned the effectiveness of programs to assist displaced workers, particularly in relation to education and skills development, as well as strategies to help certain sectors adapt to rising competition. That is the reason for Recommendation 5 in the report, which asks for an independent evaluation of labour market measures intended to mitigate the impacts of trade agreements. That is an entirely legitimate question, but, unfortunately, the real impact of these measures cannot be evaluated as such things can in the pure sciences.

I have done studies on this subject in the past, based on which I can say that countries that invest in active labour market measures achieve better performance in terms of employment, productivity, and price stability. In that regard, I would point out that the active labour market policy—what I am referring to when I talk about a toolkit that consolidates all of the measures, programs and arrangements to help individuals adapt to change—is underfunded in Canada in comparison with investments in this area by other countries and by countries that are highly open to the world such as the Scandinavian countries, which have very high export and import rates.

According to the OECD figures that I analyzed for my last book in 2010, investment in Canada in active labour market measures amounted to 0.33 per cent of GDP, compared to 0.73 per cent in Sweden, 0.94 per cent in Germany, and 0.66 per cent for all OECD countries.

Again, overall, OECD nations invest, on average, 0.66 per cent of GDP in active labour market measures, compared to 0.33 per cent in Canada.

Moreover, our investments in passive labour market measures, that is, income support, are above average among OECD countries. In total, we invest more in our labour force than many countries; it is just the distribution between passive measures and active measures that differs.

Some of our measures today could therefore certainly be more effective, and we have to reflect on that before we can improve the effectiveness of labour market measures. Nonetheless, I believe we must guard against throwing the baby out with the bath water; let us instead invest in these kinds of measures in earnest, as they will help people to adapt to all sorts of changes. With a whole package of measures, we can then develop an adaptation plan for each agreement, one that will leverage these commonly-accessible measures included in the package and that everyone will be able to use to adapt to technological changes or the changes associated with a free trade agreement.

That way, no one will be able to apply to international tribunals, claiming our subsidies amount to unfair trade practices.

This concludes the bulk of what I had to say regarding this report, on which I congratulate the committee members. They have done a good job and an enormous lot of work.