

Canada – United States
Inter-Parliamentary Group
Canadian Section



Groupe interparlementaire
Canada – États-Unis
Section canadienne

**Report of the Canadian Parliamentary Delegation respecting
its participation at the 73rd Annual Meeting of the Council of
State Governments' Midwestern Legislative Conference**

Canada-United States Inter-Parliamentary Group

**Winnipeg, Manitoba, Canada
15–18 July 2018**

Report

DELEGATION MEMBERS AND STAFF

From 15–18 July 2018, Mr. Kerry Diotte, M.P., Vice-Chair of the Canadian Section of the Canada–United States Inter-Parliamentary Group (IPG), led a delegation to the 73rd annual meeting of the Council of State Governments' Midwestern Legislative Conference (MLC) in Winnipeg, Manitoba. The other members of the delegation were Senator Victor Oh and Mr. Chandra Arya, M.P. The delegation was accompanied by Mr. Brett Capstick, Advisor to the Canadian Section.

THE EVENT

The MLC, which meets annually, is a regional association of state legislators from 11 U.S. states and provincial legislators from four affiliate Canadian provinces (see the Appendix). The purpose of the MLC is to foster regional intergovernmental cooperation in the U.S. Midwest through considering common problems, exchanging information and ideas, sharing knowledge and experience, and – as appropriate – pursuing collaborative efforts to improve state government.

DELEGATION OBJECTIVES FOR THE EVENT

The IPG aims to find points of convergence in respective national policies, to initiate dialogue on points of divergence, to encourage the exchange of information and to promote better understanding among legislators on shared issues of concern. Members of the IPG's Canadian Section meet regularly with their federal counterparts, and also attend meetings of U.S. governors and state legislators. At these events, Canadian delegates engage in conversations that help the Canadian Section to achieve its objectives, and that explain the nature and scope of Canada's relationship with their country or state. At the MLC's 73rd annual meeting, Canadian delegates discussed opportunities for Canada and the U.S. Midwest to collaborate on improving regional economic development, the ongoing North American Free Trade Agreement (NAFTA) negotiations, and the United States' imposition of tariffs on certain Canadian steel and aluminium products. In addition, delegates benefited from presentations on a variety of policy areas that are important for both Canada and the United States, including supply management of certain agricultural products, criminal justice, energy and the shared border.

ACTIVITIES DURING THE EVENT

During the MLC's 73rd annual meeting, the following concurrent sessions were held:

- Agriculture & Natural Resources Committee:
 - Improving Water Quality through Agricultural Land Management: A Manitoba Perspective
 - Dairy Farming and Supply Management in Canada – An Overview
 - Canada's Protein Highway/Future of Hemp Production and Trade
- Education Committee:
 - Early Childhood and the Importance of Quality Early Education

- Mental Health Delivery in the Schools/Strategies to Provide Students with 'Deeper Learning' Opportunities
- Criminal Justice & Public Safety Committee:
 - Data-Driven Reforms Designed to Curb Recidivism, Reduce Spending and Improve Public Safety
 - Juvenile Justice Reform
- Economic Development Committee:
 - Creating an Entrepreneurial Economy
 - The Outlook for Manufacturing in North America's Heartland
- Health & Human Services Committee:
 - Addictions, Mental Health and the Opioid Crisis
 - Myth-Busting the Canadian Healthcare System: How Does It Really Work?
- Midwest–Canada Relations Committee:
 - The Impact of Tariffs and Trade Agreements on Communities in the United States and Canada
 - NAFTA and Beyond: Building on the Close Ties Between Canada and the U.S.

The plenary meetings, presentations and other sessions were the following:

- Shared Border, Shared Policy Challenges
- The Ties that Bind the Vital U.S.–Canada Relationship (keynote presentation)
- Overview of Fiscal Conditions, and Looking at Recent and Pending U.S. Supreme Court Cases with Respect to Taxation Matters (fiscal leaders roundtable discussion)
- The Art of Leading Through Continuous Change (featured presentation)
- The Lasting Legacy of World War I on U.S.–Canada Relations
- 2018 Elections Preview (featured presentation)
- Professional Development Workshop on Working with the Media (closing session)
- Improving Rural Access to Broadband Technology
- Common Sense Gun Legislation
- Transportation Funding Options
- Policies to Build a 'New Energy Economy'
- Rivers, Rails and Roads: The Midwest's Transportation Edge
- Suicide Prevention.

This report summarizes the plenary and selected concurrent discussions that occurred at the MLC's 73rd annual meeting.

THE IMPACT OF TARIFFS AND TRADE AGREEMENTS ON COMMUNITIES IN THE UNITED STATES AND CANADA

Dan Ciuriak, *Ciuriak Consulting Inc.* and *C.D. Howe Institute*

- Since being imposed in March 2018, the United States' tariffs on certain steel and aluminum products and other countries' retaliatory tariffs have affected the prices of some consumer goods; for example, in the United States, the price of dishwashers has increased by 16%, the price of soybeans has fallen by 13% and

the price of steel and aluminium in the United States have increased by 52% since March 2018.

- Since the United States began to impose tariffs on certain steel and aluminum products in March 2018, Chinese foreign direct investment in that country has declined by more than 90% and a significant number of Chinese corporations have attempted to sell their U.S. operations due to increasing trade uncertainty.
- There is a symmetrical relationship between tariffs and exports because a nation's imposition of tariffs correspondingly reduces its exports and, therefore, may not improve its trade balance; this relationship does not consider retaliatory tariffs, which can further reduce the trade balance of the tariff-initiating country.
- Notwithstanding the effect of retaliatory tariffs, the United States' recent imposition of tariffs on certain steel and aluminum products will likely cause a negligible short-term increase in its trade balance, making such tariffs of questionable economic value.
- Local markets and regional trade can be affected by tariffs and/or trade disputes to a much greater degree than is the case at the national level because businesses operating at the sub-national level ship their products to a relatively limited geographic region, which may be significantly disrupted by tariffs and/or trade disputes; for example, a business that operates near the Canada–U.S. border may lose one half of its market if sales to that market become unprofitable because of tariffs and/or a trade dispute.

Sherman Robinson, *Peterson Institute for International Economics*

- Since the Second World War, the “NAFTA bloc” – the United States, Canada and Mexico – has been the world's third-largest interconnected regional economy in terms of its share of global exports; at present, the bloc's share of global exports is approximately 13.9%, behind the European Union and the East and Southeast Asia bloc, at 47.5% and 26.2%, respectively.
- If the United States were to withdraw from global trade entirely, the result would be a 2%–5% decrease in such trade after markets adjusted to the change.
- The United States' auto sector is particularly dependant on the NAFTA bloc due to highly integrated supply chains; that country's imposition of tariffs on Canada and Mexico has resulted in higher costs for producers and consumers, as well as reduced auto sector exports.
- If NAFTA were to be repealed, and trading arrangements among the United States, Canada and Mexico were to occur pursuant to World Trade Organization (WTO) rules, 76% of Canada's goods would not be subject to increased tariffs, which would limit the overall impact of such a repeal on the country's economy; however, certain Canadian sectors – such as the auto and agricultural sectors – would be seriously harmed because of their integration with, or reliance on, the U.S. market.

- In general, when a nation imposes tariffs during the negotiation of a free trade agreement, other countries have a disincentive to continue with, or enter into, similar agreements with that nation; the imposition of tariffs undermines the purpose of a trade agreement.
- The degree of protection that the United States provides to its sugar, dairy, tobacco and peanut sectors is counter to the spirit of free trade agreements.
- The success of President Donald Trump's stated goal of bringing manufacturing jobs back to the United States depends on the availability of labour to work in that sector; the United States is currently near full employment.
- The U.S. states that shifted significantly from supporting Democrats to supporting Republicans in the 2016 election were also states where a high degree of roboticization had occurred in the manufacturing sector.
- As China's economic activity increases relative to that of the United States, the latter country's attempts to limit Chinese activity is a poor economic strategy; instead, the United States should invest its resources in ways designed to enable it to "outcompete" China.

CREATING AN ENTREPRENEURIAL ECONOMY

Melissa Roberts, *Enterprise Center in Johnson County*

- The American "Rust Belt" – an area in the northeast United States that begins with the region east of the state of New York, includes Pennsylvania, Ohio and Michigan, and ends in parts of Indiana, Illinois and Wisconsin – continues to decline, a situation that could be reversed by an enhanced focus on entrepreneurship; because entrepreneurs create jobs and increase the quality of life, the region could become more attractive to individuals.
- Entrepreneurs who were surveyed by the Enterprise Center in Johnson County believed that the U.S. government's assistance designed to help them incubate their start-up businesses is inadequate; they also reported that a disproportionately high amount of the government's resources and programs benefit large corporations.
- When compared to established commercial entities, entrepreneurs take greater risks in their businesses, which lead to more innovation.
- Governments should design their investment programs to foster competition between businesses, rather than to promote existing successful businesses.
- The government should consider educating students to be entrepreneurs, rather than to be competent employees.

- Educating entrepreneurs requires looking to the future to foster the skills that will keep the country competitive.
- In schools, initiatives to foster entrepreneurship can include extracurricular activities and job shadowing.
- A business culture that allows for failure produces greater innovation than one that does not.
- For entrepreneurs, the greatest tool is the availability of mentors.
- Often, the initial source of funding for an entrepreneur's business is credit card debt; public and private funding, as well as investment programs, should be more readily available early in the incubation of such businesses.

Gustavo Zentner, *InterPOC Inc.* and *Canadian Manufacturers & Exporters*

- Governments can foster entrepreneurship in the following ways:
 - Create a perception that successful opportunities exist.
 - Protect the intellectual property rights of citizens.
 - Provide individuals with the education and skills needed to run a business.
 - Allow entrepreneurs if the first one fails to move on to another undertaking
 - Facilitate networking among businesses.
 - Create a culture that supports entrepreneurs.
- The Global Enterprise Index measures the "health" of the entrepreneurship ecosystems in 137 countries; although the index ranks the United States and Canada at first and third, respectively, those rankings fall significantly if access to capital is removed from the calculation of the index.
- Governments should focus on the rate at which businesses adopt new technologies and not solely on the number of individuals that they employ; the former measure is a more accurate indicator of a business' productivity.
- Governments should support the labour market by educating students in areas that are aligned with employer needs.
- Governments should realize that the speed at which they legislate has a direct effect on business activity.
- Entrepreneurs are a diverse demographic group – from small coffee shop owners to new technology start-up businesses – and the policy initiatives that promote entrepreneurship should benefit this diverse group equally.
- For manufacturers, free trade, easy access to foreign direct investment and the unrestricted movement of labour are fundamental needs.

- Entrepreneurs should be included – alongside established business owners – in government consultations about business-related policies; as well, they should be encouraged to join business councils and other entities that aim to promote business activity.

KEYNOTE PRESENTATION: THE TIES THAT BIND THE VITAL U.S.–CANADA RELATIONSHIP

Premier Brian Pallister, *Government of Manitoba*

- Canada and the United States are connected by shared history and values, and by a mutually beneficial trading partnership.
- The tariffs that the United States is imposing on certain steel and aluminum products will ultimately be paid by taxpayers.

Gary Doer, *Dentons*

- When compared to Canadians, Americans are angry and frustrated about their governance; legislators should “manage” this anger and frustration.
- Joint efforts between Canada and the United States continue to benefit North America, particularly in relation to matters of domestic – including border – and international security, cyber security, the Beyond the Border Action Plan and the North American Aerospace Defense Command.
- It is in the interests of Canada, the United States and Mexico to ensure North American energy independence, and the nations should work together to achieve this goal.
- Canadians are offended that the United States could think that Canada is a security threat.
- Regarding the renegotiation of NAFTA, a dispute-resolution mechanism that is both efficient and non-litigious is required for a properly functioning free trade agreement.
- An expedited resolution to the United States’ imposition of tariffs on certain steel and aluminum products is imperative, partly because U.S. farmers are being negatively affected.
- When compared to businesses, individual consumers are less able to voice their opinions about a trade dispute; legislators should consider consumers too.
- Concerning the “irregular immigration” taking place as people travel from the United States to Canada, Canada is seeking a solution that promotes a single track to immigration that cannot be circumvented.

NAFTA AND BEYOND: BUILDING ON THE CLOSE TIES BETWEEN CANADA

AND THE UNITED STATES

Laura Dawson, *Wilson Center*

- Regarding the renegotiation of NAFTA, 32 chapters must be negotiated; to date, negotiations have been completed on nine of those chapters.
- A number of “poison pills” are impeding the renegotiation of NAFTA, including the proposals concerning a five-year sunset clause, the lack of an impartial dispute-settlement process and limited access to U.S. procurement contracts.
- There is unlikely to be much – if any – progress in renegotiating NAFTA until after the U.S. midterm elections; the result of these elections is unlikely to change the United States’ negotiating positions.
- The Office of the U.S. Trade Representative does not have the capacity to deal with the number of tasks it has been given and, consequentially, is behind schedule in its operations.
- Concerning the renegotiation of NAFTA, Mexico has leverage in certain areas that the United States wishes to address, such as immigration control and criminal enforcement; thus, Mexico is an important ally for Canada when seeking concessions from the United States.
- Dairy trade represents a small fraction of the total value of trade between Canada and the United States; as such, Canada may wish to consider a more flexible position regarding the country’s supply-management systems.
- The most contentious issues in the renegotiation of NAFTA are largely unrelated to the aspects of the three nations’ trading relationship that have the most significant economic impacts.
- Particularly important aspects of the modernization of NAFTA include phytosanitary measures, regulatory harmonization regarding shared borders, and digital modernization for intellectual property and e-commerce.
- While imposing tariffs under section 232 of the United States’ *Trade Expansion Act of 1962* is one of the few trade-related actions that a U.S. president can take unilaterally, such an action has historically been avoided due to complications that could arise as a result.
- Canada and Mexico benefit from European Union countries also being involved in a trade dispute with the United States.
- The most likely conclusion to the current trade disputes will be the United States’ realization that its trade policies are negatively affecting its economy; it will then begin to reverse the policies giving rise to the disputes.

- Notwithstanding the view of many Americans that manufacturing jobs have been “moved” to other countries, the reduction in the number of such jobs in the United States has primarily been due to the “roboticization” of work.
- The decline in the number of manufacturing jobs because of the “roboticization” of work is an issue that cannot be solved by trade policy, but rather by labour policy; labour policies could include government-led retraining initiatives and portable medical benefits.

Jeff Vassart, *Cargill Ltd. (Canada)*

- The United States’ agricultural sector continues to be adversely affected by the uncertainty about the renegotiation of NAFTA.
- One in ten U.S. farms grows crops that are exported to Canada or Mexico.
- Important aspects of the modernization of NAFTA include eliminating non-tariff barriers to trade, improving border processes and procedures, and maintaining effective dispute-settlement mechanisms.

THE OUTLOOK FOR MANUFACTURING IN NORTH AMERICA’S HEARTLAND

Bob Kill, *Enterprise Minnesota*

- Each manufacturing job that is created in Minnesota will lead to an additional 3.4 “downstream” jobs; when compared to all other sectors, manufacturing has the highest “employment multiplier.”
- More than 80% of the employers in Minnesota’s manufacturing sector have reported a shortage of qualified workers; this shortage exists in both rural and metropolitan areas.
- Minnesota’s export-related jobs have an average salary that is 18% higher than jobs in the state that rely solely on domestic markets.
- To address the manufacturing sector’s need for workers, high schools in some U.S. jurisdictions are beginning to reintroduce industrial arts classes.

POLICIES TO BUILD A ‘NEW ENERGY ECONOMY’

Minister Jim Carr, *Government of Canada*

- Escalating tariffs between trading partners lead to lower productivity in both countries.
- Canada’s energy sector is crucial for the country’s economic growth; the sector is responsible for 80% of the country’s greenhouse gas emissions.

- To ensure the future growth of Canada's energy sector, profits should be invested in renewable energies.
- Concerning renewable energy sources, Canada will seek a consensus for collaborative action at the next G7 meeting.
- Co-operation in the energy sector benefits all of North America, and increased energy security fosters domestic job growth in each nation.

Bill Ritter, *Former Governor of Colorado and Colorado State University*

- Because the U.S. Congress has not passed comprehensive energy legislation since 2007, the U.S. states have started to do so.
- While coal-fired energy has contributed to U.S. economic growth, demands for cleaner energy will lead such energy to be phased out; legislators should be honest about this outcome so that affected workers can begin to transition into sectors other than coal.
- Nuclear energy's "success" is connected to the "social licence" of spent-fuel storage, an example of which is the Yucca Mountain site in Nevada; this site, which was constructed to hold the United States' spent-fuel rods indefinitely, has not yet received any rods.
- When compared to nuclear energy, the cost of renewable energy is more affordable for the utility sector.
- The renewable energy sector continues to search for an ideal solution to the challenge of storing energy during periods when certain forms cannot be easily generated; for example, molten salt technology is being used in Colorado, while Hawaii is experimenting with connecting electric vehicles to the power grid to store energy.
- One day, the utility sector may be able to operate on 75% renewable energy sources, but conversion of the remaining 25% from traditional energy sources is seen as prohibitively expensive.
- Policies to "price" carbon are effective tools for "moving the market" towards de-carbonization; without such policies, pollution is an economic externality that is not considered.
- The United States has successfully implemented a cap-and-trade system for sulfur dioxide; such a system could also be adopted for carbon.
- In terms of damage to the environment, studies have found that the methane leakage that occurs when natural gas is produced could equal that associated with the production of energy using coal.

RIVERS, RAILS AND ROADS: THE MIDWEST'S TRANSPORTATION EDGE

John Fuller, *University of Iowa*

- Rail networks between Canada and the United States are very integrated; for example, Canadian rail services operate as far south as New Orleans.
- Rail and bus usage have declined sharply in recent years.
- In the United States, the value of shipments by pipelines exceeds the value of shipments by rail and water combined.
- The United States has more than 11 million heavy trucks operating on more than 4 million miles of public roads.
- On a per capita basis, Canada has approximately one half of the United States' road mileage.
- Every four years, the American Society of Civil Engineers "scores" the United States' infrastructure; in 2017, it gave the following grades to infrastructure associated with selected transportation methods: D for aviation; C+ for ports; C+ for bridges; D for roads; B for railroads; D for dams and inland waterways; and D- for transit.
- Canada's transportation infrastructure "scores" higher than that in the United States, but current levels of investment are inadequate to ensure high-quality services into the future.
- Electric and automated vehicles will significantly change urban transportation, and legislators should begin considering the form that these changes should take.

Joe Schwieterman, *DePaul University*

- The rate at which U.S. public transportation is being used is falling; this decline reflects such factors as an increase in ride sharing and telework, and lower fuel prices that have prompted owners to use their vehicles more frequently.
- Because public transportation services and ride-sharing companies often meet different needs, they could work as partners for their mutual benefit; for example, municipalities could provide ride-sharing providers with an incentive to drop off passengers at public transportation hubs, thereby reducing the need for public transportation routes where demand is low.
- To address the need for funds to finance urban transportation infrastructure, Chicago has instituted a flat tax of \$0.80 on each ride-sharing trip.
- Businesses that provide "luxury" bus trips involving a distance of up to 300 miles are beginning to compete with those providing short-distance flights; increasingly, consumers feel that flights are "uncomfortable."

- Providing rail service is complicated because of regulation at the municipal, state and federal levels in the United States.
- From 2017–2018, commercial air travel in the United States increased by 8% because “ultra low–cost” carriers put downward pressure on prices.
- Policy makers should consider the extent to which mass adoption of autonomous passenger vehicles could lead to an increase in urban sprawl.
- The trucking sector transports about 65% of the goods on which no or low tariffs are applied under NAFTA.
- The use of drones to deliver packages where distances are short is a distant possibility.

FEATURED PRESENTATION: 2018 ELECTIONS PREVIEW

Amy Walter, Cook Political Report

- The polarization of U.S. citizens can be described as “tribal,” with 50% of individuals identifying as Republican or Democrat because of their hatred of the opposing party, rather than because they agree with the policies of the party with which they have self-identified.
- The growing “tribal” nature of Americans is often cited as a reason for the “tearing of the fabric of American society”; however, municipal governments continue to function well and the “tribalism” appears to be concentrated at the federal level.
- An historical analysis of U.S. midterm elections reveals that the U.S. president’s party always loses seats, and that the president’s approval rating and the number of seats that are lost are strongly correlated.
- When a U.S. president’s approval rating has been below 50%, his party has lost an average of five seats in the Senate and 40 seats in the House of Representatives; on average, President Trump’s approval rating has been between 42% and 43%.
- According to a recent NBC poll, 63% of Americans believed that the U.S. economy is doing well, but this percentage did not seem to affect President Trump’s approval rating.
- Historically, voter turnout in U.S. midterm elections has been lower than in general elections.
- Polling data suggest that Democratic-leaning American voters are currently more engaged than are their Republican counterparts, that more young and female voters disapprove of President Trump than approve of him, and that engagement among visible minority Americans has declined sharply.

- The U.S. midterm elections could be construed as a referendum on President Trump, which may be what he is seeking.
- To date, President Trump has focused on initiatives that appeal to his voter base, and little progress has been made in expanding that base.
- During the 2018 U.S. midterm elections, Democrats will need to win 23 seats in the House of Representatives to have a majority, including in regions that supported President Trump in the 2016 general election; it is likely that Democrats will achieve this outcome.
- During the 2018 U.S. midterm elections, Democrats are unlikely to attain a majority in the Senate; 10 Democratic seats are up for re-election in states that the Republicans won in the 2016 general election.
- In the 2018 U.S. midterm elections, the Democrats are expected to win an additional seven or eight gubernatorial seats.
- In the United States, grassroots political involvement has increased significantly because citizens feel that they have little control over federal politics but wish to make some political contribution.
- The incentive structure for U.S. federal politicians is currently dysfunctional; they are not rewarded for passing legislation, completing work or reaching compromises, but rather for “loudly” engaging in the “political circus.”

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

Appendix

MEMBERS OF THE MIDWESTERN LEGISLATIVE CONFERENCE OF THE COUNCIL OF STATE GOVERNMENTS

U.S. States

- Illinois
- Indiana
- Iowa
- Kansas
- Michigan
- Minnesota
- Nebraska
- North Dakota
- Ohio
- South Dakota
- Wisconsin

Canadian Provinces

- Alberta
- Manitoba
- Ontario
- Saskatchewan

Travel Costs

ASSOCIATION	Canada-United States Inter-Parliamentary Group
ACTIVITY	73rd Annual Meeting of the Council of State Governments Midwestern Legislative Conference
DESTINATION	Winnipeg, Manitoba, Canada
DATES	15-18 July 2018
DELEGATION	
SENATE	Hon. Victor Oh, senator
HOUSE OF COMMONS	Mr. Chandra Arya, M.P. Mr. Kerry Diotte, M.P.
STAFF	Mr. Brett Capstick, Advisor
TRANSPORTATION	\$ 2,146.45
ACCOMMODATION	\$ 2,309.72
PER DIEMS	\$ 885.97
MISCELLANEOUS	\$ 2,067.70
TOTAL	\$ 7,409.84