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Chair: The Honourable Judy A. Sgro



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• (1530)

[English]

The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)): I call to order meeting number 110 of the Standing Committee on International Trade.

Before we begin, I need to ask all members and other in-person participants to consult the cards on the table for guidelines to prevent audio feedback incidents.

Please take note of the following preventive measures in place to protect the health and safety of all participants: Use only an approved black earpiece. Keep your earpiece away from all microphones at all times. When you are not using the earpiece, please place it face down on the sticker that's on the table.

Thank you for your co-operation.

Today's meeting is taking place in a hybrid format. For members in the room, please raise your hand if you wish to speak. For members on Zoom, please use the “raise hand” function. We will manage the speaking order.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Tuesday, October 17, 2023, the committee is resuming its study of the 2026 CUSMA review.

We have with us today people we are very familiar with. They have been with us several times.

From the Automotive Parts Manufacturers' Association, we have Flavio Volpe, by video conference. It's good to see you again.

From the Canadian Agri-Food Trade Alliance, we have Michael Harvey, executive director.

From the Canadian Produce Marketing Association, we have Ron Lemaire, president.

From the Digital Media Association, we have Graham Davies, president and chief executive officer, by video conference.

From the National Cattle Feeders' Association, we have Janice Tranberg, president and chief executive officer, by video conference.

Welcome to you all.

We will start with opening remarks and then proceed with rounds of questions.

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

Mr. Flavio Volpe (President, Automotive Parts Manufacturers' Association): Thank you, Chair.

Thank you, members of the committee.

Thank you to the staff of CIIT for inviting the APMA back again to talk about our favourite topic—trade within the Americas.

The Automotive Parts Manufacturers' Association is the national association representing automotive suppliers to the global original equipment makers or carmakers market.

We represent over 200 companies and 95% of independent parts production in this country. In a normal, non-constricted year, that capacity is about \$35 billion worth of components and systems. About 100,000 people are directly employed.

The APMA took part in the original NAFTA renegotiations from 2017 to 2019 in earnest, working closely with officials in Ottawa as well as Mexico City and Washington, D.C. We attended all seven rounds and one unofficial round of the negotiations with a view to improving and updating the rules of origin as they pertain to automotive supply.

Together, with leadership—especially that of the Canadian negotiating team in automotive—the results were that the new rules represented, in our estimation, about 25% higher volume for Canadian-based supply into the North American automotive market, and that probably means \$6 billion to \$8 billion in incremental business every year.

As we prepare for the inevitable conversation about the renewal of the CUSMA with either a new or a re-elected American administration and a new Mexican administration, the focus for the automotive sector is twofold, both aspects of which fall under the same context.

Eighty per cent of the business that we do in this country and 80% of the cars that we make in Canada are exported to the U.S. The U.S. vehicle market is the best indicator of the Canadian manufacturing sector's prospects. We always harmonize, in the automotive sector, our regulations and other tools that govern and shape the market with the Americans.

The Americans, after we concluded the new NAFTA—the CUSMA—changed their interpretation of “roll-up”, which, in layperson's terms, means that you have to qualify a subcomponent at a certain percentage of local content before it becomes part of the equation for whether the vehicle has met its local content requirements for tariff-free sale.

The new administration had a different interpretation of roll-up and a stronger one of what was required to qualify than the one that the three countries had agreed on. Canada and Mexico joined together in a CUSMA dispute claim, and ultimately a CUSMA panel ruled in favour of Canada and Mexico over the U.S. We're still waiting for the Americans to come to the table with a response and to comply with the ruling, and it is of concern for the parts sector, especially because it very clearly changes how we interpret supply logistics and content.

In China and on EV mandates, in Canada we've pushed for 100% zero-emission vehicle sales by 2035, as well as in the U.S., but the curves are different. The markers in Canada are higher than in the U.S. in those 11 years between now and then, and it is of concern to us. I think it will be part of the CUSMA discussion with the Americans.

As well, the Americans have now launched tariffs against Chinese-sourced vehicles and critical minerals. Canada has not indicated whether it's going to respond and match that or do something materially the same. We think that's going to be a very important context for how the Americans view our view of our renewing relationship for 2026.

Thank you very much.

• (1535)

The Chair: Thank you very much, Mr. Volpe.

Mr. Harvey, you have up to five minutes, please.

[*Translation*]

Mr. Michael Harvey (Executive Director, Canadian Agri-Food Trade Alliance): Good morning to everyone.

Thank you to the members of the committee for inviting me to appear today.

The Canadian Agri-Food Trade Alliance, or CAFTA, is a coalition of national organizations advocating for a more open and fair international trading environment for agriculture and agri-food.

It's in Canada's interest to have a freer and fairer international trading environment for the agri-food sector. Agri-food represents one in nine jobs in Canada, the majority of which are in export-based agri-food. More than half of our agricultural production is exported or processed to be exported.

[*English*]

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

The Chair: Hold on a second, Mr. Harvey. We're checking for translation. The volume for the interpreters is very low.

I can barely hear him.

A voice: I think he should continue, and then we'll be able to...

The Chair: Continue, Mr. Harvey. We'll stop you if necessary.

Mr. Michael Harvey: Sure.

CAFTA's priorities are as follows: Number one is to open new markets for Canadian agri-food, number two is to uphold the international rules-based trading system and number three is to strengthen trade diplomacy capacity and industry/government collaboration.

The United States is Canada's largest agricultural trading partner by far, buying 59.2% of Canadian exports and supplying 57% of Canadian imports. Canada is the leading agricultural trade partner of the United States when exports and imports are combined.

Canada ranks among Mexico's leading agri-food suppliers. Mexican agri-food imports from Canada reached \$2.9 billion in 2022. Mexico's large population, growing middle class, geographic proximity and political stability make it an important market for CAFTA exporters.

The deep integration between the Canadian and U.S. agricultural sectors is largely a question of proximity, but trade agreements and a deep, positive relationship with our American friends and allies are also vital. The Canada-U.S. Free Trade Agreement of 1989, followed by NAFTA in 1994 and then CUSMA in 2020, have dismantled most tariff and quota barriers to Canada-U.S. agricultural trade.

I want to underline that for Canada-U.S. agri-food trade, CUSMA benefits trade investment for both countries through highly integrated supply chains. This includes intra-industry trade for important sectors, with each country exporting products to the other within these sectors. Pork and beef are important examples, as well as grains and feeds. Bilateral trade also covers many semi-processed and finished processed products such as sugar-containing ingredients and food products.

Our supply chains are so deeply integrated that in essence our countries are producing together, making technological advances together and using an integrated transportation system. These are important elements to emphasize when interacting with U.S. counterparts. Napoleon famously said that geography is destiny. This is clearly true for Canada's international trading relationships. Nothing is more important than our relationship with the United States. CAFTA is a strong supporter of diversification of our trading relationships, but the U.S. will always be the most important. In an increasingly uncertain international environment, neighbours and partners like the U.S. and Mexico must be carefully nurtured.

Our security relationship, border management and the management of key trade infrastructure cannot be separated from the trading relationship. As a country, we must manage North American relations holistically. CAFTA members can play a useful role in the team Canada approach by working with our U.S. counterparts to underline the importance of CUSMA to them. U.S. farmers and producers are politically relevant, including in key swing states.

● (1540)

[*Translation*]

Finally, I wish to emphasize the need to avoid unnecessarily provoking U.S. trade negotiators. CAFTA firmly believes that Bill C-282, which would prevent Canadian negotiators from discussing tariff quotas in supply-managed industries, is sending a warning signal to U.S. interest groups in key states. We call on the Senate to reject Bill C-282, which has not been thoroughly studied in the House of Commons.

I look forward to answering your questions.

Thank you.

[*English*]

The Chair: Thank you very much, Mr. Harvey.

Go ahead, Mr. Lemaire, please, for up to five minutes.

Mr. Ron Lemaire (President, Canadian Produce Marketing Association): Thank you, Madam Chair and committee members, for the opportunity today to speak on the potential issues for consideration in relation to the 2026 review of the Canada-U.S.-Mexico agreement.

As the committee has heard me say in the past, our produce supply chain is highly integrated across borders. CPMA represents over 870 companies growing, packing, shipping and selling fresh fruit and vegetables in Canada. Our members are responsible for 90% of the fresh fruit and vegetable sales in Canada and make a significant contribution to Canada's economy, in the amount of approximately \$15 billion in GDP.

The pandemic has highlighted that the Government of Canada must prioritize food as an essential item in framing our trade agreements, with the fundamental goal of supporting domestic markets while strengthening food security and ensuring product diversity.

It is also critical that the government support all Canadian agriculture and food products in trade negotiations and not prioritize certain sectors to the detriment of others. CPMA cannot understate the critical importance of CUSMA in supporting our integrated

supply chains. Our partners in CUSMA are by far Canada's largest trading partners when it comes to fresh produce, and particularly the United States, both in imports and in exports. There are also many companies that operate across all three jurisdictions.

In looking to the 2026 review, I would like to highlight three areas of focus.

First, over the past number of years, we have seen some push coming from U.S. growers on trade actions, including an attempt to impose seasonal tariffs on certain fresh fruit and vegetable commodities to protect U.S. domestic producers from what they described as unfair competition from imports, which was not validated.

Between 2020 and 2022, the U.S. International Trade Commission also undertook a safeguard investigation into blueberry imports, as well as a fact-finding investigation regarding cucumber and squash imports. Investigations into strawberry and bell pepper imports were also launched, but ultimately stalled.

Thankfully, the commission's findings were ultimately in Canada's favour, but the process cost Canadian businesses and governments significant amounts of time and legal costs. There are concerns that these types of investigations will rise again under a new administration south of the border.

I will note that CPMA once managed the U.S. duties for produce and for our industry, which were phased out under the Canada-U.S. Free Trade Agreement and then NAFTA, along with the phasing out of duties with Mexico and Chile. The Government of Canada should look at opposing any reintroduction of any types of duties on our industry as we look at the 2026 CUSMA review.

Second, Canada's free trade agreements, including CUSMA, should support regulatory harmonization that can lead to adoption of higher standards and regulations across countries, ensuring that products and services meet the same safety standards and quality standards while reducing regulatory burden and associated compliance costs for businesses. Plant health and pest risk management are areas of potential improvement when it comes to regulatory collaboration.

Finally, CPMA would like to draw to the committee's attention the potential trade irritant related to the government's proposals in relation to plastic packaging. Our North American partners have raised concerns that the introduction of the federal plastics registry may violate the environmental and trading provisions under CUSMA, including the requirement to disclose proprietary information such as composition of packaging. Other concerns with the registry include the lack of clear guidelines on registration duties and accountability across the supply chain, as well as the increased risk of supply chain disruptions due to discrepancies with existing supply chain data systems.

ECCC's proposed actions in the form of the pollution prevention notice plan for primary food packaging, as well as proposed labelling and recycled content regulations, also contain requirements that are highly problematic to the North American fresh produce industry. The combination of these actions, if implemented, could mean a significant disruption to our industry and impact over 160 different countries that ship to Canada. There are also concerns that the proposed regulatory regulations create an unfairness around the delivery of our products domestically and internationally.

The continuation of a free trade framework for fruit and vegetables under CUSMA is vital as we navigate a world of high food inflation and growing production challenges.

In closing, as representatives of a highly globally integrated industry, CPMA is supportive of the government's progressive trade agenda, which aligns to business growth and market access, and we hope that we can continue that within a review of the current agreement.

• (1545)

Thank you.

The Chair: Thank you very much.

Mr. Davies, you have five minutes, please.

Mr. Graham Davies (President and Chief Executive Officer, Digital Media Association): Madam Chair, members of the committee, and committee clerk, thank you for the opportunity to testify before you today on this important subject.

My name is Graham Davies. I'm president and CEO of the Digital Media Association, or DiMA. I'm sorry that the timing has meant that I'm unable to be with you in person today.

DiMA is the voice of music streaming, representing the world's leading audio streaming companies, the economic engine of the modern music industry. With a membership that includes Amazon Music, Apple Music, Pandora, Spotify and YouTube, DiMA promotes and protects the ability of music fans to legally access and engage with music whenever and wherever they want, and for artists to reach fans and make new ones more easily.

It's not that long ago that the music industry was in serious decline. DiMA's members have in large part rescued it from the harms of piracy by establishing a new sustainable business model that is quite different from broadcasting and other forms of entertainment. In music streaming, around 70% of the money from consumers is paid through to music labels, music publishers and collective rights management organizations. By way of a comparison, a commercial

radio station in Canada is likely to pay less than 9% to the music rights holders.

In exchange for the large proportion of music streaming revenues being paid through to the rights holders, our members rightly expect those rights holders to not only—of course—fairly and appropriately pay the songwriters and performing artists they represent, but also to invest in the search for and development and promotion of a diverse and talented pipeline of new Canadian creative talent.

Investment in creative output has always been the role of record labels and music publishers in Canada and everywhere else in the world. Again, that role justifies the large proportion of revenues paid through to those entities. Nonetheless, streaming services have taken it upon themselves to improve upon the prior model. DiMA's members also invest in local teams and resources that discover, develop and promote Canadian artists. This has resulted in a great success story for Canada, with artists like Charlotte Cardin from Montreal and Tate McRae from Calgary developing domestic and global followings through the power and reach of streaming.

I've explained these economics to provide context to the government's implementation of the Online Streaming Act. As you may know, earlier this week the CRTC introduced an unprecedented and discriminatory 5% tax on music streaming services. We are concerned that this action will undermine the investments made by DiMA's members in the Canadian music industry and may also have unintended consequences to consumers, particularly younger Canadians, who are the predominant users of music streaming services in Canada. In general, rising costs can lead to rising prices, and we have identified nothing in the new regulations to soften the impact of this economic rule.

To add to these negative impacts, the CRTC decision is now forcing U.S. and international companies to pay large sums into a fund they cannot access. In addition to the upward pressure on consumer affordability, we believe this is a discriminatory trade policy that comes on top of other digital trade-related concerns.

Leading trade commentators are warning that the cultural exemption in the current agreement does not apply. Even if it did, it explicitly allows the U.S. to countervail for equivalent value in such situations. Why, then, given the other members of today's panel, should Canadian beef farmers or the auto sector, for example, be expected to pay the price for this misguided and onerous regulation?

The U.S. Secretary of the Treasury and the U.S. ambassador to Canada have expressed strong opposition to any discriminatory taxes against U.S. firms. On the same day the CRTC announced this 5% tax, the American Chamber of Commerce in Canada declared that it violates Canada's obligations under the trade agreement. The U.S. chamber has strongly objected also.

DiMA and its members have worked tirelessly to inform and educate the Canadian government and the CRTC as to why the Online Streaming Act is bad for Canada. This has been to no avail, though we continue to encourage them to change course. My intention today is to raise awareness of this developing situation with the honourable members of this committee and encourage you to keep close scrutiny on the implementation of this legislation.

DiMA and its members wish to continue supporting and investing in Canadian music and culture. We are concerned that the implementation of this legislation jeopardizes the ability for us to meaningfully do so.

Thank you. I look forward to your questions.

• (1550)

The Chair: Thank you very much, Mr. Davies.

Ms. Tranberg, go ahead, please.

Ms. Janice Tranberg (President and Chief Executive Officer, National Cattle Feeders' Association): Thank you very much for the opportunity to present to this committee on behalf of the National Cattle Feeders' Association. NCFE is the national voice for cattle feeders and a critical component of the beef value chain.

At approximately one year of age, calves move from a cow-calf farm to feedlots, where they're fed a high-energy ration that brings them very quickly to market weight. Feedlots are important to efficiently produce consistent, high-quality beef in quantities that are required for domestic and export markets year-round.

Canada's beef industry contributes around \$21.8 billion to the national GDP. Our beef sector is very export-dependent. Each year, we export approximately half of the cattle we raise, and the United States accounts for around 75% of those exports. While our sector works to diversify in other global markets, the current geopolitical environment can often make this quite challenging. Over the last 10 years, our Canadian live cattle and beef exports have seen tremendous growth, with the United States being behind the majority of that. While this is good news, our sector is disproportionately dependent on the American market. Thus, the 2026 CUSMA review is of great importance to us.

Our interest in the CUSMA 2026 review is rooted in the highly integrated North American beef industry. It provides benefits to both sides of the border. In practicality, the Canadian and U.S. beef industries operate within a single North American market, where

processed beef and live cattle move across the border relatively unimpeded and tariff-free. Imports for feed are also a critical part of this integrated market with the U.S. Increasingly volatile political environments, not only in the U.S. but also globally, make CUSMA and the predictability it provides more important than ever.

I'll go directly into the CUSMA review. The NCFE calls on the Canadian government to do three things: do no harm, improve market access where possible and focus on regulatory co-operation.

We call upon the Canadian government to ensure that there are no new tariffs or trade-restricting measures result from this review. With skyrocketing input costs, unpredictable supply chains and extreme weather conditions, the beef industry is simply not positioned to sustain a trade disruption with any of our trading partners.

Canada must enter the CUSMA review with a strong and clear position that's not limited by the interests of one sector. Both countries have trade-sensitive commodities, but the goal of this review must be to increase access to each other's markets.

In an integrated North American industry, we call for an increased focus on regulatory alignment and co-operation. This can include aligning rules on transportation, disease control measures and inspection requirements so that trade within North America can be unimpeded and consistent with rules.

An equal commitment to the delivery of timely border services is essential to meet required inspections by the USDA officials and vets when shipping live cattle. We need to push for an increase of USDA border crossings, not closings or reductions of these services.

Finally, it's important that we have equivalency in rules for the approval and use of new products, so Canadian and American farmers have access to the same tools at the same time and can move live animals freely across the border, knowing that products are accepted on both sides.

We urge the committee to ensure the government protects the economic and competitive benefits that live within the CUSMA agreement.

Thank you.

• (1555)

The Chair: Thank you very much.

We'll go on to questions from our colleagues.

Mr. Jeneroux, go ahead for six minutes, please.

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

Thank you, witnesses, for taking the time to be with us here and joining us on a Thursday afternoon.

Quickly, Mr. Davies, I need a simple yes-or-no answer: Would you agree that Canada's digital service tax proposal would undermine the Canada-U.S. trading relationship?

Mr. Graham Davies: My response relates to music streaming specifically. As outlined, we do see trade problems with the Online Streaming Act.

Mr. Matt Jeneroux: Do you agree, then, that the Online Streaming Act would run counter to Canada's commitments under the OECD and G20 inclusive framework on base erosion and profit shifting?

Mr. Graham Davies: I'm not a trade expert. My testimony today is to raise the concern that we're seeing from our members and a number of trade experts, a concern about this very recent decision. The decision was only made this week, so there's a lot of gathering around as to the implications of it.

For the committee, if there are specific questions like that, trade questions, I'm very happy to take those back and come back to the committee.

Mr. Matt Jeneroux: It would be great to get your organization's opinion on that indeed, so I'll take you up on that, if you don't mind returning to the committee.

Mr. Graham Davies: Of course.

Mr. Matt Jeneroux: You did raise the issue during your testimony about allowing the U.S. to countervail for equivalent value in such situations, and then your next sentence was, for example, on beef farmers and the auto sector.

Could you expand on what exactly you mean by those two examples?

Mr. Graham Davies: Yes, of course. They're only used by way of example.

Obviously, we are keen that the future trade discussions be as smooth as possible. It's everyone's objective, so we are just flagging this as an emerging problem. It wouldn't be for us to comment on how that could impact the future CUSMA review, but I mentioned some other parties because they're on the panel here today. That was the main reason for calling them out.

Mr. Matt Jeneroux: Then would it be reasonable to assume from your comments that if this were to continue to go ahead, for the beef farmers and the auto sector would presumably pay a price for the regulation?

• (1600)

Mr. Graham Davies: We're raising a concern that if this does continue and feeds into the CUSMA review, it could impact other industries.

Mr. Matt Jeneroux: I'm trying to get a sense, then, as to why you would include that in part of your testimony. Is it because of experiences or conversations you've had that if this continues, there will be ramifications on other sectors?

Mr. Graham Davies: Correct. I was raising the fear that there will be ramifications on other sectors. The reason for mentioning those groups was simply that they're on this panel with me here today. There's been no dialogue with them. There's no research into whether they would be directly targeted. That was not the intended inference. It was more by way of example.

Mr. Matt Jeneroux: Okay. I'm going to then ask Ms. Tranberg for her comments on those particular comments from Mr. Davies when he references that there could be ramifications on your sector.

Ms. Janice Tranberg: I can't speak for his industry, but I'm making the assumption, listening to his testimony, that he is simply saying that there would be ramifications on the general public, part of which would be our sector and our industry. That's my assumption.

Mr. Matt Jeneroux: Would you be concerned that some other levies are being put on U.S. organizations, such as the streamers, and that there could be potential on your industry or other industries?

Ms. Janice Tranberg: I would need to understand what those ramifications would be before I could comment.

Mr. Matt Jeneroux: Let's hypothetically say that the CRTC imposed a 5% base tax on streaming services. We have a letter from I think 19 congressmen who have indicated that they are concerned about this.

I understand that you and Mr. Davies are in two different sectors, but in his comments he's indicated that he's concerned that this might have a larger impact, and that's where I would like your opinion. Could you also indicate whether you're also concerned that this would have a larger impact on sectors like yours?

Ms. Janice Tranberg: It's a very difficult thing to answer, but I will say that right now in the agriculture industry we're very concerned about a number of different pile-on activities that seem to be adding up, making our industry much less competitive than it certainly has been in the past, and so if this is an additional tax that would add to that, then obviously we would be concerned.

At this point in time, however, I can't specifically answer because I don't understand what the specific ramifications would be.

The Chair: Thank you very much.

Mr. Sidhu, you have six minutes.

Mr. Maninder Sidhu (Brampton East, Lib.): Thank you, Madam Chair.

Thanks to the witnesses for being here today and for sharing your insightful comments with us.

My first question would be for Mr. Volpe, who is on the screen.

Mr. Volpe, I've talked a lot in this committee about the importance of having healthy and vibrant trade corridors, and we know that the one in Windsor is definitely very vibrant. Lots of trade flows through that crossing. It's a crossing that's very important to Canada. Now the Gordie Howe bridge is coming up there. The two spans are mere metres away from being connected.

What would this bridge mean for your industry and what do you think it would mean for trade, especially considering that you've now opened your first office in Windsor?

Congratulations on that.

Mr. Flavio Volpe: Thank you.

We don't have to look too far to understand why having one bridge privately owned by a foreign entity is an issue. In terms of the volume of traffic that could get across the Ambassador Bridge, the decision to widen that bridge comes from a private party. For years, I think the industry has said that it would benefit from that. That private party is motivated by things that private parties are motivated by, like return on investment, etc., and they are raising the capital to do it.

The industry lobbied successive governments for decades to construct another bridge. This Gordie Howe bridge provides some insurance that if the next band of lunatics that want to barricade a bridge shows up, maybe there will be another one that's open. Also, this is a modern, wider infrastructure that provides a couple of logistics options to get across.

Every day, \$100 million worth of goods in the automotive sector travels in either direction between Windsor and Detroit, so I think it's probably the best money that could have been spent on infrastructure for the Canadian auto sector.

• (1605)

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

I know we're all looking forward to the completion of the bridge, which I think is slated for next year.

I'll turn now to Mr. Harvey.

Our government has launched our team Canada U.S. engagement strategy, which is being led by Minister Ng, Minister François-Philippe Champagne and Ambassador Hillman.

In terms of what you're hearing in your advocacy efforts with some of your U.S. counterparts, what do you think the government should be doing? Where should we be focused, in terms of some of your conversations?

Mr. Michael Harvey: I think the most important thing is to explain to the Americans why CUSMA is good for them and not always come at it from the perspective of explaining to them why CUSMA is good for Canada.

If you look at some of our members, you see that we're in these deeply integrated supply chains. For instance, Ms. Tranberg was mentioning the connection between the cattle feeders here and the plants on the other side of the border. We're really producing together. There are Americans who have a deep interest in the bilater-

al trading relationship. We need to be bringing that up with them and getting them to speak up in favour of the relationship. We're doing things together. It's not just that we're exporting things to the U.S.

Mr. Maninder Sidhu: Absolutely.

I'd like to hear from Mr. Lemaire on some of his conversations and ongoing advocacy in the U.S.

Mr. Ron Lemaire: I'll reiterate Mr. Harvey's comments.

We're a fully integrated market, with greenhouse producers, as an example, operating in all three countries. Whether it's automotive, beef, grains or whatever the case may be, we need to ensure that we have a free flow and open delivery of product across jurisdictions, with limited or no regulatory burdens to slow the movement of those products, especially when we're talking about perishable food.

Mr. Maninder Sidhu: In terms of the regions or states down in the U.S., is there a focus on certain regions that you would like the government to focus on or regions you're interested in?

Mr. Ron Lemaire: With the strength and influence of the region, with the potential change of administration in the U.S., and with the strength of voice of Florida and some of the stronger Republican states, I think we need to pay attention to those voices and understand what they're saying.

To Mr. Harvey's comments, we need to ensure that they understand the benefits of the trade agreement and where the opportunity for market is in the collaborative delivery of business.

Mr. Maninder Sidhu: Thank you for that.

Mr. Volpe, I'm going to turn back to you. I have about a minute left.

I have the same question for you, in terms of your advocacy efforts with your counterparts down in the U.S. What's working? What do you think we need to focus on?

Mr. Flavio Volpe: We spend a lot of time with our counterparts in the U.S., as well as in Mexico, in a coordinated effort to align our messaging. Parts suppliers in all three countries really have the same dynamics. We're all trying to serve carmakers that are selling to an American consumer.

I think the Canadian embassy has done a very good job, including the trade commissioner service, which serves the various auto states in coordinating the message that we do all this work together.

I did note that the ISED minister and the minister of trade are part of a coordinated effort with the ambassador to move that team Canada effort forward. I will note that it includes members of the opposition parties over the last couple of years, who have been very active and very helpful, as the message coming from Canada is non-partisan. I'll note the work of people like Randy Hoback there.

Mr. Maninder Sidhu: Thank you, Madam Chair.

The Chair: Thank you.

We have Mr. Hoback filling in at our committee today, so it's nice to see that he's here.

We'll go to Monsieur Savard-Tremblay, please, for six minutes.

[*Translation*]

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

I want to thank all the witnesses.

Mr. Harvey, I jumped a little when you said that the House hadn't thoroughly studied Bill C-282. First of all, you have every right to come and tell us that you oppose the bill, that it's not a good idea and that the Senate should reject it. There's nothing wrong with that. That's why we're here.

On the other hand, it can't be said that we haven't done a thorough job. We undertook it twice: once during the last parliament and once during this one. Both times, I was one of the two critics in favour of the bill, and we even went on a fact-finding tour around Quebec on the subject.

The latest process, which went further than the previous one, was perfectly normal. First, the bill was introduced at first reading. Then it was debated and passed at second reading. Then it was referred to committee, where we carried out a study over an appropriate number of meetings. We heard from experts and interest groups, some in favour of the bill, others opposed. We heard all possible arguments. We weighed them, then reported the bill back to the House, where it passed on third reading and was sent to the Senate, where it is currently under consideration.

In my opinion, that was a good thing, but not in yours. That's fine, that's part of democracy. But that doesn't mean there hasn't been a thorough review. Of course, you may find that this process is insufficient, but if that's the case, your criticism applies to the process in general because it's the same for all bills. Otherwise, I invite you to consider your words carefully before you speak.

Now, I'd like to ask Mr. Volpe a question.

In January 2023, following a complaint from Mexico and Canada, a panel ruled in our favour concerning a difference in interpretation of U.S. requirements for calculating the regional value content of certain products. The dispute concerned a technical provision of the trade agreement requiring that, by 2025, 75% of automotive parts known as “essential parts” must be manufactured on U.S. soil to qualify for duty-free treatment.

In your opinion, what irritants are still present and could be discussed or even resolved during the CUSMA review?

• (1610)

[*English*]

Mr. Flavio Volpe: Thank you.

On that specific issue, all three countries agreed that in the original text and interpretation of the USMCA that there were specific local content thresholds for different types of parts. Once those parts were deemed to have met those thresholds, which was ostensibly 65% to 75%, then those parts would be deemed to be 100% compliant in the vehicle calculation. The local content requirement

in a vehicle is set at 75%, so if I qualified my armrest, my wheels or my transmission, then that number would start for that component at 100%. “Rolled up to 100%” is the term that we use.

The new administration, the Biden administration, said that they would like to see the real local content number to be the one used, whatever that is—66%, 83%, 94%. Canada and Mexico successfully appealed that and said that this was not what we agreed on and that this is not the way the industry works.

Even though I represent component suppliers, we always argued during the NAFTA negotiations that if we tighten the restrictions too much, the penalty for automakers for not meeting the compliance number is a 2.5% most favoured nation tariff, so just turn around and pay the tariff and then maybe not be guided at all by the rules of origin. Canada and Mexico won that. We're waiting for the Americans to give a report on how they're going to comply with that, but they've been silent since.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Perfect.

Three weeks ago, the United States also took steps to impose significant new tariffs on imports from China, notably on electric vehicles, batteries and essential minerals.

How can we prevent Canada from becoming a gateway to China? We're well aware of Canada's lax attitude, particularly with regard to imports of goods produced using forced labour and control over investments.

In short, how can we prevent Canada from becoming a kind of sieve, given the growing mistrust of Americans?

[*English*]

Mr. Flavio Volpe: I've said publicly, I've said privately and since last October I've been saying to the various departments of government that are responsible for this that we need to be in sync with the Americans. Eighty per cent of the market for our finished goods is the American market. I think the Americans understand it to mean that we have access to their market and that we need to protect access of their goods to our market.

In the first week of November 2023, the APMA went to Washington to meet White House officials—energy, treasury and economy officials—to say that the Chinese are aggressively eroding market-driven companies' market in Mexico, displacing market-driven FDI into North America via Mexico. They've really shown us what their intentions are with a very aggressive triple-digit increase in Europe, and we should do something about it.

We are very glad that the Americans have come up with a 100% tariff on EVs and a 25% tariff on some critical materials. We think the Government of Canada should do your consultation, but very quickly conclude that consultation, which is rather public. Everybody—all the related parties in our industry—says that we need to match it and show the Americans that we're just as dedicated to protecting their market access as they are to ours.

• (1615)

The Chair: Thank you very much.

Mr. Cannings, you have six minutes, please.

Mr. Richard Cannings (South Okanagan—West Kootenay, NDP): Thank you.

Thank you to everyone for being here today.

I'm going to start with Mr. Lemaire of the Canadian Produce Marketing Association.

I represent a riding that has a lot of fruit growing, a lot of soft fruits like cherries, peaches, apricots, etc. You mentioned the particular problem of perishable food. In crossing the border, you can't have it sitting there waiting for some dispute to be worked out. You can't go to a CUSMA panel and see what those cherries are going to face. What is in the present CUSMA to deal with that? Is there some sort of rapid-action mechanism that can be applied?

What often happens is that when there is a big cherry crop in Washington state, suddenly our market is flooded with Washington cherries at very low prices. We call it dumping, and that has a huge impact on our domestic market.

I'm wondering what mechanisms are available to the Canadian industry to counteract that, and whether we use them. If they're not in the present agreement, should they be?

Mr. Ron Lemaire: The agreement does hold anti-dumping mechanisms in place. The complexity of those mechanisms requires demonstration of production and sale of underpriced products. The process that we need to ensure is in place is that we're always looking at valid data, sound science, and expediency of review when putting it in play.

The expediency of review you've hit on the head; it doesn't exist. It's a very slow process, and it's many years after the.... Whether it is a dumping situation or suspected dumping, it's already completed, and we're working in the past as opposed to the present.

What is the solution? A complex rapid-action group would be ideal. The formation of that group within a CUSMA framework is a highly innovative way of approaching it.

Mr. Richard Cannings: Yes. If we suddenly see this happening, we need to put those anti-dumping levies on right now, and we can worry about the panel decisions perhaps later, I'm assuming. However, we need action before those cherries turn to mush.

Mr. Ron Lemaire: We have to ensure, in the imposition of.... We go back to some of the discussions on the retaliatory tariff for digital media. It's the one watch-out that we have to be careful of, relative to imposition of any levies or duties without the data and the science to validate. It's the only caution I would give, but working with a rapid-action format could provide us with the spring-

board into delivery of the right response in the situation of a dumping environment.

Mr. Richard Cannings: The other perishable fruit situation with regard to crossing the border is the PACA.

Mr. Ron Lemaire: Yes, it's a deemed trust.

Mr. Richard Cannings: It's a deemed trust agreement. We have a bill put forward, this time by Scot Davidson of the Conservatives, that's in the Senate right now.

Mr. Ron Lemaire: Unfortunately, it's stalled.

Mr. Richard Cannings: Well, I was just going to ask you where that is. What can we do to get that going?

Mr. Ron Lemaire: We have to give the House and parliamentarians credit. You kept the Senate very busy, and they made the decision to focus on House priorities only. We were moving into the banking committee to review Bill C-280, and that has been postponed now until the fall.

I was actually to testify this morning around the benefits of market stabilization and trade, because if we can introduce the bankruptcy tool for the fresh fruit and vegetable sector, we will regain a trading tool, preferential access to a trading tool with the U.S. that, in the event of a dispute, will provide a clear strategy on sustainability for our fruit and vegetable growers when we ship south.

• (1620)

Mr. Richard Cannings: Are you still confident that will happen in the fall? Is it just a timing issue?

Mr. Ron Lemaire: We had full House support. I understand we have support from the Senate. However, I am not a gambler: I like to see discussion. I'd like to see it cross the finish line as fast as possible and see the Senate move it back with support but without amendments.

Mr. Richard Cannings: I will go to Mr. Volpe again.

Can you help me understand this situation with the change in the roll-up agreement and the panel win by Canada and Mexico? You say the U.S. is not in compliance. What does that really mean for us, and where is that process?

Mr. Flavio Volpe: Well, you went to the wrong guy with one minute left.

The difference between our interpretation and their interpretation—and their interpretation was deemed to be wrong by the panel—would require more local content. I think they were trying to drive for more American content, in part to be able to qualify a vehicle. The challenge is that in a lot of important component classes like electronics or wiring harnesses, they don't exist in North America. You can drive a carmaker to a number that is unachievable, and the only penalty, if that carmaker doesn't achieve it, is a 2.5% tariff, and so we said that if they choose not to go on the 2.5% tariff, then they don't even have to meet the 75%: They could go to 65% or whatever works.

We really hope the Americans listen to their own industry, which is telling them that they all agreed on the interpretation that we all negotiated and that they should do the right thing and comply with the panel.

The Chair: Thank you very much.

I will go to Mr. Hoback for five minutes.

Mr. Randy Hoback (Prince Albert, CPC): Thank you, Chair.

I want to thank the committee members for giving me five minutes here to talk about the USMCA. I have a passion for this trade deal, for seeing it go forward and making sure that we thin that border as much as we possibly can.

I will start off with you, Mr. Lemaire. In regard to plastics, we heard, when we were down in the States, about it as an issue—from California, of all places, the most environmental state there is. How do you see the legislation coming forward on plastics? What could be the possible outcomes? What does that mean for the cost of food here in Canada?

Mr. Ron Lemaire: Deloitte published a report showing a 30% increase in food costs based on the P2 notice and plastic strategy currently being proposed. Congressman Sessions provided a letter to the ambassador identifying concerns under CUSMA relative to chapter 24 in sections 2, 4 and 5 that articulates concerns that I noted in my testimony. It's significant.

No one is saying that they don't want to try to address problematic plastics and find its path—

Mr. Randy Hoback: I'll stop you there because I have only so much time.

Mr. Volpe, we talked about electric vehicles and about the fact that the U.S. put a tax on electric vehicles coming in from China. What happens if we see circumvention starting to happen? To use an example, there were 800 containers that were rejected at U.S. ports that are now rumoured to have possibly come through Canadian ports because they never were inspected. What would that mean for the Canadian auto sector, and what could it mean for other sectors in regard to a relationship with the U.S.?

Mr. Flavio Volpe: I don't know about the specific issue you're talking about, but in general, if we're seen as the place for Chinese vehicles to land at a lower price, and then that displaces sales of vehicles manufactured by market-driven players in the U.S., if I were sitting at USTR, I'd take that as a signal that Canada isn't as committed to this partnership in defending “fortress North America” against subsidized centrally planned players.

Mr. Randy Hoback: Even if we see, for example, Chinese steel and Chinese electronics starting to creep in through Mexico, would that not also be a concern for Canadian manufacturers?

Mr. Flavio Volpe: Sure. Canadian manufacturers are heavily invested in Mexico and are out buying raw materials at market-driven prices. I think we've expressed that concern for years during the NAFTA renegotiations and since, and the Americans are very sensitive to that on both sides of the House.

• (1625)

Mr. Randy Hoback: Mr. Davies, you talked about the CRTC's ruling this week. What does that mean for companies like Netflix and those doing video productions here in Canada that have already invested heavily in Canada in doing productions here? If they're now paying a 5% tax, will they still continue to invest in Canada and have productions happening here in Toronto, Vancouver and Montreal, or will that money dry up and just be used to pay for the CRTC tax?

Ms. Graham Davies: My response is on behalf of the music streaming companies, but I think your question applies to video production as well. Our members have invested really significantly in teams and lots of infrastructural investments to support music streaming in Canada. That's all because consumers want access to Canadian music. That's good for the experience—

Mr. Randy Hoback: Again, I only have five minutes, so I'm going to cut you off very quickly.

How about the global tax, the 3% tax that was announced in the budget? U.S. companies are now going to be paying that, yet Canadian companies won't be paying that in the U.S.

Can you explain to me why Canada would move ahead of the U.S. and other countries around the world on a global sales tax and why we'd put ourselves in that situation? It's similar with the digital sales tax, which is doing the exact same thing.

Ms. Graham Davies: I'm sorry; I'm not briefed on that issue. I'd be happy to follow up afterwards. I'm able to talk about the Online Streaming Act

Mr. Randy Hoback: Didn't you talk about the global sales tax or the digital sales tax?

Ms. Graham Davies: No.

Mr. Randy Hoback: Your members have no issue with that.

Ms. Graham Davies: My members will almost certainly have strong views on that. I'm not briefed to mention that today, but I'd be happy to take the question back and come back.

Mr. Randy Hoback: Okay. I'm going to move on, then.

We've had a team Canada approach, and, Mr. Volpe, I agree that it worked very well in 2017 and 2018, working with Wayne Easter, Brian Masse, the ambassador at the time and you. It was a very strong push to make sure that Canada was taken care of.

What I am concerned about is that we've heard another announcement of a team Canada, but I'm hearing that a lot of Canadians haven't been asked to be involved. None of the opposition parties have been asked to be involved.

Now, I'm kind of curious, Mr. Lemaire. Has either Minister Ng or Minister Champagne reached out to your organization to talk about team Canada?

Mr. Ron Lemaire: Unfortunately, they haven't yet.

Mr. Randy Hoback: How about you, Mr. Harvey?

Mr. Michael Harvey: No. We've reached out to the government and made some invitations to come speak.

Mr. Randy Hoback: You've reached out. Okay.

Mr. Volpe, you've probably been reached out to, I assume.

Mr. Flavio Volpe: I'm always on team Canada.

Mr. Randy Hoback: As am I, as is everybody in this room, I'm sure, but have the ministers reached out to you directly to get your guidance? You could provide tremendous insight in what we should be doing in regard to team Canada.

Mr. Flavio Volpe: Yes, they did, and some of my guidance was to call the rest of you.

Mr. Randy Hoback: Okay. I'm good. You can't control it if they don't listen to you, can you?

The Chair: That's it. I'm sorry, Mr. Hoback.

Mr. Randy Hoback: What about Janice? Can I have one more?

The Chair: You've managed to get in a lot in that five minutes.

Mr. Randy Hoback: Okay. Thank you, witnesses.

The Chair: Mr. Volpe, I understand that you have to leave us, so thank you very much for giving us your very important information and your knowledge.

Mr. Flavio Volpe: Thank you for having me.

The Chair: Mr. Miao, you have five minutes, please.

Mr. Wilson Miao (Richmond Centre, Lib.): Thank you, Madam Chair.

First, I'd like to thank all the witnesses for being here today for this important study.

Before I begin, I'd like to take this opportunity to commemorate the important occasion of the 80th anniversary of D-Day and the Battle of Normandy. I'd like to invite all of us to remember, honour and pay tribute to the brave heroes who served in the Second World War. Let us always remember their service, sacrifice and their legacy of courage and ensure that their legacy guides us in fostering peace, justice and economic prosperity in this world.

The Chair: Thank you very much.

Mr. Wilson Miao: Madam Chair, I'd like to direct the following question to Mr. Harvey and Mr. Lemaire.

As we enter June, with summer just around the corner, we have witnessed that over 300,000 hectares of forest have burned down due to wildfires this year. Extreme climate events due to climate change are threatening our agriculture and agri-food sectors. Our federal government is building a sustainable climate resilience economy that will bring generational benefits to not just our agriculture but also our agri-food sector. This is a common standard in environmental co-operation in the CUSMA.

Could you please share with this committee your perspective on this environmental commitment made by not only Canada but also the U.S. and Mexico in relationship to supporting this sector?

• (1630)

Mr. Michael Harvey: Canadian agri-food exporters have a very good carbon profile with low carbon production and are constantly working to improve the technology. We think it's very important that sustainability at a global level not be used as a disguised trade barrier. We do think that sustainable trade has a very key role to play in reaching our sustainability goals.

Mr. Ron Lemaire: I'm a founding member of the national agri-food sustainability index, which was created to find the benchmarks to gauge our strength and sustainability within agri-food. It's a vital piece moving forward.

I'm in agreement with Mr. Harvey. This cannot be a trading tool or a competitive tool. This has to be a fabric of how we do business, and it cannot add cost pressure on the farmers, whether in Canada, the U.S. or Mexico. The only one who will pay in the end is the consumer, so we have to ensure that we develop a strategy that effectively leverages sustainability and at the same time enables business.

Mr. Wilson Miao: You mentioned sustainability. Can you talk about the contribution of this trade partnership in the agriculture and agri-food sector as well?

Mr. Ron Lemaire: In the trade relationship with the fresh fruit and vegetable sector, we've seen growth and development within our trading relationships in an increased export strategy with our U.S. partners, as well as growth in the Mexican market.

Where we've actually seen some challenges is in our own domestic internal trading framework. A good example, when you talk about the wildfires, is British Columbia, which is looking for rootstock for wine grapes as well as their tree fruit industry. Ontario has rootstock available, but they cannot sell that to B.C. without fumigation. We need an exemption for that. It's an internal non-tariff trade barrier to moving product from one province to another. These are some of the issues we see domestically.

Mr. Wilson Miao: Thank you for sharing that.

Mr. Harvey, do you have anything to add?

Mr. Michael Harvey: The CUSMA has means of managing disputes around non-scientific trade barriers. A good example is Mexico, which has banned GMO corn; the United States has opposed that, using the dispute settlement mechanism, and the Canadian government has supported the U.S. position, and we supported Canada's support for the U.S. position.

We think that the CUSMA provides a way to manage disputes like this so that they can come to science-based decision-making.

Mr. Wilson Miao: On some of the sustainable measures our government has introduced, such as the national adaptation strategy to combat climate change, could you please share with this committee how the environmental measures are helping the sectors to combat climate change while also securing competitiveness between our trading partners?

Mr. Ron Lemaire: The water component is a fundamental factor. Water will be a future challenge for everyone. That's the first and foremost step within our sustainability strategy, especially within a North American context and our trading relationship with agriculture: How do we solidify and manage our sustainability framework and drive forward with ensuring everyone has the water necessary for production?

The Chair: Thank you very much. Your time is up.

I'll hand it off to Mr. Savard-Tremblay for two and a half minutes, please.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Mr. Volpe, I'd like to turn to you again. Do you have any suggestions for protecting the North American market from imports and investments that could come from China?

[*English*]

The Chair: Excuse me, Mr. Savard-Tremblay, but Mr. Volpe left. When he came on, he said he was only here until 4:30.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Really? Is anyone from that group still with us?

[*English*]

The Chair: No.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: In that case, I'm going to ask a broader question and anyone who wishes may respond.

Representative Katherine Tai recently stated that disputes and dispute outcomes need to be part of the joint review, as the disputes could not be resolved using the dispute settlement system itself only. Some people have already witnessed conflicts and been at the centre of them. Everyone wants to avoid future trade wars.

What comments and recommendations would you make about the systems in place? In which areas do we need to be vigilant?

• (1635)

Mr. Ron Lemaire: That's a good question.

[*English*]

I'll speak to the question that was asked around the deemed trust discussions.

In Canada, if we move forward with the mechanism around financial protection, then Bill C-280, which is in front of the Senate, would be one of the other tools that would enable working around and within CUSMA. Because it is built within the framework of tri-national modelling, it would give us access to a dispute resolution model within a preferential system that no others have internationally. Then Canadian growers in the fresh fruit and vegetable industry, and exporters, would be able to access that dispute resolution tool.

It just means moving our own bankruptcy protection here forward to enable the U.S. to reinstate that preferential access, due to the reciprocity nature that they're requesting. It's slightly outside of CUSMA, but it's founded within the context of the North American free trade agreement.

The Chair: I notice that Mr. Davies has his hand up. Does he want to add something to the question?

Mr. Graham Davies: Yes, please. Thank you.

DiMA's members, and comments made by numerous U.S. and Canadian stakeholders—including the U.S. Chamber of Commerce, USTR, U.S. lawmakers, academics and other experts—indicate that introducing a 5% tax that forces U.S. and international companies to pay into a fund they cannot access creates a risk of this becoming a trade irritant. We would encourage members of this committee to review the comments made by all of these stakeholders and review the implementation of the Online Streaming Act.

The Chair: Thank you very much.

Mr. Cannings, you have two and a half minutes, please.

Mr. Richard Cannings: Thank you.

I'd like to turn to you, Ms. Tranberg.

We heard a brief mention of non-tariff barriers just now. We hear a lot about this situation in relation to meat exports, for instance, between Canada and the U.K. and Canada and the EU. I'm wondering what your association or your members are concerned about, if they are concerned at all, around non-tariff barriers that might hinder the trade of cattle, especially live cattle, back and forth between Canada and the U.S.

Ms. Janice Tranberg: Thank you for the question.

One of the things we're seeing is around the voluntary labelling, the voluntary product of U.S. labelling, that just went in. We were very concerned. It's sort of a wait-and-see situation on how much this will actually impact trade, since it is voluntary and not mandatory.

As we mentioned, the trade between Canada and the U.S. on beef is over a very open border. In 2021, for example, 638,000 head of cattle were imported from Canada. At the same time, there was an export of about 377,000 head of cattle from the U.S. This goes back and forth. Given that there is such open trade between the two countries, the limits around labelling are a concern. Certainly we hope that this will not become a trade irritant.

Mr. Richard Cannings: That's fine, Chair. I'll leave it there. Thanks.

The Chair: Mr. Baldinelli, you have five minutes.

Mr. Tony Baldinelli: Thank you, Madam Chair.

I'd like to thank the witnesses for being with us today.

Mr. Lemaire, I'll start with you.

You spoke in response to my colleague Mr. Hoback about the plastics registry and the possible impact under CUSMA rules currently. I think many of the witnesses here today have talked about the need for regulatory harmonization as we move forward with our partners, both Mexico and the United States.

In your response about the probable impact that might happen with food prices because of this, you talked about a Deloitte study and a 30% increase in food costs as a result. I think our committee would benefit from that Deloitte study, if you could share that with us. For our purposes, I think that would be hugely important.

You also spoke about Bill C-280, which is a private member's bill from our colleague Scot Davidson. He's spearheading it. It's in the Senate right now. It received unanimous support in the House of Commons, and I believe the same in the Senate. I think this legislation will potentially pave the way for reinstating the Perishable Agricultural Commodities Act protection in the U.S. for Canadian growers.

What does the government need to do to push for this to happen as part of CUSMA, or even prior to CUSMA?

• (1640)

Mr. Ron Lemaire: We need to get it out of the Senate unamended. It has to get out. It has to go into force. We need to demonstrate to the United States....

I was fortunate enough to go to D.C. with some parliamentarians and some senators to meet—

Mr. Tony Baldinelli: Was Mr. Davidson on that trip as well?

Mr. Ron Lemaire: Mr. Davidson was on that trip. We went with a group of Liberals and Conservatives and senators. We met with U.S. officials, both congressmen and USDA officials, to get confirmation that all we need to do to get privileged access back to PACA in the U.S. is to implement Bill C-280 as written. That was confirmed.

Mr. Tony Baldinelli: That's excellent. Thank you so much.

Mr. Davies, I just want to confirm again what you mentioned in your testimony about how, in general, rising costs can lead to rising prices and that nothing in the new regulations will soften the impact. You're talking about the 5% tax.

Through your association, have you determined what the implementation of this 5% tax will do and what that will take out of the sector in terms of revenue?

Ms. Graham Davies: Thank you for the question.

It is still very early. The decision in terms of the 5% was only made earlier this week. Our members are still working through what this means.

For our members, as you would imagine, I'm unable to talk to what their individual strategies would be on such matters as pricing. However, we have seen—and hopefully I've explained—that the margin here is very tight. Where the costs are going up, we have seen in other territories that this certainly has resulted in those costs being passed through to the consumer. Again, that was the risk and the concern we're highlighting soon after this decision being taken.

Mr. Tony Baldinelli: Thank you.

Mr. Lemaire, you had three points in your presentation about what we should do moving forward. They were the notion of trying to protect against the push by growers in the U.S. for seasonal tariffs that will be coming regardless, the notion that regulatory harmonization would be a benefit and the notion of the proposal on the plastics registry and your opposition to that.

Have you shared with the government not only your concerns on the plastic registry, but also your comments on the regulatory harmonization and what you would like to see in terms of that?

Mr. Ron Lemaire: Yes, we've continually provided the same commentary. We haven't done that within the last few months, but on an ongoing basis we've provided input around science-based, data-driven systems that are harmonized and equivalent across North America. In that approach, we can see an effective trade model that builds business, both domestically and internationally.

Mr. Tony Baldinelli: That's great. Thank you.

The Chair: We'll go to Mr. Arya, please, for five minutes.

Mr. Chandra Arya (Nepean, Lib.): Thank you, Madam Chair.

Mr. Harvey, Bill C-282 is in the Senate. I wish it would not become a law, but it looks as though it will. It would prohibit the Canadian international trade minister from giving any further concessions on the dairy market or the supply-managed sector in Canada.

Do you think this will be an issue when the review comes up for CUSMA?

Mr. Michael Harvey: Right now it's still in the Senate, and we're asking senators to apply their traditional sober second thought to this piece of legislation. We think that senators are going to see that what it does is highly problematic for Canada's trade policy.

We're not arguing against supply management. We're not arguing against the protection of supply management. Our trade negotiators are instructed to protect supply management. What we think is problematic about this piece of potential legislation is that it would legislatively handcuff our trade negotiators. That's why a large group of recently retired trade negotiators spoke out against the legislation.

Senator Harder, the critic of the bill in the Senate, read that into the record. We think the Senate's going to see that this is a problem.

We have noticed in our discussions with senators that when we mention that we think it's going to be problematic for the CUSMA review, they notice. We've heard reference to it, and we met with counterparts at the World Trade Organization Ministerial Conference in Abu Dhabi. We met with American agri-food counterparts who expressed concern, and they're bringing that up with their elected representatives.

• (1645)

Mr. Chandra Arya: Mr. Harvey, I wish I could be as optimistic as you, because there are certain senators, like Senator Gerba, who is the sponsor of the bill there.

Assuming that it passes, I feel that it is going to have a significant impact when the review comes up. Assuming it goes forward, what do you think will be the implications during the review?

Mr. Michael Harvey: We think it's already having an impact and that it makes us look unserious to our American partners. Nobody else in the world does this sort of legislative handcuffing of their trade negotiators. It's normal to give instructions, but it's not normal to do legislative handcuffing.

I'm actually quite optimistic that the Senate foreign affairs and international trade committee will be making a recommendation to not move forward with the legislation or will be presenting amendments, and we think it's important that it do so.

Mr. Chandra Arya: As you mentioned, without this legislation, the Canadian supply-managed sector has been protected well during all the previous trade negotiations Canada's had so far. In case it gets passed, reciprocity is very important in trade negotiations, so even if the U.S. and Mexico may not want additional access, just to argue a point, they may demand concessions in other sectors. What other sectors do you think will be affected?

Mr. Michael Harvey: I'd say across the board that what's problematic here is legislating in favour of just one sector and against

the interests of all other sectors. We think an important thing to be studied in the Senate committee is the interests of other sectors outside of agri-food.

My comment about the lack of depth in the study was not about the level of work on the issue by members of Parliament; the main problem we saw was that there weren't many witnesses called from sectors outside of agriculture. It left a very bad impression that it was an agriculture versus agriculture issue, which it's not; other sectors are also affected. Even inside agriculture, it's not necessarily a majority; it's a minority of the sector that wants this legislation.

Mr. Chandra Arya: I agree with you. In fact, I recall the committee work during that discussion of Bill C-282.

Mr. Lemaire, on the same line of questions, what are your thoughts?

Mr. Ron Lemaire: I concur with Mr. Harvey. Retaliatory levies are very possible, or a retaliatory action. Our hope is that there will be sober second thought and that it would be returned either opposed or returned with amendments. That would be the best course of action. That would give the opportunity for the House to review it and determine if we can move forward.

Mr. Chandra Arya: I have a question to both of you. In the current—

The Chair: Please ask very quickly. You have 35 seconds remaining, sir.

Mr. Chandra Arya: My question is on any trade barriers that you find in the current agreement that need to be addressed during the review. That is one.

Second, is there anything in the current agreement or in the regulatory alignment that impacts competitiveness and that you guys think needs to be addressed in the review? If you have any comments on that, you can always provide them to us in writing so that we can certainly consider them.

The Chair: If you would like to provide a written answer to the clerk on those last comments that the member made, we would appreciate it.

Thank you very much.

We have completed round two. We have a draft report that we need to work on before the completion of this meeting, so I want to thank the witnesses for their participation as we continue to move forward with this review, and I will move suspension.

Thank you again to all our witnesses.

[Proceedings continue in camera]

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