

Submission to the Competition Policy Review Panel

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**United Steel, Paper and Forestry, Rubber, Manufacturing, Energy,
Allied Industrial and Service Workers International Union**

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The United Steelworkers (USW) is an international trade union with over 280,000 members in Canada. Steelworkers are men and women of every social, cultural and ethnic background in every industry and job. They work for employers of all kinds – public sector and private, profit and non-profit, domestic and international.

Our union is committed to ensuring that our members, as well as workers generally, are able to prosper and thrive in their workplaces and their communities. This commitment is reflected in Article II of the USW Constitution, which states that it is one of the objects of the Union to "perpetuate and extend social and economic justice in the United States, Canada and the world community."

The Competition Policy Review Panel has been asked to consider Canada's competition policies and its often-controversial framework for foreign investment policy with an eye to enhancing Canada's economic performance. This mandate covers ground much broader than might be implied by the panel's modest title, or by the business-oriented backgrounds of the individuals the federal government has chosen to serve on the panel.

Our union welcomes the opportunity to submit our views on the subject of "generating wealth and creating jobs and opportunity in a fast-changing global economic environment," as the challenge is described in the panel's Discussion Paper. We encourage the panel to consider the broadest ramifications of this policy arena, rather than narrow its analysis, as some might urge, to a business-driven "competitiveness" agenda that sets corporate profitability as the key measure of national success.

For example, the Discussion Paper, on page 4, makes the statement that "The public policy objective is to maximize opportunity for our domestic firms to grow into global champions and for our existing champions to further expand their reach." This may well be one useful objective for Canada's competition and foreign investment policy, but we would urge the panel to place at least a high a priority on policies that would maximize the benefits to Canadians -- as workers, as consumers and as citizens of their communities.

Concretely, this would affect how the panel goes about its plan (noted on page 3 of the Discussion Paper) to “look to international best practices and see how they may be adapted to fit the Canadian context.” Such a survey could easily be limited to countries that share a vision of rolling back regulations, taxes and public services in hopes that shaking all fetters off corporate activity will ultimately benefit citizens, and not just profits. Instead, we would encourage the panel to look carefully at some of the tools used by the countries that have been gaining manufacturing jobs at Canada’s expense, even if such measures as export taxes on raw materials or subsidies on energy could not be imported directly into our system.

In addition, the panel should take into consideration the context in which the Canadian economy is evolving, notably the collapse of manufacturing jobs and the impending necessity of combating climate change through significant reductions in greenhouse gas emissions. If the government were to act in the area of competition and foreign investment policies without regard for the current and future pressures in these areas, there would be a risk that the new policies could make difficult situations even worse.

It would also be a mistake to ignore the importance of accountability for Canadian corporate conduct abroad as an aspect of our investment policies. Early in 2006 the Government of Canada launched a consultation process to review issues of corporate social responsibility in the extractive sectors of developing countries. This process was a response to a 2005 Standing Committee (SCFAIT) Report which called for the adoption of mechanisms, in Canada, by which Canadian companies could be held to account for breaches of human, indigenous or environmental rights in developing countries. Four National Round Tables were held. On March 29, 2007 a Final Advisory Group Report was released. The Report included recommendations, developed by consensus through a highly participatory process involving representatives of the mining industry, civil society groups, and academics.

The consensus recommendations urged the Government of Canada to establish and promote a Canadian Corporate Social Responsibility (CSR) Framework for all Canadian

extractive-sector companies operating in developing countries. The Framework would include a set of standards, as well as CSR incentives, and reporting and compliance mechanisms.

It has been more than 280 days since the release of the Advisory Committee Report and the government has yet to respond. But it is not too late. We call on the panel to urge the government to promptly implement the recommendations. Canada's policies concerned with international investment and trade must include a CSR component.

As the government formulates its response to these issues, we would remind the government that the consensus recommendations were advanced as a carefully balanced package. We would urge the government to accept them as such. We note that voluntary compliance by companies to best practice standards is clearly ineffective in curtailing serious environmental and human rights abuses, and that the Advisory Committee recommendations are based on an explicit Government of Canada policy statement that all extractive-sector companies are expected to comply. Further, sanctions, in the form of the possible withdrawal of government financial and political support, are critical to encouraging corporate compliance.

While we are critical of the Discussion Paper for omitting some important topics, we also want to highlight issues that the paper appropriately calls attention to. For example, on page 19 the paper notes concerns that lack of transparency in the current process for approving proposed foreign investments inhibits any kind of public scrutiny of either the decision-making by government or the performance by the investor in living up to undertakings which are kept confidential. Improvements in this area are critical to any durable credibility for the process, and the panel should propose significant improvements in transparency, balancing the public interest with the limited genuine need for business confidentiality.

The Discussion Paper should also be credited with raising the important question, on page 33: "What impact does a higher-value Canadian dollar have on Canada's

competitiveness as a destination for investment?” From our union’s vantage point on the front lines of this issue, we can report that the soaring Canadian dollar has had a devastating impact on this country’s manufacturing and forestry sector, hitting both foreign-owned and domestic operations. If the dollar does not find a more appropriate level in the near future – either through policy levers or macroeconomic developments – the prospects for Canadian manufacturing as a destination for anybody’s investment will be grim. We commend the panel for raising this question and urge you to take its implications fully into consideration in your recommendations to government.

There are other aspects of the Discussion Paper, however, which we hope the panel will reconsider. On page 9 there is a sweeping statement that “our state of trade is healthy, with Canadian exports reaching an all-time high in 2006.” This is a seriously blinkered view, ignoring the dominance of resource exports at the expense of a suffering manufacturing sector that has enormous potential impacts on the entire national economy. These impacts are documented in a recent technical study commissioned by the Steelworkers, along with the Canadian Labour Congress, the Ontario Federation of Labour and the Quebec Federation of Labour (FTQ), from the economic consulting firm Informetrica.

To show how manufacturing supports jobs, the study estimates the effects of an increase in manufacturing exports, sustained over four years, of \$10 billion or 3.3%. Such an increase would generate 67,000 new direct manufacturing jobs, as well as another 48,500 spin-off jobs, three quarters of which would be in the service sector (everything from financial and legal services, to hotels and restaurants). The study, available on our website www.usw.ca, also follows the knock-on effects in great detail, including the impact on government revenues, public services, etc.

Another assertion in the Discussion Paper that invites contradiction is the statement on page 9 that the 1989 Canada-U.S. Free Trade Agreement “built upon the positive experience of the Auto Pact.” This is almost exactly the reverse of what actually occurred. The 1965 Auto Pact featured key “managed trade” provisions that, for instance,

required the auto companies to maintain production in Canada in proportion to their sales in this country if they wished to benefit from the elimination of tariffs. It is exactly this kind of performance measure that was missing from the Free Trade Agreement, then from NAFTA and from World Trade Organization rules, leading ultimately to a WTO decision requiring the Auto Pact to be scrapped – not that the Canadian government of the day tried very hard to keep it. If the panel is not able to make the distinction between the kinds of provisions at the heart of the Auto Pact and more recent trade agreements, it will have a difficult time making useful recommendations for future policy directions.

Aside from the issues applicable across all sectors, the panel also has a mandate to review existing special restrictions that apply in such sectors as financial services, uranium production and cultural industries, all of which are of interest to USW members. The Discussion Paper appropriately notes that many other countries have similar restrictions on ownership or control of assets in the nuclear sector, whether for reasons of national security, control of technology or both. We believe the rationale that existed when current restrictions were created is at least as strong today, and possibly stronger, and urge the panel to refrain from recommending any weakening of existing provisions.

The other sector we want to address directly is that of cultural industries. As the Discussion Paper notes, Canada and other countries have taken steps to protect their right to nourish cultural sectors that are important for sustaining national identity, notably in the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expression. Here, also, recent developments make the case for ensuring the survival of Canadian cultural expression more necessary, not less. We call on the panel to consider only proposals that would strengthen support and protection of Canadian broadcasting and cultural industries.

In closing, we want to make an appeal through the panel to the government that will be considering its recommendations. When the panel was appointed, we wrote to government ministers protesting that its members were drawn exclusively from the business world, without representation from labour, community or consumer groups or other aspects of civil society. The government chose not to address this imbalance in the

panel's membership. For this reason, we believe that the panel's ultimate recommendations should be the subject of a wide-ranging public process of comment and review, to ensure that all relevant perspectives are brought to bear on issues with ramifications far beyond the bounds of the corporate world.

Thank you for this opportunity to present our views.