



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

44th PARLIAMENT, 1st SESSION

Standing Committee on International Trade

EVIDENCE

NUMBER 108

Thursday, May 30, 2024

Chair: The Honourable Judy A. Sgro



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• (1530)

[English]

The Vice-Chair (Mr. Kyle Seeback (Dufferin—Caledon, CPC)): I will call the meeting to order.

Welcome to meeting 108 of the Standing Committee on International Trade.

I have a quick message about audio feedback. To all members and people participating in person, you'll see a little card on your desk and a place where you can put your earpiece when not in use. These measures will protect the health and safety of all participants, including our interpreters.

Some of you are participating virtually. This is a hybrid format. To members in the room, raise your hand if you want to speak. For members on Zoom, please use the “raise hand” function. The clerk and I will manage the speaking order as best we can.

Before we get to the witnesses, we have a couple of items we must deal with. I hope we'll deal with them very quickly so we can get on to the study.

You should have received a copy of the revised travel budget from the clerk. Is the committee in agreement to adopt the budget in the amount of \$162,031.38 for the committee's proposed travel to Ecuador?

Some hon. members: Agreed.

The Vice-Chair (Mr. Kyle Seeback): We also have a budget for the study of the CUSMA review. You should have received a copy of that from the clerk. Is the committee in agreement to adopt the budget for the study in the amount of \$14,000?

Some hon. members: Agreed.

The Vice-Chair (Mr. Kyle Seeback): Excellent. We're so agreeable today. Wonderful.

We have two panels of witnesses today.

In our first panel, from the Canadian Steel Producers Association, we have Catherine Cobden, president and chief executive officer, and François Desmarais, director of trade and industry affairs. From Canadian Manufacturers and Exporters, we have Ryan Greer, vice-president, public affairs and national policy. From Unifor, we have Lana Payne, national president, and Angelo DiCaro, director of research.

Welcome, everyone. Thank you for coming to this study, which I think will be an important one.

You will have opening statements of five minutes. I will try to keep you on time as much as possible, but I will give a bit of leeway.

We will start with Ms. Cobden.

I invite you to make an opening statement of up to five minutes.

Ms. Catherine Cobden (President and Chief Executive Officer, Canadian Steel Producers Association): Thank you, Mr. Chair and members of the standing committee. It's great to be back to address the committee on behalf of the Canadian Steel Producers Association. As mentioned, I'm joined by François Desmarais, our director of trade.

As you all know, CSPA is the voice of the Canadian steel sector and our pipe and tube industry. We have 13 members across the country from Alberta, Saskatchewan, Manitoba, Ontario, Quebec and, now, Newfoundland and Labrador. We represent pretty much 100% of the steel production in the country, and we have 123,000 direct and indirect jobs that are part of our industry.

Our steel ends up in a wide range of products. When you look around, steel is everywhere, and our main customers are in the integrated North American automotive, construction and energy sectors, to name some—there are many others. About half of our production, roughly six million tonnes, is shipped to the United States—around \$8.5 billion U.S. annually.

These stats help the members of this committee appreciate how crucial it is for the steel industry to maintain access to the United States market and, frankly, the gains that we've made in the previous CUSMA. You will also appreciate that global steel trade plays a strong role in the Canada-U.S. trade relationship; hence, we are here today to reiterate some of our most interesting and important proposals in our hope to see a smooth and successful review of CUSMA in 2026.

First, we believe it's crucial that we keep pace with the United States, our largest trading partner, with a modernized and aligned trade remedy system. We strongly believe this will ensure a better position for Canada as we start discussions on a CUSMA review. An important development is that, in 2019, as part of the section 232 bilateral agreement, Canada committed to implementing a monitoring system of "melt and pour" for the steel industry. I am pleased to say that this past February Minister of International Trade Mary Ng announced that system, and it will be put fully in place for all steel imports into Canada by this coming November.

Canadian and American steel industries strongly welcome this development. We cannot stress enough that further delay will be unacceptable to full implementation, so we need to get that done.

The prospect of steel transshipment remains a very significant concern to the USTR, the United States trade representative. Transshipment is part of a larger phenomenon called "circumvention". Canada has anti-circumvention laws to address this issue but, unfortunately, to date, no case has been taken either by the industry or the Canada Border Services Agency. This is an issue that the Americans care about deeply, and really, so does the Canadian steel industry. We feel it's very important that we rank anti-circumvention legislation updates and enhancements highly on our list of things to be done as we proceed into the CUSMA discussions.

Furthermore, the U.S. recently announced trade remedy improvements around very important trade policy, retroactive duties and how one goes about assessing unfair trade policies on state-owned enterprises. We need to keep pace and adopt the same approach. Frankly, these are things that, for many years, the Canadian steel industry has been asking for, and we'd like to see them brought forward. We think that it will be very helpful in putting our best foot forward as we enter those CUSMA discussions. Improving our trade system is how we protect the integrity of the North American market.

Last but not least, Canada has to adjust urgently to the evolving international steel trade order. In addition, in the face of intense challenges with international trade bodies, we need to consider adopting new tools to address industrial excess capacity. The U.S. administration did just that a couple of weeks ago. On May 14, the White House announced the imposition of a broad range of tariffs, under section 301, aimed at Chinese overcapacity, including the imposition of a 25% tariff on all Chinese steel entering the U.S. market. The CSPA believes Canada should and must follow suit.

• (1535)

As our major trading partners move to block or restrict excess high-carbon steel from entering their national markets, we believe Canada remains vulnerable to more Chinese steel. Although Canada currently has 18 tariffs on Chinese steel, China remains the third-largest exporter of steel into Canada. In addition to our domestic market concerns, we also believe the U.S. will be looking for specific leadership from Canada on how to address excess steel capacity from China.

Members of the committee, I'm happy to engage with you on these topics.

The Vice-Chair (Mr. Kyle Seeback): Thank you very much.

Mr. Greer, I invite you to make an opening statement of up to five minutes.

Mr. Ryan Greer (Vice President, Public Affairs and National Policy, Canadian Manufacturers and Exporters): Thank you, Chair, and thank you, committee members, for having me here today on behalf of the Canadian Manufacturers and Exporters.

Since 1871, CME has been helping manufacturers grow and improve the well-being of their workers and the communities in which they operate. We are pleased to participate in your study on the 2026 review of the Canada-United States-Mexico Agreement.

Unlike Canada's other trade relationships, which are primarily about competing for market share, our partnership with the U.S. and Mexico is about working together to compete with the rest of the world. We talk about Canada and U.S. trade, but that trade is really us making things together. Members of this committee will know better than most that the North American manufacturing bloc is world class in the quality and the cost of the things that it makes.

Building on NAFTA, CUSMA has succeeded in providing a solid foundation for North American trade by strengthening our regional economic ties while modernizing the provisions that govern them. While Canadian manufacturers consider CUSMA a success, Canada has not yet realized the full potential of the agreement in the first four years. There are under-utilized features, such as the competitiveness committee and the good regulatory practices committee, that have the potential to help propel Canadian and North American manufacturing even further forward.

For Canada's industrial economy, deeper North American economic integration is not only desirable but a necessity to compete at a time when the global economic and security environment is shifting beneath our feet. There are specific trade irritants, as there always have been and there always will be, that Canada must and should continue to try to address, both through the agreement itself and through sustained and serious bilateral and trilateral engagement with U.S. and Mexican decision-makers.

The ever-present buy American provisions that accompany U.S. federal investments stand out. Just earlier this week, I was speaking with a small manufacturer of large industrial mixing tanks. They do all of their manufacturing in Canada, with two-thirds of their sales into the U.S., which includes government procurement for municipal water treatment systems. They estimate that, because of the most recent "Build America, Buy America" provisions, they've lost approximately 300,000 to 400,000 dollars' worth of business, and they expect that trend to continue.

Unjustified tariffs on softwood lumber products, automobile rules of origin, Line 5 and Keystone pipeline issues, Mexican energy policies and even the ban on GMO corn have all come up and lingered since CUSMA came into force.

We also know that China's neo-mercantilist approach to international trade in the North American market will, as Catherine just alluded to, loom large in this review.

CME is supportive of efforts to improve Canada's trade remedy and import monitoring systems to defend from unfair practices, and we recognize that Canada is going to have to confront the rules-of-origin issues that have strong bipartisan support in Washington.

In addition to these, Canada has its own domestic issues that its CUSMA partners may describe as irritants, which we don't think can be avoided in the context of the upcoming review. One issue that we hear about most commonly from our CUSMA partners and manufacturers, specifically in the United States, is the increase in labour-related supply chain disruptions in our country. That includes, of course, last year's B.C. ports strike and the St. Lawrence Seaway strike, along with the threat this year of a stoppage at the port of Montreal, as well as a potential Canada-wide rail stoppage.

Transportation is the connective tissue that holds the North American trading relationship together. CME recommends that Canada do something to show it is serious about preventing these disruptions. In addition to the immediate direct harm that they impose on Canadian manufacturers, workers and their families, these disruptions undermine North American supply chains and the reputation of Canadian manufacturers with their cross-border partners and customers. CME was disappointed earlier this week that the House of Commons passed Bill C-58, which is legislation that will make this problem worse.

As we approach the 2026 review, Canada will also be faced with ongoing questions regarding its investments in national defence. As we saw from members of the U.S. Senate last week, we should not be surprised if decision-makers in the U.S. do not bifurcate their consideration of CUSMA and other major bilateral irritants, including Canada fulfilling its NATO commitments.

U.S. trade considerations are increasingly being driven by economic, national and supply chain security considerations and this trend will continue no matter who is in the White House. Notwithstanding these challenges, Canadian manufacturers are fortunate to be the participants in and beneficiaries of a regional economic relationship that is envied around the world.

As Canada navigates the next several months in the lead-up to the review, Canadian manufacturers will continue to work closely with governments, our colleagues at the U.S. National Association of Manufacturers and the Confederation of Industrial Chambers of Mexico to offer our support to preserve and promote a trade agreement that is, by and large, working well.

• (1540)

As part of those efforts, in November of this year, just a couple of weeks after the U.S. presidential election, CME will be hosting manufacturing leaders and senior decision-makers from across Canada, the U.S. and Mexico, just a few blocks from here in Ot-

tawa, at a North American manufacturing summit. This will provide an important inflection point for our sector to take stock of the agreement and the political forces influencing it, and to reaffirm our joint commitment to continue to build the manufacturing ties between our countries.

Thank you, and I look forward to your questions.

The Vice-Chair (Mr. Kyle Seeback): Thank you very much, Mr. Greer.

Ms. Payne, please go ahead for up to five minutes.

Ms. Lana Payne (National President, Unifor): Thank you and good afternoon, Mr. Chair, members of the committee and my fellow panellists, one of whom I will disagree with vehemently on his statement on Bill C-58, but that's not why we're here today.

As you know, I'm Lana Payne, and I'm the national president of Unifor, Canada's largest union in the private sector, representing over 320,000 working people across this country. I'm joined by our director of research, Angelo DiCaro, who is also our in-house expert on trade.

I want to thank you for this invitation to participate on behalf of our members, many of whom—thousands and tens of thousands of them—work in industries affected and impacted by trade.

Let me start by saying that Canada's trade policy is a key aspect of our country's broader industrial strategy. Sadly, since the NAFTA, Canada has suffered from a lack of ambition regarding industrial development. This lack of vision has had governments sleepwalk into a series of unhelpful free trade arrangements and agreements with the voices and concerns of workers largely ignored and dismissed.

All of this changed when the NAFTA was renegotiated. The government deserves credit, not for salvaging a deal that caused immeasurable harm to workers but for presenting a bold, progressive economic vision for this country that underpinned its negotiating strategy with workers' voices at the forefront. This was a welcome break from the past.

The study you've undertaken ahead of the scheduled six-year review of the CUSMA is necessary and timely, and we thank you for it. U.S. officials aren't mincing words right now when they tell us not to get too comfortable ahead of these talks. Long-standing U.S. complaints, whether on Canada's supply-managed dairy or on digital trade, are on the radar. The USTR has already held consultations on the CUSMA auto trade. Canada cannot approach this review on its back foot.

We must remind Americans how interdependent our industrial economies have become, but we can't shy away from communicating our own concerns. There are obvious gaps in the CUSMA and our trilateral trading relations that this review can and should address. I'll share some of the ones that are top of mind for Unifor.

With regard to forestry, the softwood lumber dispute has dragged on for eight years, impacting Canadian firms with unjustified tariffs. This sector is currently facing economic and serious headwinds, including mill closures and job losses, and these trade penalties are adding pressure to an already struggling industry. They must be removed.

With regard to aluminum, the monitoring of imports that circumvent and undermine the benefits of our decarbonization efforts must be strengthened. Aluminum is a strategic metal and should benefit from the same processing requirements that apply to steel under the auto rules of origin—you've just heard about those.

With regard to labour rights, much is being done to clean up Mexico's labour system. The CUSMA's rapid response mechanism is helping remediate and deter labour rights violations and also renew Mexico's democratic trade unions. This mechanism works, and it must be extended, including to workplaces in the U.S. and Canada, and I'll tell you why.

A recent union vote at a Mercedes plant in Alabama, in the United States, was strained by threats and intimidation towards workers, not unlike we've seen at Mexican car factories. Canada should demand a full investigation into this trade-distorting behaviour, especially since Canada has a deal to supply Mercedes with lithium, cobalt and other critical minerals. Canada should also clearly signal to the U.S. its intent to revisit a proposal to deem right-to-work laws a violation of the CUSMA labour chapter.

In the auto sector, there is an opportunity to link our trade and industrial strategies. Labour value content rules were set at \$16 U.S. per hour in 2020, but they have not increased since. These labour rates must be updated along with the CUSMA's current list of core auto parts to reflect new EV technologies, like e-motors.

Canada must discuss with the U.S. the raising of its WTO tariff on light-duty vehicles, which currently sits at 2.5%, hardly enough to ensure compliance with the CUSMA's complex rules of origin. Canada must also take seriously the threat of Chinese EV imports, which are subsidized through forced labour, excessive subsidies, tech theft and other means. Canada must be vigilant in guarding against transshipments and prepare itself to take action in conjunction with the United States.

• (1545)

Unifor will obviously continue to monitor this review that you're conducting and will remain available for further discussions. We look forward to answering any questions you may have for us today.

Thanks very much.

The Vice-Chair (Mr. Kyle Seebach): Thank you very much.

We will now turn to our rounds of questions.

Our first round will be with Mr. Baldinelli for six minutes.

Mr. Tony Baldinelli (Niagara Falls, CPC): Thank you, Chair.

I'd like to thank the witnesses for joining us today. I'm going to begin with Ms. Cobden.

As we approach the 2026 review period for CUSMA, a number of issues have come to the forefront. For example, in May, U.S. steel producers urged the U.S. administration to update CUSMA with the goal of addressing what they viewed as loopholes in the agreement.

You touched on this with respect to circumvention rules and tariffs. Are these assertions about CUSMA's provisions regarding rules of origin accurate? You also talked about the lack of enforcement by CBSA on transshipment.

What can Canada do better to respond to those issues?

• (1550)

Ms. Catherine Cobden: I will say that Canada has anti-circumvention legislation, which is a good thing and which should be communicated to the U.S., of course, but we definitely see that it needs an upgrade. We can prove that it needs an upgrade, as I described in my remarks, by showing that we haven't been able to take cases under it. We won't take cases if we think we're going to lose, so we need to transform that legislation in a few significant ways. It's quite a technical topic, so we'd be happy to provide some—

Mr. Tony Baldinelli: Could you please share that with the committee?

Ms. Catherine Cobden: Yes.

Mr. Tony Baldinelli: I'll talk about the sector's competitiveness. You previously appeared when we were studying the Inflation Reduction Act. The U.S. is currently committing about \$6 billion for what they say are 33 manufacturing projects for steel and aluminum with the aim of making the U.S. "one of the first nations in the world to convert clean hydrogen into clean steel, bolstering the U.S. steel industry's competitiveness as the world's cleanest major steel producer." This is according to a quote from President Biden's release.

I'm sure you will agree that it's tough to compete when you're seeing investments such as \$6 billion for 33 new manufacturing facilities. In your testimony at our last session on the IRA, you mentioned, to state the obvious, that the IRA takes an enabling approach to the climate change challenge. A carbon price is not envisioned.

In contrast, over the next eight years, the Canadian steel industry faces significant increases in carbon costs, with carbon pricing rising to \$170 a tonne by 2030. How does that impact the sector's competitiveness? When you see this IRA and the huge investments taking place in the United States and we have a taxation policy that's not in alignment with the United States, we're almost tying the hands of the sector and putting one hand behind your back. How can Canadian steel producers compete?

Ms. Catherine Cobden: I really stand by my previous testimony that the U.S. has taken a very strong carrots approach. The more they build up their carrots—their buffet of carrots, as I was calling it earlier today—the more challenging it will be to compete and the more unlevel our playing field will be.

Canadian steel producers have the talent. We have the equipment. We have the modernized facilities, if you will. We have the transportation networks. We have the proximity to the market as well, in both Canada and the United States. However, we do not benefit from the scale of the carrots that exist in the United States.

Furthermore, as per my previous testimony, we have not just carrots here in Canada; we have carrots and sticks. To elaborate further, the carrot that we were discussing was the IRA, but I want to emphasize that there are also additional things in the United States, such as the trade policy I was describing. We have to get the playing field as close to level as possible between Canada and the United States. That means aligning on trade policy. That means aligning as much as possible on carbon policy. This is what it's going to take.

Mr. Tony Baldinelli: Would that include the recent announcement by President Biden to increase the tariff rate up to 25% by 2024? Do you believe that is something Canada should look at as well?

Ms. Catherine Cobden: Yes, we really do encourage the government to take a close look at this. We think it's doable. I've said in the press that we would welcome tariffs at our borders as well.

In my testimony I referred to it as an aspect of alignment with the United States, but it's also extraordinarily important for the Canadian domestic industry. As you can appreciate, the more shields that go up in our major trading partner and the fewer shields we have, the more exposed we are to dumping and egregious trade practices.

Mr. Tony Baldinelli: Thank you.

I'd like to go to Mr. Greer, if I could.

Recently Frank Stronach published a story titled "If no one wants to invest in Canada, what does that say about our country?" In this article, the author writes "that foreign investors sold nearly \$50 billion worth of Canadian equities in 2023—the largest exodus of securities investment dollars in our history."

Mr. Greer, last year, for the first time, Mexico passed Canada's position as being the number one trade partner with the U.S. What is your reaction to this?

Mr. Ryan Greer: When I think of Canada's industrial economy, the stock of capital in Canada's manufacturing sector has been trending down since 2000, so this is a long-term trend that has been incredibly problematic for Canada's manufacturing sector, whereas it continues to climb to record highs in the U.S.

What that means is that our manufacturing sector is becoming less competitive on the global stage. There is no one single silver bullet solution to this, but there is the requirement of governments at all levels to take a very strong look at tax, regulatory, trade, trade infrastructure and other factors that will promote business investment in Canada. That's investment in capital machinery and stock that will allow manufacturers to modernize and compete within both the North American market and globally. To date, that has been lacking.

The cost of doing business across the border, even compared to some of our U.S. counterparts, is much higher, and that impacts all of those things that you just outlined.

• (1555)

Mr. Tony Baldinelli: Thank you.

The Vice-Chair (Mr. Kyle Seeback): We'll now go to Mr. Sheehan for six minutes.

Mr. Terry Sheehan (Sault Ste. Marie, Lib.): Thank you very much, Mr. Chair.

My first question will be for Catherine.

Thank you very much for the presentation, and thank you for your leadership for the steel producers.

In 2016, the steel producers came to see me, before you were on board, and talked about some of the measures they wanted to see in place.

In the first budget in 2016, it was happening quickly right after the election, so we were able to get in a couple at first. One was basically keeping the length of the penalty in place longer, which is good, as we were starting to think about these things. Then the second one was the consultation. We consulted heavily, which then informed us in future budgets as to where we would strengthen the trade regime in various ways that you mentioned in your presentation.

In the 2024 budget, there is a commitment and funding and resources for a new market watch unit. Can you describe to us why that's important? What, in your view, would this unit be charged with doing?

Ms. Catherine Cobden: That's no problem. I'm happy to describe that. That's another development.

Before I discuss market watch in particular, I'd like to say that the thing we have to keep in mind about the trade remedy system is that cheaters keep cheating, and they keep evolving their approach. It's extremely important that we always upgrade and upscale further our trade remedy tools to ensure we're catching the cheaters, frankly.

Market watch is the newest development that was announced in the budget. It's an announcement of \$10 million over three years. Obviously, our view is that it needs to be permanent, but it's a really important step forward. It's going to look at upgrading something called the normal values. It's upgrading, on a regular basis, something that currently is discretionary in the trade remedy system. We welcomed it. We want to know more details, but we think it's certainly a step in the right direction with respect to enforcement. I look forward to the consultations with the Canada Border Services Agency to ensure that we get this right.

Mr. Terry Sheehan: I think that is important. It was developed and we looked at it. The market watch unit is to be reviewed annually. It's systematic. It's proactive. It's not reactive and waiting, per se.

I can't remember what meeting it was, but we had the CBSA. I think this is a tip of the hat to the steel producers and the unions. The steel industry has had, probably, some of the most success in launching and winning cases in dollars and sheer volume. I think the market watch unit, being proactive, as well, will help resource a collaborative effort. I was pleased to hear that.

Tony talked about some tariffs. In steel town, our backs all go up with tariffs, because we know what the intention is. They're to hurt workers. They're to hurt the industry. Both presidential candidates are talking about tariffs. One thing that happened in the last round, I think, was section 232 tariffs driving industry, unions, communities, the country and everyone together in this team Canada approach.

Please explain this for the committee and the witnesses. It's important to get on record that, when America puts a tariff on Canadian steel.... You talked, Catherine, about the integration of our market and 50% of that steel going into the manufacturing or auto sector of the United States, vis-à-vis.... It's a tax on Americans. That 25% is.... They're basically taxing Americans, whether it's aluminum or steel.

Would you not agree with that? That was just one part of the issue with tariffs when the Americans launched them.

• (1600)

Ms. Catherine Cobden: It was a devastating situation for the industry. It's one of the reasons for the CUSMA review and also the broader trade relationship between Canada and the U.S. We think it's timely and very important to take a very close look at what the big signals are that we can send to the current and future U.S. government, whatever form it might take. We're very serious about trade. We never want to find ourselves in that situation again.

What we want to do is make sure we are matching and keeping pace in our trade remedy system and beyond, to ensure we can look the U.S. in the eye and say, "We are real partners with you" and doing all those things together to protect Canada-U.S. trade flows,

which, as you put it, are so highly integrated. That's the rationale now that the U.S. has come out with so strongly on the section 301 tariffs and across the supply chain. We obviously aren't here to talk about the other aspects of that. From the steel perspective, we think that's very important for Canada to look at.

There are threats on our industry all the time. We learned some pretty hard lessons in that period. We have to prevent them from ever happening again.

Mr. Terry Sheehan: Yes, I don't want to see that movie again.

The Vice-Chair (Mr. Kyle Seeback): That's your time, Mr. Sheehan.

[Translation]

Mr. Savard-Tremblay, you have the floor for six minutes.

Mr. Simon-Pierre Savard-Tremblay (Saint-Hyacinthe—Bagot, BQ): Thank you, Mr. Chair.

My first question is for Ms. Cobden and Mr. Desmarais.

It goes without saying that, in the context of a study on a revision of the CUSMA, we need to talk about the trade relationship with the Americans. I've heard that this issue has been very much on the table. We know they're wary of steel imports that might come through Canada.

Until now, what we've heard, especially from President Biden, has been about Mexican steel. There's an admitted distrust in the official American discourse. However, we also know that there is dumping here. You'll correct me if I'm wrong in a short while, but that's what some pretty important indicators are telling us.

For his part, candidate Donald Trump is already pledging to impose a 10% tariff on Canadian steel if elected. This is coming from Donald Trump, but that doesn't mean that President Biden, if re-elected, wouldn't do the same thing, if indeed there's a bipartisan consensus on this kind of practice.

Currently, 22% of steel imported into the United States comes from Canada. First, are producers here concerned about a possible loss of access to the U.S. market?

Mr. François Desmarais (Director, Trade and Industry Affairs, Canadian Steel Producers Association): Thank you for your question.

The U.S. market remains absolutely essential to our producers here at home. Over 50% of our production is sold in the United States. An average of \$8 billion U.S. in trade goes to the U.S. every year, not counting all the U.S. steel that comes into the country. It's just as important for them. When you say that Canadian steel represents 22% of the market, it's important to specify that it's 22% of the steel imported into the United States. Canadian producers account for 6% of the total U.S. steel market.

You're also absolutely right when you mention the recent American focus on Mexican practices. Again, to quote Ms. Cobden, our trade remedy system is essential to the discussion, because what the Americans were criticizing the Mexicans for was precisely the absence of a modern control system at their border to prevent the dumping of steel from Mexico into the U.S.

We therefore recommend the same thing to the Canadian government, i.e., to keep the country's trade remedy system up to date to prevent dumping. Indeed, dumping does occur in Canada. It's estimated that 60% of tariffs and countervailing duties today target steel products entering the country. That may give you an idea.

We have to face up to this situation and continually improve our system to prevent dumping.

• (1605)

Mr. Simon-Pierre Savard-Tremblay: We also know that Canada passed anti-circumvention legislation in 2018 or 2019. To my knowledge—you can tell me if I'm wrong—no cases have been identified in Canada.

Mr. François Desmarais: That's right.

Mr. Simon-Pierre Savard-Tremblay: In the United States, on the other hand, there were some forty over the same period.

First of all, how can such a discrepancy be explained?

Mr. François Desmarais: As far as I know, the Canadian law was modernized in 2018 or 2019, while the Americans modernize their anti-circumvention law on a regular basis. Last time I checked, I believe the U.S. had 37 steel-related anti-circumvention cases in particular.

Clearly, there are global trends to divert steel inventories in order to avoid tariffs and countervailing duties. This tells us that Canada should perhaps modernize its system, as well as its anti-circumvention legislation, to bring it into line with that of the Americans. I believe your colleague has asked for suggestions to this effect. We'd be happy to pass on our suggestions, which are quite technical after all, to the committee.

Mr. Simon-Pierre Savard-Tremblay: Could you send them to the committee in writing?

Mr. François Desmarais: Yes, absolutely. I could also briefly mention three.

Mr. Simon-Pierre Savard-Tremblay: It depends on how much time I have left.

[*English*]

The Vice-Chair (Mr. Kyle Seeback): You have a minute and a half.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: All right; we're listening.

Mr. François Desmarais: First of all, one of the big differences between Canada's system and that of the United States is that, over there, the Commerce Department can take care of identifying cases of circumvention itself, whereas here, the Canadian government expects the industry to do so. Yet, if the government were to take care of certain cases, it would allow more to be spotted.

Also, certain definitions in the law—which, as I said, are very technical—would need to be changed. For example, the Canadian law is too restrictive as to what constitutes a change in equipment that has an impact on tariff evasion. So we could change that definition too.

Mr. Simon-Pierre Savard-Tremblay: All right. So we can see that Canada is quite far behind in this regard and that there would be some updating to do.

I think I have very little time left, so here's my last question.

I imagine this CUSMA review is going to provide us with some good opportunities to move this issue forward, isn't it?

Mr. François Desmarais: Yes. We firmly believe that, if we align our trade remedy system with that of the Americans, we will send a strong signal to Washington showing that we understand the new challenges we face in international trade, that we share the same fears, that we are on the same wavelength and that we want to collaborate and have a beneficial partnership for all.

[*English*]

The Vice-Chair (Mr. Kyle Seeback): That's the time.

We'll go to Mr. Cannings for six minutes.

Mr. Richard Cannings (South Okanagan—West Kootenay, NDP): Thank you all for being here today.

I'm going to start with Unifor. Ms. Payne, you talked about how the original NAFTA was disappointing for workers, if I can put it that way. You said it basically drove a lot of Canadian jobs out of the country and into the southern states and Mexico, but the new CUSMA helped reverse that with its labour chapter.

You obviously have some concerns about what's happening now and how those parts of CUSMA are being used. Could you elaborate on that?

You mentioned a union vote at Mercedes and some things going on in Mexico. Could you elaborate on that situation, what's happening in that space and what we need to be looking forward to in a new CUSMA in a couple of years?

Ms. Lana Payne: Absolutely.

First of all, I would say, the labour chapter is very important and must be something that we protect. Within that, in terms of what has been happening in Mexico, this mechanism that was set up has been really important. It has in some ways emboldened democratic free trade unions in Mexico. We've had a relationship with some of those unions with respect to making sure they get good collective agreements with, for example, General Motors in Mexico, so that wages and living standards for Mexican workers can be increased. This labour chapter has been very important to how that can evolve.

With the case of what's just happened recently in the United States, we had a situation where the UAW, which is a sister union to us in the U.S., had been organizing at two Mercedes plants. There were very what I would call "anti-union" tactics, intimidation tactics, used by the employer, threatening employees in this case, not unlike what we would have historically seen and still do see in some cases in Mexico. This is not something we should be tolerating.

We should find ways to use and avail of this labour chapter to ensure that this is not happening in the United States or in Canada and that workers are free to be able to join trade unions and to bargain for collective agreements that can lift their living standards.

• (1610)

Mr. Richard Cannings: Thank you.

One event that I don't think CUSMA perhaps really foresaw fully and that is definitely happening now is the increase in electric vehicle manufacturing. Canada has invested very strongly in some parts of that.

I'm wondering if you could comment on how that might change our negotiations in a new CUSMA. What does EV manufacturing mean in the future for workers?

Ms. Lana Payne: Yes, absolutely. Obviously, we've seen somewhere in the range of \$50 billion in investments in the auto industry and in the supply base around that in the last three years in Canada. It's been quite significant.

We will start seeing a change in manufacturing as a result of that. You heard from my fellow panellists about how we've had a decline in manufacturing jobs in Canada for quite a period. Now we've seen these massive investments, and you'll see growth in the manufacturing sector as a result of that. That's really important in this picture.

I would also say that it's critical that we continue on that path of trying to invest in and build up the manufacturing sector in Canada. That includes the supply base as well.

I'll turn it over to my colleague Angelo right now. He'll add to this piece for you.

Mr. Angelo DiCaro (Director, Research Department, Unifor): Thanks very much, Lana.

On the specific points on the CUSMA, we've seen over the last three years as the EV space has developed that we have a better handle on some of the most critical component parts that will go into EVs—parts like electric motors and electric drive units—which become a very obvious and natural transitioning technology to existing powertrain facilities. We're seeing this happen at our St. Catharines powertrain plant.

These will be critical components to retain jobs in this space. These are not contemplated currently in the CUSMA as "core parts" of a vehicle. We join with others in looking at this section of the agreement and trying to modernize it in those ways to protect workers.

Mr. Richard Cannings: In my last 50 seconds, Mr. DiCaro, I'll stay with you and perhaps bring in the concept of China. China has

been leading the world in all sorts of EV manufacturing, with batteries, etc., and is now producing vast quantities of inexpensive EV vehicles.

I'm wondering what concerns you have there and what we have to look out for when we're trying to renegotiate CUSMA to make sure that North America as a whole can withstand that competition.

Mr. Angelo DiCaro: Yes, I have very serious concerns, and this goes beyond any conversations about competitiveness on cost. This is about a country and an industrial model that is built on baked-in subsidies, not just unfair labour but forced labour, things that we wouldn't tolerate in Canada and are certainly against the spirit of what we're trying to build in the CUSMA as a high-road trade agreement.

China is developing this EV space, as president Lana Payne has mentioned, through methods that I think would not be tolerated in other nations. They are intentionally oversupplying—not unlike what's happened in aluminum and steel, as others will tell you—producing an excessive capacity for the express purpose of flooding the global market with cheap exports.

Right now, based on some of the public reports we've seen—things are a bit difficult stats-wise to locate in China—there's an expectation that, put simply, the level of production of EVs in China, the overcapacity alone is larger than the entire North American auto market for sales. This is not something people should be taking lightly, and we're going to have to deal with it.

• (1615)

The Vice-Chair (Mr. Kyle Seeback): I'm going to have to interrupt. It's about a minute over. I let it go quite a ways. Thanks for that answer.

I'm now going to turn to myself for a round of questions. I'm going to exercise the chair's prerogative.

I want to go back to talk a little bit about steel.

Mr. Sheehan was talking about how tariffs are terrible, and how the 232 tariffs were terrible for steel. Would you agree with me that the reason Canada was originally side-swiped with the 232 tariffs was that the anti-circumvention mechanisms we had in place in Canada at the time weren't sufficient, so the United States said, "We're going to hit you with tariffs because steel's being dumped through Canada into the United States." Would you agree with me that this was the predominant reason?

Ms. Catherine Cobden: Yes. Just to clarify this further or to go into further detail, the intelligence we had out of the United States through the 232 tariff situation was that, obviously, we're all very exposed to steel overcapacity in China. It is, I think, something like 45 times our entire domestic market, so these are huge numbers of tonnes. Like us, our U.S. industry is also very concerned. When they took action using the 232, they took it on everyone. Slowly but surely, we had to convince them that we were not the problem and work it back.

Having said that, we are always at risk of being viewed as a back door, so we have to make sure we close that door.

The Vice-Chair (Mr. Kyle Seeback): Now it looks like this is a risk again. Would you agree with me? The United States is looking at it. They've just put in the 301 tariffs on a whole bunch of things. Is Canada at risk again?

Our anti-circumvention system, which the current government brought in, just isn't working efficiently or quickly enough because there have been no cases.

Ms. Catherine Cobden: We actually are very interested. Obviously, anti-circumvention has to be updated, and we want that to happen, so yes, it's agreed that we must get that done. However, we've added to the list since the 301 has come in, and we need to consider tariffs on China ourselves.

We just talked about EVs. I want to say that the number of EVs from China, based on Canadian import stats, is very scary as well. It's not my place to make policy for the government, but if I were in charge, I'd be looking at the full supply chain, not just steel.

The Vice-Chair (Mr. Kyle Seeback): If we look at our current anti-dumping reg system, it's not fast and not responsive, certainly not compared to the United States. This is not a new problem. This has been going on for six or seven years. It has to be transformed. Would you agree with me on that?

Ms. Catherine Cobden: Absolutely. I have to say, somewhere along the way we lost track of the script. The script isn't, "Oh, we're successful in our trade cases." The script should be, "We don't need trade cases."

We're very far away from that in steel. The CBSA has just reported to us that we are 67% of all their activities in steel. We are highly exposed.

The Vice-Chair (Mr. Kyle Seeback): It's not working because imported steel has gone from 19% in 2014 to almost 40% now in 2022. I don't have more recent numbers. The anti-dumping is very clearly not working and has to change.

Ms. Catherine Cobden: Mr. Chair, I would say that it's not enough. We need that. It's a self-help tool. We're not suggesting we get rid of it, but we need to add to it.

The Vice-Chair (Mr. Kyle Seeback): Right. It has to be better and more responsive.

The other issue is that, though Canadian steel is fantastic—it's one of the lowest carbon steels in the world—we export most of our steel to the United States when we export.

Would you agree with me that Canadian steel is at a disadvantage as a result of the carbon tax?

Ms. Catherine Cobden: As mentioned, the U.S. only has carrots, while we have carrots and sticks. To your point, we make some of the greenest steel in the world, so we should be proud and strong on that point.

We also have decarbonization projects that have been announced. As already answered, we should be able to be competitive, but we have this disparity between the carrots. It's not just the stick. We also don't have the same scale of carrot.

The Vice-Chair (Mr. Kyle Seeback): Let's talk about the stick.

Is the stick helping your industry, yes or no? Is the carbon tax helping Canadian steel domestically and with our exports to the United States?

• (1620)

Ms. Catherine Cobden: They don't have one and we do.

The Vice-Chair (Mr. Kyle Seeback): This makes our steel more expensive.

Ms. Catherine Cobden: Yes. Also, it is going to be even more so.

The Vice-Chair (Mr. Kyle Seeback): What happens to the Canadian steel industry when the carbon tax is \$170 a tonne?

Ms. Catherine Cobden: It will depend on the carrots, I suppose.

The Vice-Chair (Mr. Kyle Seeback): If there are no carrots, what happens?

Ms. Catherine Cobden: If every industry in Canada is exposed to \$170 a tonne, that is a very high price for a high-emitting sector like ours. If our competition is not exposed to that same price and there is no carrot—there are a lot of ifs here—obviously we're in serious trouble.

The Vice-Chair (Mr. Kyle Seeback): Thanks very much.

We'll now turn to Mr. Sidhu for five minutes.

Mr. Maninder Sidhu (Brampton East, Lib.): Thank you, Mr. Chair. I'll be splitting my time with MP Collins.

Ms. Cobden, we spoke a bit about carbon pricing. When I was in Paris, France, for the OECD, a conversation came up about CBAM legislation in the European Union. They are also trying to figure out ways to protect the environment but ensure their industry has a level playing field. They're looking at the steel produced in China with dirty coal. How do you level that playing field? I think they're trying to do it with their CBAM legislation, where they'll penalize countries that don't have a progressive environmental policy.

If Canada doesn't have a carbon price, would we not be at the same level as China and be competing with them? Wouldn't this give Canadian industry an incentive with the European Union?

Ms. Catherine Cobden: First of all, we don't produce steel in the same way. Our steel demonstrates, via third party well-documented reports, that it's much greener and cleaner than Chinese steel. I don't think that has anything to do with what you're describing.

Mr. Maninder Sidhu: What the European Union is saying is that, if a country does not have progressive environmental policies or carbon pricing in place, they will in fact impose an import or carbon tax on countries that export to the European Union. I think, when I'm talking to other industries, it puts Canada at an advantage to have environmental policies or carbon pricing in place.

Ms. Catherine Cobden: Right. I understand the question.

As mentioned in my opening remarks, we don't ship to the EU, so we are most seized with a level playing field with the United States. That is our predominant market for steel. It's not domestic. It's in the U.S.

I understand your question, but what I'm saying is that what we do... That's where the interesting thing is. It's what they just did on 301. We would not want a CBAM with the United States, would we? Secondly, the section 301 tariff can be done as fast as possible and give us that same protection.

Mr. Maninder Sidhu: I want to give credit to the steel industry for their innovative practices to bring down the emissions while steel is produced.

I'm going to turn now to MP Collins for the rest of my time.

Mr. Chad Collins (Hamilton East—Stoney Creek, Lib.): Thanks.

Catherine, I'm going to pick up on the carrot-and-stick approach.

I've represented my area for almost my entire adult life. In that time, I can say that—having served on the public health board for my entire time on council—thousands of people died in my city prematurely as a result of air pollution. Therefore, the carrot-and-stick approach in Hamilton is very important because it leads to better health. It's not just an investment to combat climate change. It's not just an investment in jobs and keeping those steel companies open. It's actually keeping people alive by improving our air quality.

The carrot approach for many decades didn't work, so I think the stick approach we've talked about here today is an important tool. It's no small coincidence that the climate call to action from the steel producers came out in 2020. It didn't come out in 2014 or prior, so I think the industry read the tea leaves and they're on board. The \$400-million investment in Dofasco, in my community, that our government made will go a long way in helping us reach our targets. I know the company, Dofasco, is on board as well.

Can you talk about the importance of past carrots and what future carrots you'd like to see, knowing that your industry is committed to climate change and reducing emissions?

• (1625)

Ms. Catherine Cobden: For the record, the steel industry is taking action on climate, so I didn't think we were discussing that. We are taking action. We have announced projects that will reduce emissions by a further six million tonnes, so that's significant, while we're already starting from the greenest position out there.

What I need to stress is that we don't get a green premium on this steel, so when our steel is up for bid against high-carbon imports from jurisdictions like China, we cannot compete and we don't get any benefit for our green credentials in those processes. That is a real challenge to the industry.

I understand and take the point on the blend between carrots and sticks and everything, but what I'm trying to say is that the blend isn't there. Right now, it's much more stick than carrot. If we want a carrot-and-stick process, we have to double down on making sure

those support mechanisms, like domestic content, are included. That will give at least some help to the industry. Otherwise, it's just a challenge.

Mr. Chad Collins: Thanks, Mr. Chair.

The Vice-Chair (Mr. Kyle Seeback): That's time.

We'll have Mr. Savard-Tremblay for two and a half minutes.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Thank you, Mr. Chair.

My question is for Unifor representatives. I'll be brief.

In 2022, Unifor pointed out in a press release that the trade partnership between Canada and the United States presented several significant challenges. These included, for example, electric vehicles, softwood lumber, of course, lumber tariffs and, naturally, the Buy American Act.

Some of these irritants have evolved, there are new ones, and so on.

What's the state of play today? What challenges remain as we speak?

[*English*]

Ms. Lana Payne: Briefly, because I don't have a lot of time, obviously on the forest sector, the complexity of issues facing the forest sector is great right now, but the tariffs are making things much worse for many operations in the country. There are specific tariffs against individual companies in Canada in that regard, many of which employ Unifor members. Obviously, that is a very big concern.

With respect to EVs, you've just heard my colleague talk about where we need to go there. We have to make sure we're expanding the rules of origin to include the new kind of EV components that we will be making in Canada. By doing that, we will be protecting Canadian jobs.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Excellent.

I have about a minute left, and I have one more question for you.

We know, for example, that there was once a case where Mexico, Unifor and its Mexican allies brought a situation of workplace abuse into the spotlight. This prompted Canada to file an official complaint under the Canada-US-Mexico Agreement, CUSMA's, rapid response mechanism. It was the first time such a mechanism was used, and it worked.

What do you take away from this experience? What about the balance sheet? Can we further improve the agreement to ensure that workers' rights are respected for all partners? Or would you say that the status quo is more than enough? Would you like to make a recommendation to the committee?

[English]

Ms. Lana Payne: We learned that the mechanism was extremely important and that it needs to be used as we've used it. We were the only Canadian example of this mechanism's being used. I think it's been used 22 times by the United States. We've learned a lot in terms of how it can work to protect workers' rights, and I would suggest that it needs to continue to be amplified and used in CUSMA.

When we go into a review, I would suggest that looking at that entire mechanism, how we protect it and how we can continue to amplify it is very important. Certainly we can't look at getting rid of it when you consider what is occurring even in the United States right now with the Mercedes vote in Alabama. I would say that mechanism and what is occurring in the U.S., in the southern U.S. in particular, also needs to be reviewed. I realize I've gone over time.

The Vice-Chair (Mr. Kyle Seeback): We'll go to Mr. Cannings for two and a half minutes.

Mr. Richard Cannings: Thank you.

I'm going to stay with Ms. Payne and talk about dispute mechanisms. You talked about the softwood lumber situation, which has dragged on for eight years. It seems that the only way to bring that to an end is to have a string of successes in a dispute-mechanism way. I think it's very unfortunate that we lost the investor-state dispute mechanism in the latest CUSMA compared to what was in the first NAFTA.

I'm just wondering how you would suggest we move forward on the state-to-state dispute mechanisms to make them more effective and to make them more useful in holding the Americans to account for their, essentially, bullying tactics around softwood lumber.

• (1630)

Ms. Lana Payne: Yes, and we're not finished yet. It looks like we could be facing even higher tariffs again in this regard. The reality is that the only way we get this resolved is by negotiating with the U.S. Canada has to enter into negotiations with the United States to resolve this problem once and for all, and the discussion around CUSMA and the review you will be doing and that will be occurring over the next two years is a perfect opportunity for Canada to use this moment to do that.

Mr. Richard Cannings: I guess I would just try to get some clarification there. You say we can only move forward through negotiation, but it seems to me the only way that negotiation is driven and the only thing that moves the United States toward negotiation is victories by Canada in the dispute mechanisms in those tribunals. That's what forces them to the table.

Ms. Lana Payne: Yes. We can certainly look at the penalties around when you lose at those tables, but it doesn't stop the U.S. from going there. We've had numerous cases where we have won through those mechanisms, so we're going to have to figure out

how we solve this problem, because otherwise we will be in this cycle forever. I would suggest to you that we need to attempt to negotiate a resolve here.

The Vice-Chair (Mr. Kyle Seeback): That unfortunately brings us to the end of this panel, which I thought was excellent.

I want to thank all our witnesses for your very valuable insights as we go into this review of CUSMA.

We are going to briefly suspend while we bring in a new panel.

• (1630)

(Pause)

• (1635)

The Vice-Chair (Mr. Kyle Seeback): Welcome back, everyone.

For our second panel today, we have a number of witnesses.

From the Canadian Centre for Policy Alternatives, we have Stuart Trew. From the Canadian Vehicle Manufacturers' Association, we have Brian Kingston, president and CEO. From the Dairy Farmers of Canada, we have David Wiens and Daniel Gobeil.

Welcome back. I think you've all been here before.

You will all be able to make an opening statement of up to five minutes. I'm going to try to keep you as close to that as possible. We will start with Mr. Trew.

We invite you to make your five-minute statement.

Mr. Stuart Trew (Senior Researcher, Canadian Centre for Policy Alternatives): Thank you very much to the chair and the committee for the chance to be here.

As we've been talking about this afternoon, we're still two years away from a mandatory six-year review of the Canada-U.S.-Mexico agreement, but I think it's a good thing for this committee to be thinking about it and preparing for that process right now.

The federal government and some business associations appear to believe that Canada should seek a smooth rollover of CUSMA rather than risk another potentially messy renegotiation. This is part of the team Canada strategy that we're seeing right now with trips to the United States.

I think a smooth rollover is probably wishful thinking for two reasons. The first is that, no matter who's in office in Washington in 2026, there will be political and industry pressure on the U.S. administration to adjust CUSMA's rules in areas such as dairy market access, energy, agriculture and food policy, automotive rules of origin and, possibly, digital trade. Canada is facing considerable U.S. pressure to drop its Online News Act and its digital service tax, for example, and we know there's a target on supply management.

The second reason a smooth CUSMA review is unlikely is that it was never the intention of the Trump administration when they negotiated the deal, and it's something that I think the current administration agrees with. If we look at Katherine Tai's comments last month, she said the whole point of the review is to maintain a certain level of discomfort, and she meant that for Canada and Mexico, so I think we should just be expecting that we're going to go into something much bigger than what would be a rollover.

A simple reapproval of CUSMA may also be a lost opportunity, given shifts in thinking about trade policy even since we renegotiated a few years ago. All three North American governments acknowledged the unequal benefits of trade for women, racialized workers and indigenous peoples, for example, as well as trade's contribution to biodiversity loss and climate change. The geopolitics of trade, the importance of subsidies and industrial policy have also shifted since we renegotiated CUSMA. For example, does CUSMA help or hinder our efforts to bolster North American manufacturing and supply chain resiliency? There are questions around the rules of origin. I think these are bound to come up, as we talked about in the last session.

The six-year review of CUSMA, while not without significant risks to Canada and Mexico, at least forces us to rethink whether the treaty is delivering substantive, widely shared benefits. We think Canada should seize the moment rather than ducking and weaving. By that, I mean Canada should prepare for the review as if a partial renegotiation were inevitable, whether or not there's a Democrat or a Republican in the White House.

This morning the CCPA published a collaborative report that assesses how CUSMA is operating to date and suggests ways to build on the environmental, inclusive, trade and worker centred novelties in the agreement that built on the original NAFTA. The authors make 25 recommendations for fixing NAFTA's labour provisions, including the innovative rapid response labour mechanism, closing gaps in the rules of origin in the auto sector as well as improving enforcement of the environmental chapter, which is not much improved upon from the original NAFTA, from our perspective.

Other aspects of the agreement can be made more inclusive and worker-focused in the right circumstances. For example, the digital trade chapter is completely out of date with current U.S. thinking on the need to better regulate emerging artificial intelligence; the need to protect people, especially children, from harmful algorithms and workplace surveillance technologies; and the need to crack down on monopolies in the tech sector. CUSMA's cross-border data flow provisions and its prohibition on data localization should be reviewed.

The three CUSMA parties should also find the courage to completely dismantle the vestiges of investor-state dispute settlement between Mexico and the United States. The ISDS regime is incompatible with the achievement of human rights, including indigenous peoples' rights, and the protection of biodiversity. Leaving it intact, even in a limited form, creates unacceptable risks for Mexico and, I think, an unacceptable power imbalance in what should be a more equal North American relationship.

Progress in any of these areas will depend on the political configuration of the continent in the lead-up to the review. Still, Canada

would be wise to come to the table with a solid list of proposals as leverage in a potentially stressful negotiation. I just conclude by saying that any review should contain ample opportunities for consultation with civil society stakeholders in the three countries and should not be left up exclusively to trade negotiators or corporate lobbyists.

● (1640)

The Vice-Chair (Mr. Kyle Seeback): Thank you for being under time by 25 seconds.

We now turn to Mr. Kingston for an opening statement of up to five minutes.

Mr. Brian Kingston (President and Chief Executive Officer, Canadian Vehicle Manufacturers' Association): Thank you, Mr. Chair and committee members. I appreciate the opportunity to be here and to take part in your study on the CUSMA review.

Since the Auto Pact of 1965, Canada has reaped enormous economic and social benefits by being part of the integrated auto sector in North America. Through common regulations and competitive supports, we manufacture and sell into a market that accounts for annual sales of nearly 28 million vehicles. It's this integration that has allowed Ford, General Motors and Stellantis to make historic job-creating investments into Canada to produce electric vehicles and batteries.

Today, the CUSMA serves as the foundation for the integrated North American auto industry. The agreement provides certainty, reinforces the long-established integration of the auto industry supply chain necessary for its competitiveness and facilitates regulatory alignment of vehicle technical regulations with the U.S. This gives Canadian consumers access to leading vehicle safety technologies, emissions technologies and fuel efficiency technologies at the lowest possible cost.

The CUSMA also provides Canadian manufacturers with duty-free access to the much larger U.S. market. Last year, \$51 billion in vehicles was exported to the United States, making this our second-largest goods export. With the upcoming review in 2026, Canada must do everything possible to protect our preferential access to the U.S. market and support the integrated supply chain.

This can be achieved by ensuring that our trade and regulatory policies in the automotive sector are aligned with the U.S. Given the once-in-a-generation transformation to electrification under way right now, as well as threats posed by countries like China, the consistency of automotive trade and regulatory policies across the larger North American market has never been more important. We recommend the following actions.

Number one, enhance regulatory alignment with the United States. Our seat at the North American automotive table and the hundreds of thousands of jobs this industry provides depend on continued regulatory alignment of vehicle safety and emissions standards.

The federal government's recently implemented zero-emission vehicle sales mandate is a significant departure from the long-standing Canadian approach of alignment to the U.S. This is a direct challenge to the integration with the U.S. through CUSMA and our competitiveness as a ZEV manufacturing jurisdiction. By prioritizing zero-emission vehicle sales over the development of a North American supply chain, the mandate opens Canada to subsidized or dumped electric vehicles from China and other non-market economies. This misguided sales mandate must be scrapped in advance of the 2026 CUSMA review.

Number two, strengthen Canada's role in the EV supply chain. With the industry transitioning to electrification, Canada must move quickly to grow and diversify our production of critical minerals. This will strengthen our role in the auto supply chain, enhance North American security and increase trilateral trade. It will also enhance Canada's importance at the CUSMA table as the U.S. moves aggressively to build a domestic EV supply chain.

Number three, we need to improve our transportation system reliability. Automotive companies operate very complex logistical plans that ensure scheduled uninterrupted delivery to and from auto plants across the continent. As a result, the automotive supply chain depends on reliable and efficient transportation logistics.

Over the past few years, transportation disruptions have occurred with increasing frequency in Canada, doing significant damage to the North American economy. In advance of this review, we need to demonstrate to our North American partners that Canada is a reliable jurisdiction for the production and movement of goods.

Before I conclude, I want to take a moment to address the recent increase in U.S. tariffs on Chinese EVs and the implications for Canada and CUSMA. Canada cannot be out of step with its largest trading partner and strongest ally on China as we approach the CUSMA review. There is simply too much at stake for the automotive industry and the broader Canadian economy if Washington perceives Canada as misaligned.

We should be prepared to strengthen our trade defences in response to a surge in dumped Chinese EVs into the market and, at a minimum, we must work closely with our American partners to address potential security threats posed by Chinese-manufactured connected vehicles. Given the highly integrated nature of the North American highway network, the security of Canadian roads is the security of American roads.

Thank you very much for the opportunity. I look forward to your questions.

• (1645)

The Vice-Chair (Mr. Kyle Seeback): Thank you very much, Mr. Kingston, and thank you for also being 25 seconds under time.

We will now turn to Dairy Farmers of Canada.

Please go ahead for five minutes.

Mr. David Wiens (President, Dairy Farmers of Canada): Thank you, Mr. Chair and committee members, for this opportunity.

I'm pleased to be able to represent the perspective of our 10,000 dairy farmers from coast to coast in support of your study in preparation for this upcoming review of CUSMA.

My name is David Wiens, and I am a dairy farmer from Manitoba. I am also the president of Dairy Farmers of Canada. I'm joined today by my colleague, Daniel Gobeil, who is also a dairy farmer and who serves as vice-president of Dairy Farmers of Canada. He is also the president of the Producteurs de lait du Québec.

I would like to thank you all for this opportunity and for undertaking this study on this upcoming CUSMA review. As committee members are aware, there are still a number of trade irritants regarding CUSMA that the Government of Canada will need to be cognizant of as it enters into formal discussions. Daniel will talk about an important one in a moment, which impacts Canada's ability to export.

We have heard that one of the outcomes of the next U.S. election may be of particular concern for some. In dairy, I would note that the last two panels initiated against Canada were under the current administration. The attention Canadian dairy gets south of the border is related to domestic U.S. politics, with many of the dairy states being swing states for both Democrats and Republicans. For that reason, Canadian dairy will continue to be of interest for some politicians in the U.S., regardless of their political affiliation.

I'd also like to remind the committee that the combined potential impact of the World Trade Organization, WTO; the Canada-European Union Comprehensive Economic and Trade Agreement, CETA; the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, the CPTPP; and CUSMA amounts to an estimated 18% of Canada's domestic dairy production.

We're greatly concerned that despite the second CUSMA dispute panel ruling entirely in Canada's favour and dismissing all U.S. claims, the U.S. could use the review mechanism in the accord to try to achieve what it couldn't through the complaint process. As we know, CUSMA is based on a system of rules that is subject to a dispute settlement system. We believe that if one of the signatories wants to override panel decisions through the review, it calls the whole agreement into question. It is essential, therefore, that the government ensure that the CUSMA review is not used to create a pretext for more concessions.

Put simply, we expect the Canadian government to advocate for Canadians and oppose any further market concessions.

With that, Mr. Chair, I'm ready to pass it on to my colleague Mr. Gobeil.

• (1650)

[*Translation*]

Mr. Daniel Gobeil (Vice-President, Dairy Farmers of Canada): Thank you, Mr. Wiens.

Mr. Chair and esteemed members of the committee, thank you.

I want to begin by acknowledging the support given by all parties to protect Canada's supply management system for many years.

As you know, concessions have been made. Mr. Wiens alluded to this. Canada's milk producers also thank you for the compensation that has been paid to producers.

However, there is no doubt that an agricultural model of concessions accompanied by compensation is not viable for us as entrepreneurs. It is in this sense that we must respect supply management.

We want to mention one thing: in addition to the 3.9% of the market that was conceded to the Americans, other important rules were requested, including a ban on Canada exporting any dairy products to all world markets. It's unique for an agreement between three countries to prohibit one of its signatories from exporting anywhere on the planet. At the moment, we're not hearing about a potential reopening of the market for three main products—skimmed milk powder, protein concentrates and infant formula—but, if there is a reopening and if Canada expresses an interest in such a reopening, it's obvious that the sector will have to take this very important element into account.

With that, thank you again. Bill C-282 is still on the drawing board in the Senate committee.

Mr. Wiens and I are available to answer any questions you may have about this ongoing matter.

[*English*]

The Vice-Chair (Mr. Kyle Seeback): Great. Thank you very much. We'll now turn to the rounds of questions.

First is Mr. Jeneroux for six minutes.

Mr. Matt Jeneroux (Edmonton Riverbend, CPC): Thank you, Mr. Chair.

Thanks, everybody, for joining us here today.

I want to start with you, Mr. Kingston, on a couple of topics, probably first on the critical minerals piece.

Benchmark Mineral Intelligence estimates that we need more than 300 new mines to be able to keep up with the demand required for batteries by 2035. I'm hoping you can provide your insight on that, and then also could you speak to some of the competitiveness and decoupling issues that we're seeing with the United States right now?

Mr. Brian Kingston: Yes. When it comes to critical minerals, I raise this because I think, as we approach this review, one of the things that we want to do is approach the Americans with constructive areas where we can help them achieve their objectives and do so in an aligned North American fashion. Critical minerals are just one of those obvious places.

Right now, the EV and battery supply chain is dominated by China, and Canada happens to have the full suite of critical minerals in our ground here. However, we've done a very poor job of actually getting them developed and processed, so this gives us a huge opportunity to be important to the Americans, have some leverage at the negotiating table and ultimately achieve the EV objectives that have been established by governments around the world.

We're talking about over 380 mines required, yet production of Canada's suite of critical minerals has gone down virtually across the board in every sector over the past decade. That is a huge challenge and we need to reverse that if we want to succeed in this discussion and in this transformation.

On the competitiveness piece, the federal government deserves huge credit for the \$40 billion in new investment we've seen in the auto industry. This is unprecedented, a huge success, but what we're seeing is that the government's industrial policy is totally disconnected from its environmental policy. We need investment yet we have an EV mandate that is completely disconnected from our U.S. partners, and it opens us to vehicles from other markets where there could be dumping occurring or illegal subsidization.

That disconnect is a huge problem, and it needs to be fixed before we get to the CUSMA review.

• (1655)

Mr. Matt Jeneroux: What exactly in the environmental policy is disconnected from the industrial policy?

Mr. Brian Kingston: It's the EV mandate. Canada has always aligned its emissions standards with the federal U.S., and that has delivered significant emissions reductions year over year. It's why you have a compelling case to build vehicles in this market, because our regulatory environment is aligned with the U.S.

What Environment Canada has done is set up Canada-unique regulations dictating what vehicles can be sold in this country and at what ratio. This is a major departure from a long-standing approach to align with the federal U.S. It is a competitiveness challenge. It is a huge irritant, and it needs to go away before we get to a CUSMA review.

Mr. Matt Jeneroux: You speak about some of the tariffs put on China. You mentioned it a little bit in your testimony. You spoke about what Canada could do to strengthen our position on that, and I'm hoping that you've come with some of your thoughts and suggestions.

Mr. Brian Kingston: Yes, there are a few things. First of all, we have to make sure that the Americans know that we stand shoulder to shoulder with them on this approach to China. That is priority number one, particularly as we get towards this review.

Mr. Matt Jeneroux: Do you think they don't think that now, Mr. Kingston?

Mr. Brian Kingston: I don't know if a signal has been sent, and that needs to be sent clearly and strongly. That's the first priority because as they look at the North American free trade deal in CUSMA, if they view us as a weak link on China, we will have a problem.

That needs to be communicated clearly. There are a number of steps that can be taken. There's obviously the tariff, which is a blunt instrument. You could do what the European Union has done, an anti-dumping or a subsidy investigation. That's another avenue. I think we should be looking at all possible avenues.

The other thing that we should examine, too, is that the White House has launched a security investigation into connected vehicles from China. If it's a security threat to the Americans, I would think it's a security threat to Canada.

Those are the types of things that we should be investigating and making sure the Americans know we are with them on.

Mr. Matt Jeneroux: I think it was a mutual friend of ours, Chris Sands, who said the levels of compliance will be an important issue going into the CUSMA review. Do you agree with him when he says that?

Mr. Brian Kingston: I'm sorry. Compliance in terms of...?

Mr. Matt Jeneroux: I mean the levels of compliance in general. You've already spoken about some of the concerns when it comes to the industrial policy and the environmental policy, so I would suspect you would agree. However, when we look at where Canada's heading in 2026, and depending on which president we're dealing with at the time, would you agree that levels of compliance would be an important aspect to focus on when—

Mr. Brian Kingston: On compliance with the agreement, I'd say yes, absolutely. The success of an agreement is whether the parties have lived up to their commitments and, as a result, whether it is functioning as intended. I think that will be important.

Mr. Matt Jeneroux: This is my last question. I have about 30 seconds left.

You said that we've done a poor job on critical minerals. What exactly can you point to that hasn't been successful on that?

Mr. Brian Kingston: The production numbers speak for themselves in that we've seen declines across the board. I think the big challenge is permitting. We hear the various estimates and about the time it takes to get a permit in the mining sector. You're talking about anywhere from 12 to 18 years. That's a challenge.

The government's EV sales mandate says to be 100% electric by 2035. If it takes 12 years to get a permit for a mine, we have a problem.

The Vice-Chair (Mr. Kyle Seeback): We're going to have to end that.

We will move now to Mr. Sidhu for six minutes.

Mr. Maninder Sidhu: Thank you, Mr. Chair.

Thanks to the witnesses for taking the time to be with us here today.

As many of you may know, Minister Ng, Minister Champagne and Ambassador Hillman are leading our team Canada U.S. engagement strategy. I'd like to hear from the witnesses here today with respect to the work they're doing with their U.S. counterparts, and the engagement strategy and advocacy that they would find most helpful within this strategy.

We can start with Mr. Trew. You mentioned the team Canada U.S. engagement strategy in your opening remarks. Can we hear more about your thoughts?

Mr. Stuart Trew: I'm happy to. Thank you for the question.

My comments were in relation to... We have team Canada, which obviously I think we have to do. I think most people recognize that. So far it seems to be pushing toward this kind of a smooth or smoother rollover approach.

We put the report out today, and what we're hoping to discuss with our American and Mexican counterparts—if you can call them that—in civil society organizations in those two countries is thinking bigger than that. It's thinking of the review as an actual opportunity to maybe reopen some sectors and some of the chapters to make them more centred on workers and the climate, I suppose, or make them more effective and more beneficial for workers in all three countries. That's where we're coming at it from.

There's no doubt we're looking forward to consultation processes in this country, in the United States and in Mexico over the next two years.

We're also thinking ahead to next year. We don't just have the CUSMA review in 2026, but of course we have a 2025 review of the labour chapter and the environment chapter. We're hoping that maybe this review and the work we're doing in the next year will include working with Mexican and U.S. labour unions and environmental groups on those policies as well.

● (1700)

Mr. Maninder Sidhu: Thank you.

I'll turn to Mr. Kingston next.

Mr. Brian Kingston: In terms of the team Canada engagement strategy, first and foremost—the government's been doing this quite successfully—it's working with state governors, reminding them that Canada is, in many instances, their largest trading partner. I don't think lots of Americans necessarily wake up thinking about Canada, so it's important to remind them how critical we are to their economic success. That's number one, and that's just table stakes.

Number two, we need to find areas where we can show the U.S. that we are a constructive partner in achieving their desired outcomes. Regardless of who wins the presidential election, this transformation in the automotive industry, this desire to have critical minerals sourced from North America, positions us extremely well if we can show that we can be that reliable partner that can help that transformation happen. That would be another area where I think team Canada should really focus its efforts.

Mr. Maninder Sidhu: Going on that, are there certain regions in the U.S. where you think we can lean on industry and the industry-to-industry relationships? As you know, auto parts go across the border multiple times. Are there certain states that you think we have to focus on more?

Mr. Brian Kingston: I think anywhere you have a large automotive presence, the integration of our economies is well understood. Those are areas where you would have natural allies.

All you have to do is look at what happened when we had disruptions at the Ambassador Bridge and at the ripple effect that went through the industry, not just in Canada but across North America. Any state where there's an auto presence will understand that we're an integrated part of the U.S. economy. Therefore, it's really important that we get this right in terms of this agreement and our ongoing integration.

Mr. Maninder Sidhu: Absolutely.

You spoke about the Ambassador Bridge blockages. I heard from many folks in the industry, including residents at border towns in Windsor, about the impact it's had on trade. We need to make sure trade flows, and we need to make sure that all of us around this table are approaching this with a team Canada perspective.

I'd like to turn to Mr. Wiens, on the screen, from the Dairy Farmers.

What are your thoughts on the team Canada U.S. engagement strategy? Are there things you're working on with your U.S. partners and counterparts? What do you think would work in terms of advocacy?

Mr. David Wiens: You know, certainly the relationship between us and our counterparts in the U.S. is very different from what it is for other industries. I mean, obviously, they put pressure on their government to try to capture a bigger percentage of the Canadian market through the CUSMA, so they were given access. Our concern remains more that they continue.... Through the panels, they've tried to kind of change the rules somewhat on what had been agreed to in the CUSMA agreement.

Now, I'll say that we continue to relate to our counterparts on many areas, but I will say that, when it comes to trade, there is an area that we mutually have agreed to disagree on, certainly. However, we continue to work with our governments, too, in terms of how to approach the situation.

Mr. Maninder Sidhu: That's great.

Thank you, Mr. Chair.

The Vice-Chair (Mr. Kyle Seeback): We will go to our next round with Mr. Savard-Tremblay for six minutes.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Thank you, Mr. Chair.

I thank all the witnesses for their presentations.

Mr. Gobeil, I suspected you had some things to tell us following what has been a real nightmare for your sector in relation to CUSMA. As a matter of fact, I had the opportunity to visit your farm in La Baie last January, if I'm not mistaken.

Can the dairy sector still afford even a small dent?

• (1705)

Mr. Daniel Gobeil: No. I would tell you that in the last three major free trade agreements, the one with the European Union, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, or CPTPP, and the CUSMA, the dairy sector conceded nearly 9%. Given the 18% concessions we're being asked to make right now, it's clear that this model is at the limit of what's acceptable, which is why it's so important to defend Bill C-282 to limit dairy sector concessions.

Mr. Simon-Pierre Savard-Tremblay: I would like to clarify that Bill C-282 deals with the supply management system in general, not just the dairy sector.

In your presentation, you mentioned Bill C-282, which is currently before the Senate. Are you calling for its swift passage before the CUSMA is reopened?

Mr. Daniel Gobeil: It's obvious that, for us, this is a very important element. Bill C-282 is in committee in the Senate right now, and we want it passed by the next federal election. It's vital for the Canadian dairy industry.

As we said, and as Mr. Wiens also mentioned in his presentation, trade policies differ from country to country. Canada has had a supply management policy since the 1970s. Countries, including the United States, have policies to preserve sectors.

We are asking to preserve the dairy sector, which feeds Canadians. The latest pandemic has highlighted the importance of feeding our population. Indeed, when borders are closed and we are subject to imports, grocery store shelves empty very quickly.

Mr. Simon-Pierre Savard-Tremblay: As part of your presentation with Mr. Wiens, you gave an overview of what definitely shouldn't happen, i.e., more breaches of the complaint resolution system, and so on.

Is there anything else you would like us to consider, or would you have another recommendation for us? Is there something that needs to be corrected in the agreement? We anticipate reopening negotiations on the agreement within two years.

Mr. Daniel Gobeil: Indeed. We can talk about the export cap. While the goal of the supply management system is to feed Canadians, we can look at options to export value-added products at Canadian prices. All agricultural sectors export around the world. Right now, all global exports are subject to thresholds. For Dairy Farmers of Canada, such a measure in an agreement between three countries is unacceptable. It should be considered when the agreement is reopened or renegotiated.

Mr. Simon-Pierre Savard-Tremblay: What should we do, then? Should we abolish it?

Mr. Daniel Gobeil: Exactly.

Mr. Simon-Pierre Savard-Tremblay: Thank you, Mr. Gobeil.

I will now turn to you, Mr. Trew. You've shared a report from your organization with us; you've even shown it to us. In fact, I invite you to send it to the clerk of the committee so that it can be officially tabled.

You talked about increased labour measures. Earlier, you attended the first hour of the meeting when we heard from Unifor, who said there was a pretty interesting new mechanism. What could we improve in that regard?

You also told us about the environmental issue, which is important. You said there were a lot of commitments and nice principles, which is true. What should we do to make sure it's worth more than the paper it's printed on?

Mr. Stuart Trew: Thank you very much for your question.

[*English*]

With respect, I think the focus is on environmental enforcement. One thing our report recommends is that we take a look at the rapid response labour mechanism and the success of that process. As we've heard, there were 23 uses of that so far in total. Many of them resulted in worker rights being respected in Mexico: workers being reinstated, pay hikes and, basically, democratic votes in these factories.

Let's look at the success there and see how we could apply those ideas to the environment chapter, which is not very enforceable. It basically goes from consultation to consultation and then a possible recommendation that does not have to be followed by anybody.

Maybe we can find a way to make those elements go more quickly to a dispute panel and have the dispute panel be binding in the same way as we've seen in some of the labour disputes.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: You also talked about the investor-state dispute settlement mechanism. According to you, the good news is that it has been abolished. In fact, personally, I also support this position.

We do know that Canada still officially supports this principle; it's on the Global Affairs Canada website. Negotiators are constant-

ly fighting to have this mechanism reinstated in future trade negotiations. If Canada were to maintain its position, there would still be a chance that it would argue for the return of the mechanism, even if the Americans are no longer in favour of it.

You strongly urge the committee to take an official position against the return of this mechanism.

• (1710)

[*English*]

Mr. Stuart Trew: I would say absolutely, if the committee wants to do that, please do. Canada should make its policy in line with its position taken in the CUSMA, I believe.

The Vice-Chair (Mr. Kyle Seebach): Great.

We'll go to Mr. Cannings for six minutes.

Mr. Richard Cannings: Thank you.

Thanks to all of you for being here today.

I'm going to continue with Mr. Trew from the Canadian Centre for Policy Alternatives.

I've been scanning through your report as quickly as I can, and there's so much there that I think would be of value for the committee. I'll perhaps ask you broad questions.

In the labour chapter, what do you think the top three recommendations are that you would have for Canada in its renegotiation efforts?

Mr. Stuart Trew: Thank you for the question.

We have eight recommendations. I won't read them all out. Picking the top three would probably be difficult.

One of them was mentioned already, which relates to making sure that the rapid response mechanism applies in Canada and the United States as well. It currently doesn't. In effect, it's only for Mexico. There were reasons for that, but I think seeing how successful it's been and knowing that there are violations of core labour rights in Canada and the United States, it should be applied here as well.

I think we need to expand the number of sectors that the rapid response mechanism applies to in Mexico, so that it covers more collective agreements in that country.

I think we need to do more in Canada to take a lead in enforcing it in Mexico. We've seen most of that happening in the United States right now. A lot of resources put together in terms of a consultative group within the government that can accept petitions to look into violations in Mexican plants. I think that if Canada were to take on more of that burden.... Because we have significant investments in Mexico in the mining sector, in manufacturing and in energy, we should take on a greater role in that as well.

Mr. Richard Cannings: In the environment chapter in your report, you talk about an environment peace agreement or something. If you could, expand on what that would entail.

Mr. Stuart Trew: Sure. I'm happy to.

Very briefly, this is an idea coming out of the United States again. It's a climate peace clause. I think it might have come up at committee before.

The idea would be to agree somehow, whether in the CUSMA review process or perhaps at the level of the free trade commission, to not bother each other about and to not dispute each other's measures that are intended to reduce emissions. Those could be procurement measures. They could be industrial policies or subsidies or anything that's designed to quickly reduce climate emissions and transition to a cleaner economy. Those things should be off limits. That's the idea of a climate peace clause.

I think it's possible they could agree to something like that in the review process. There's a lot of support in the United States, including in the Biden administration, for such an idea.

Mr. Richard Cannings: Okay.

I know we could go on about this for a long time: the investor-state dispute mechanism. A lot of us were very happy that wasn't included for Canada in CUSMA, but it still seems to apply for Mexico. Is that correct? How can we fix that?

Mr. Stuart Trew: That's correct. I suppose it's going to be largely up to Mexico whether it wants to get rid of it or not. I think Canada and the United States should try. It applies in limited sectors in Mexico, for government contracts in oil and gas, electricity and mining, for example. It applies in limited circumstances, but as it stands it creates a significant inequality in the agreement, where Mexico is still subject to these ISDS claims, and Canada and the United States are not.

I think we should try to work with Mexico, the next Mexican government, to try to diffuse it between Mexico and the United States as well.

Mr. Richard Cannings: I'll go on.

One of the labour recommendations—and I don't think you touched on it when I asked you for your top three—is that there's a part of the agreement in the labour chapter about the percentage of high-wage labour jobs. How can that be improved?

Mr. Stuart Trew: That's right.

I'll just note that the labour chapter in this was written by Angelo DiCaro, from Unifor, who was on the screen earlier.

I believe you're referring to the requirement that a certain percentage of auto jobs or auto trade comes from factories where they pay at least \$16 U.S. an hour. The point we would like to make is that it's now out of date in terms of inflation. That should probably be up around \$18.69—I think that's the exact amount per hour—and that should be tied to inflation going forward. It makes sure that we're not continuing to put downward pressure on wages in something that was intended to push wages up. The wage itself has to go up as we move along.

• (1715)

Mr. Richard Cannings: I'm going to turn to Mr. Kingston briefly, if I have a few seconds, to talk about your concerns over the EV sales mandate for Canada.

The jurisdiction that has really driven the automobile manufacturing sector in terms of environmental issues is not Canada but California, which sells more cars every year than Canada. They have a mandate for 80% by 2035. Why wouldn't Canada want to be on board with that?

Mr. Brian Kingston: It's simply because we need to align with the federal U.S. to be part of the much larger market. California is a big market, but it's not nearly as big as the rest of the United States.

I would also note that the mandate is a very outdated policy. It was designed to increase the supply of vehicles. There are now over 80 models in Canada, 40 more are coming this year, and EV inventories on lots are at record levels. The EVs are here. The question is whether we have the demand for them.

The Vice-Chair (Mr. Kyle Seeback): We'll now go to our second round. We'll go to Monsieur Martel for five minutes.

[*Translation*]

Mr. Richard Martel (Chicoutimi—Le Fjord, CPC): I thank the witnesses for being with us.

My questions will be directed to Mr. Wiens or Mr. Gobeil.

The government has granted the Americans a say in our domestic dairy policy.

What would be the effect on our market of submitting all of our policy changes, such as changes to our milk classes, to the Americans? Where is our sovereignty in this context?

[*English*]

Mr. David Wiens: Yes, that is a major concern for us and our sovereignty. As a country, we have given up here to some extent by putting us under the microscope for any domestic dairy policies that we make in this country. That has made things much more difficult for us.

It could go beyond that too. They have restricted certain exports on the protein side of the milk from not only their market and the markets within the signatories but worldwide. That was very concerning to dairy farmers when those restrictions were placed on us.

Daniel, you may want to add to that.

[*Translation*]

Mr. Daniel Gobeil: Indeed, this is another worrying element. Earlier, we talked about export concessions and limits around the world. The U.S. has a say in every change in dairy policy made by the Canadian Dairy Commission.

This is really peculiar for a sector as sustainable as ours.

Mr. Richard Martel: The Prime Minister of Canada met with President Biden of the United States, after his election, to discuss the agreement. They jointly stated that the Canada-U.S.-Mexico Agreement, or CUSMA, should benefit our small and medium-sized enterprises, or SMEs. If we compare the Comprehensive Economic and Trade Agreement, or CETA, and the CUSMA in terms of quota allocation, we know that the CETA favours SMEs, unlike the CUSMA, which favours big business.

Can you tell me about your vision on this?

Mr. Daniel Gobeil: In Canada, the cheese sector is a source of pride. Still, CETA had some very big limits given the 17,500-tonne quota. Clearly, the CUSMA, which grants a quota of over 100,000 tonnes at maturity and growth over successive years, with a country that is a neighbour, represents a very significant market right.

As you said, Mr. Martel, we don't want industries to compete with each other. We believe that each industry should benefit from trade agreements. Production like ours, where growth has been almost zero since 2015, despite three successive trade agreements, is unsustainable for Canada's dairy producers.

• (1720)

Mr. Richard Martel: Mr. Gobeil, in regions like ours, what impacts has CUSMA had on our dairy producers? Have they been what you expected?

Mr. Daniel Gobeil: Yes, they have. Quebec, in particular—a sector I know well—used to have over 12,000 farms. Now it has lost more than 30% of those farms. The entire Saguenay-Lac-Saint-Jean region has been sidelined by the concessions set out in CETA. As for CUSMA, it has had repercussions on other regions of Canada, which now have to do something else to feed Canadians.

So it's clear that this has had significant consequences.

Mr. Richard Martel: At the moment, you're negotiating with processors about the National Ingredient Strategy, launched in 2016.

How do you see these negotiations, given that results will have to be presented to the Americans?

Mr. Daniel Gobeil: We're on the cusp of these negotiations, which will start soon.

We repeat: We want to feed Canadians. To do so, we're taking advantage of the three main pillars of the supply management system. Of course, the consumer has evolved. Sometimes we can ex-

port value-added products or products like protein concentrates or infant formula.

Surely, from a growth perspective for processors, we need to be able to export our products to other markets. As Mr. Trew said earlier, we have to think about sustainability. We're talking about business sustainability. Thanks to the territory, access to water, hydroelectricity and land, there's no other place in the world where milk can be "greener" than in Canada.

The Vice-Chair (Mr. Kyle Seebach): Time's up.

[*English*]

We'll now turn to Ms. Fortier for five minutes.

Hon. Mona Fortier (Ottawa—Vanier, Lib.): Thank you, Chair.

I have questions for the Dairy Farmers of Canada. I'll start with Mr. Wiens.

In your opening remarks, you mentioned that you are concerned that the U.S. might try to relitigate the arguments they made during the recent TRQ panels. We've been discussing this in the last hour.

Can you continue to elaborate on that and to discuss why it would be dangerous to entertain discussing these very issues, which were settled within the dispute resolution panels, within a broader CUSMA discussion?

Mr. David Wiens: Obviously it's a concern. First of all, there's an agreement. They challenged us through a panel and the panel ruled in our favour. We know from their reactions to it that they were not very happy with it.

There's also the other element, electorally speaking, that the swing states in the U.S. are also dairy states, so it's to the benefit of both major political parties to focus on that area in terms way beyond its significance to their economy. We're afraid that, if there's an agreement there and you don't get your way during a panel, you will keep poking away at it through a review. That is very concerning.

Certainly if the agreement were to be reopened for negotiation, one of the first things we would have on the table would be to ask why there are these export restrictions on us. They are punitive to Canadian dairy. I don't think such a thing exists in any other trade agreement.

Let's say the U.S. comes along and says they want to reopen it, and then we have our demands. Our concern is that they might simply use this as another way of trying to get what they didn't get before.

[*Translation*]

Hon. Mona Fortier (Ottawa—Vanier, Lib.): Thank you.

[English]

I get to ask questions in both official languages today.

[Translation]

Mr. Gobeil, the next question should be easier, since you've already discussed it over the past hour. Canada has successfully argued, through multiple complaint resolution mechanisms, that its supply management system is not only legitimate, but also in the best interests of Canadian consumers.

Can you explain why we must continue to defend this system and what benefits it has, even today, for Canadians?

• (1725)

Mr. Daniel Gobeil: Thank you for your question.

It's clear that the goal of the system is to provide a quality product to Canadians. We're responding to the needs of Canadians.

We also need to establish a needs-based production to avoid food waste, and not base production on export markets that all countries could aim for.

We often hear that when we compare the prices of Canadian products with those of American products, prices are lower in the United States, except in states close to the border. However, the prices of our products are comparable when it comes to butter, cheese and milk.

The consumer doesn't pay for supply management in Canada. It's a better distribution of wealth among producers who make a decent living from it, processors who are engaged here and have invested in Canada, and consumers who seek out Canadian products.

Hon. Mona Fortier: Do you have anything else to add for the committee members in the last minute of speaking time you have left?

Mr. Daniel Gobeil: As I said earlier, we see that governments are making more and more decisions in relation to climate change.

As I said before, producers have growth opportunities in Canada. Long-term growth lowers Canadian production costs. We do production cost surveys every year, and our production has been stable for several years. Because of the very significant rise in costs, producers are finding it difficult to spread these costs over a larger volume.

In my opinion, protecting the market also means providing Canadians with a product at a better price.

[English]

The Vice-Chair (Mr. Kyle Seeback): We'll now turn to Mr. Savard-Tremblay for two and a half minutes.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: I didn't think we'd have time to get to a second round.

Mr. Trew, we will therefore continue. You spoke mainly about the environment. I then asked you about investor-state dispute settlement.

Let's turn now to labour. There's a new chapter with many fine principles. Earlier, the Unifor representatives were telling us that there were some interesting mechanisms that should be used to do even better.

How do we make sure that, in any renegotiation, workers' rights are still protected?

[English]

Mr. Stuart Trew: We can do better, and it's something that all three countries want to do better on. This is an area where we don't have to reopen the agreement. We don't have to renegotiate. Mexico, the United States and Canada are already thinking about how to tweak the rapid response labour mechanism to make it more effective.

We have some other recommendations. We need to clarify annex 31-B, the Canada-specific rapid response mechanism, to confirm that it applies to a denial of rights at any covered facility by any domestic legislation in Mexico. It's not just legislation related to the constitutional changes in 2019. We need to clarify and promulgate more specific criteria and requirements for remediation agreements that resolve rapid response complaints, including content such as damages, timelines and requirements for consultations with stakeholders. We need to engage in co-operative capacity building under the CUSMA labour chapter to strengthen the law enforcement and inspection system in Mexico and assist with funding capacity for an arms-length oversight committee with a mandate to collect data and offer training.

I think we can also work with the Canada Border Services Agency, for example, and this comes back to autos. It's kind of related in the sense that we can develop a better idea of how much domestic content is going into automotive products that are crossing borders. In that way, consumers will have a better idea of what they're purchasing when they decide which car to pick.

There are some other recommendations. We do have more, but I don't want to take up too much time.

The Vice-Chair (Mr. Kyle Seeback): You have 30 seconds.

Mr. Stuart Trew: Keep going...? All right.

As I said, we can confirm and expand the economic sectors that it covers beyond those of manufactured goods and expand the definition of denial of rights. I think this is important, and I should have mentioned it earlier. It's not just freedom of association and collective bargaining that we're upholding through the rapid response process. We can include discrimination on the basis of gender, sexual orientation or gender expression; gender-based violence; child labour; health and safety; and minimum standards of work.

Let's build this out so that we can actually enforce a much broader range of labour protections.

• (1730)

The Vice-Chair (Mr. Kyle Seeback): I will ask you to please submit to the committee the document you're reading from, so we can have the fulsomeness of it and include it in the report.

Mr. Cannings, you're bringing us home today. You have two and a half minutes, but I'm sure your colleagues would be happy if you did less than that.

Mr. Richard Cannings: We'll see.

Some hon. members: Oh, oh!

Mr. Richard Cannings: Yes, it's slow talkers of America here.

I'm going to continue on with Mr. Trew.

In your report, you have a part where you mention the digital trade chapter and how it undermines workers' rights, privacy and competition policy. I'm wondering if you could, in two minutes, tell us how that can be improved.

Mr. Stuart Trew: It's difficult, because it's a complicated chapter. It's one of the more complicated chapters of the agreement.

Digital services are becoming much more important for our economies, but there are areas where there's a lot of surveillance. There's a lot of abuse of children, for example, in the algorithms we see when we're looking at TikTok and other systems. In order to crack down on that and better regulate that, you need access to the source code sometimes. You need access to the algorithms.

CUSMA makes that difficult or potentially impossible. It's not been tested yet, but the language is new. There's a prohibition on governments accessing that information in order to regulate or put products on the market. I think we need to revisit that. There are a lot of cases. Even to help tax the companies or figure out how many of their sales they're generating in Canada, you sometimes need the source code and the algorithms to go through and figure that out.

There are elements of the digital trade chapter that I think are there to completely benefit big tech companies in the States. They don't help our companies or Canadians. We should be revisiting them.

Mr. Richard Cannings: I'm done.

That's just for all of you.

Some hon. members: Oh, oh!

The Vice-Chair (Mr. Kyle Seeback): I want to thank the witnesses very much for coming today.

Wait. I have three motions. No, I'm kidding.

Some hon. members: Oh, oh!

The Vice-Chair (Mr. Kyle Seeback): The meeting is adjourned.

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