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# Standing Committee on International Trade

EVIDENCE

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Chair: The Honourable Judy A. Sgro





## Standing Committee on International Trade

Thursday, June 13, 2024

• (1540)

[English]

**The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)):** I call the meeting to order.

This is meeting number 112 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 preventative measures in place to protect the health and safety of all participants, including our interpreters.

Use only a black, approved earpiece. Keep your earpiece away from all microphones at all times. When you're not using the microphone, please place it face down on the sticker on the table.

Today's meeting is taking place in a hybrid format. For anyone who wishes to speak, please raise your hand. If any technical issues arise, we will suspend until those are corrected.

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're very happy to have Minister Ng with us today, the Minister of Export Promotion, International Trade and Economic Development.

It's terrific to have you here. You haven't been here for a little while, so it's especially nice to have you here today.

**Hon. Mary Ng (Minister of Export Promotion, International Trade and Economic Development):** I was just here. I always feel like I was just here.

**The Chair:** That's because we welcome you, and we appreciate you so much when you come.

Also with the minister, we have, from the Department of Agriculture and Agri-Food, Matthew Smith, chief agriculture negotiator. From the Department of Foreign Affairs, Trade and Development, we have Rob Stewart, deputy minister, international trade; Aaron Fowler, associate assistant deputy minister, trade policy and negotiations; Mark Allen, director general of North America; and Mary-Catherine Speirs, director general, North American trade policy and negotiations bureau. We look forward to being able to ask them questions.

Minister Ng, we turn the floor over to you.

**Hon. Mary Ng:** Thank you, Madam Chair.

Good afternoon to you and to all of the members of the trade committee.

Let me begin by commending the committee for the unanimous decision to study the upcoming 2026 CUSMA review. There are some things we may not agree with in this place, whether it be climate change, tax fairness or reproductive rights, but one thing I think we all agree on is the importance of free trade with our North American allies to the Canadian economy.

[Translation]

Canada, the United States and Mexico are blessed with shared borders, shared values and unprecedented levels of cross-border trade and co-operation. This partnership has deepened and evolved over the decades, with the Canada-United States-Mexico Agreement, or CUSMA, serving as the latest chapter in this relationship.

[English]

The modern era of free trade in North America began with the Canada-U.S. Free Trade Agreement in 1988 and deepened with the historic creation of NAFTA in 1994 to include Mexico. Following a lengthy and intense negotiation, CUSMA emerged as the successor agreement to NAFTA and continues to safeguard Canada's preferential access to the United States and Mexico while driving integration and competitiveness in our North American market.

• (1545)

**The Chair:** Excuse me, Minister, can you just hold on a second? I think we're having a problem with translation.

We're testing the translation, so please say something in French.

[Translation]

**Hon. Mary Ng:** Okay. Canada, the United States and Mexico are blessed with shared borders.

[English]

**The Chair:** That's fine.

Please proceed now, Minister.

**Hon. Mary Ng:** The numbers speak for themselves. CUSMA, that market, represents 506 million consumers and a combined GDP of \$42 trillion. Trilateral merchandise trade between our three countries reached \$1.9 trillion in 2023. That's a 3.5% increase over 2022, but nearly a fivefold increase since 1993. The result is one of the most unique and successful trading blocs in the world, one that has benefited Canadian exporters, businesses, innovators, producers and workers, and the communities across Canada from coast to coast to coast that are supported by trade. It's why our government fought so hard for CUSMA.

Despite the short-sighted pleas from the opposition to capitulate to the White House, we stood firm and we delivered an ambitious and progressive agreement that will benefit Canadians. We stood up for Canada when others told us not to bother.

Earlier this year, the Prime Minister announced that the minister of industry and I would spearhead a team Canada engagement strategy to reinforce the value of this trade agreement and what it brings. In my discussions with businesses and workers across Canada and throughout North America, one message stands out: our trade relationship is not just a special one, it is an essential one. We must do everything we can to preserve, to strengthen and to deepen it.

Quite simply, CUSMA provides certainty and stability, an increasingly rare and important asset in the face of global uncertainty. The international community is still coming to terms with the realization that global supply chains are more fragile today. To strengthen our supply chains and make them more resilient in the face of future global shocks, we must work closely with our allies and with our neighbours.

Last month, I joined the U.S. Trade Representative and the Mexican Secretary of Economy in Phoenix for the fourth CUSMA Free Trade Commission meeting. These meetings are a recognition that this complex and ever-evolving trading relationship requires maintenance. This year, we agreed to strengthen our joint preparedness to address emergency situations, ensuring free trade can remain a source of predictability and resiliency. We also agreed to strengthen trilateral co-operation, including the integration of small and medium-sized businesses into supply chains, bolstering North American competitiveness and increasing opportunities for our workers. We agreed to jointly collaborate on issues related to non-market policies and practices that could undermine CUSMA and harm our workers. Perhaps most importantly, we agreed that CUSMA is a high-standard ambitious agreement that creates new opportunities for all.

However, to ensure that CUSMA remains the gold standard agreement, it contains a requirement to review its operations. The 2026 review will allow us to ensure CUSMA remains effective and responsive to the current economic conditions. This joint review process is not a renegotiation, but rather it's a focused checkpoint to ensure that CUSMA remains relevant and continues to strengthen our region's competitiveness and resilience, all while serving Canada's interests. This type of co-operation is made easier by the fact that our countries enjoy shared values and a shared respect for the rules-based international order, including high environmental and labour standards.

A shining example of this is the auto sector. From Oshawa to Oakville to St. Thomas to Windsor, we know Canada's auto sector has long been a global leader. We also know that the auto sector is undergoing a profound transformation. Blessed with a tremendously talented workforce and people, a reliable and clean energy grid, access to critical minerals and a deep integration with the American and Mexican markets, our focus is to produce electric vehicles and their components right here in Canada. It's why we're building Canada's comprehensive EV supply chain and creating thousands of good-paying jobs.

Ultimately, this review process is an opportunity to ensure that CUSMA remains up to date and adaptable. Since CUSMA was ratified, we've grappled with a global pandemic, Russia's illegal invasion of Ukraine and other geopolitical shocks. The stability provided by CUSMA is more crucial than ever. Quite simply, our economic interests, our trade interests, our national interests and our national security are inextricably linked, and CUSMA mutually reinforces each and every one of them.

I look forward to this review process and to ensuring that the agreement and its implementation continues to proceed well, and that trilateral co-operation remains strong.

Thank you very much, Madam Chair, and I look forward to taking questions from the committee.

• (1550)

**The Chair:** Thank you very much, Minister Ng.

We go now to members.

We go now to Mr. Baldinelli, for six minutes, please.

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

Minister, thank you for being with us this afternoon.

Forgive me for not joining the chorus and singing along with your notion on your Liberal side of *Kumbaya*. Instead, during your time in office, your record is one of failure. Sadly, under your watch, Mexico has now become the United States' biggest trading partner. No longer is it Canada.

Given your record, Canadians can be excused for harbouring some concerns regarding your government's negotiating skills. You talked about standing up for Canada in CUSMA. Essentially, you were presented the deal. The United States and Mexico had come to an agreement. It was either take it or leave it. That's what your stand had taken.

Despite CUSMA being negotiated, there are still issues such as rules of origin, dairy, steel and aluminum, digital services tax, forced labour, softwood—softwood for nine years now.

We've had past witnesses testify that the U.S. is most likely to use this review to push its views on current trade disputes to obtain more favourable outcomes. How does Canada respond when the U.S. trade representative, Katherine Tai, has already indicated, at a Brookings Institution event in March, that "the question is always going to be, do you have enough, have you changed the leverage composition, to get to the political solution that you need."

Minister, how do you respond?

**Hon. Mary Ng:** Let me start with your contention that we took any deal. To the contrary, we wanted a good deal and only a good deal for Canada. You might remember that you and your colleagues suggested that we just take any deal. We didn't do that. We protected dispute settlement. We protected the cultural industries, and we protected IP. That's what we did in renegotiating CUSMA.

Today, it is and continues to be a hallmark agreement to create competitiveness for our workers and for our people, while fighting climate change and transitioning our economy so that they can be strong in creating jobs.

The various issues that you raised are, of course, important ones. In a trade relationship that's nearly \$2 trillion, you would expect that there are issues, and those issues are being dealt with. I'm happy to answer each of them individually, but suffice it to say that in this review, the work that we need to do...in all of my conversations with American businesses, with American labour workers, with Canadians, providing stability and certainty is what we must do, because our competition is not in North America. It's what we need to strengthen in our competitiveness.

**Mr. Tony Baldinelli:** Let me just build on that.

One recent witness who appeared at the last hearing, Meredith Lilly, the Simon Reisman chair of international economics at Carleton, talked about this review and taking a three-pronged approach: first, be proactive, and that's why we're meeting here today; second, demonstrate for the three parties how the agreement is beneficial to all, including dispute settlement; and third, address the elephant in the room, which is China, and the recent tariffs that both the U.S. and the EU have undertaken.

Canada needs to address Chinese overcapacity. Minister, on May 14, the U.S. acted and placed tariffs not only on steel and aluminum, but also on EVs coming in from China. Then the EU responded, just yesterday. Why is it taking so long for Canada to respond and look into this matter?

**Hon. Mary Ng:** Canada has been at this matter from day one.

Let me be clear to everyone here in this committee and to Canadians who are watching: Canada is not going to be a back door to the U.S. market or a dumping ground for unfairly traded goods. We've been very clear about that.

Canada is committed to building an EV supply chain for the future of North America. Canada and the United States have been building automobiles for over 100 years. The auto sector is changing dramatically, but Canada is well positioned, from critical minerals to batteries to the assembly and the production of electric vehicles. It's going to be made in Canada and we're going to protect our Canadian workers. We have—

• (1555)

**Mr. Tony Baldinelli:** Minister, just building on that, if I could, then, why has the Ford Motor Company said that it's going to slow its EV production to 2027? The GM facility in my community, just next to my riding, has already indicated that it's going to slow down the timing of its EV battery production. There are 300 employees who have been laid off. Their V6 line has already been torn out, and GM has made the decision that it's not ready to proceed.

We've had witnesses like Brian Kingston come forward in saying that there's a disconnect between this government's environmental policies and its investment policies. We're looking for alignment with what's going on in the United States, for example, in terms of the EV.

How can we facilitate the growth of the EV market in Canada when we can't get a critical minerals mine built for 15 years? Our supply chain is not there. We're not getting sales by Canadians to buy EVs because the cost is too high in this country. We're going to become a dumping ground for China, which has dominated the EV market. How are we going to respond to that?

**Hon. Mary Ng:** Well, I would like to talk up the Canadian economy on this side and—

**Mr. Tony Baldinelli:** Tell that to the 300 workers who are now laid off—

**Hon. Mary Ng:** Well, why don't we talk about—

**Mr. Tony Baldinelli:** —at the GM facility, a place where I used to work. There are 300 people who are no longer working there.

**Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.):** I have a point of order.

**The Chair:** Please allow the minister to respond. You have also no time left as it is.

**Mr. Francis Drouin:** Madam Chair, I have a point of order.

We have to be mindful of the interpreters. We've already been through this. If two people are talking at the same time, that's not good for the interpreters. Therefore, when questions are asked of the minister, I would ask that we let the minister respond and that we respect the folks who are interpreting for those who are trying to have a conversation.

**The Chair:** Thank you very much for raising that issue.

Minister, I'll turn the floor over to you.

**Hon. Mary Ng:** It is precisely a plan for the environment that has created the billions of dollars of investment into the EV supply chain, all the way from critical minerals to processing to the building of the batteries. I don't need to repeat the investments, whether they're from Stellantis or most recently with Honda or Volkswagen, some of the most significant....

Those batteries and those cars are going to be built in Canada. It's going to create thousands upon thousands of jobs in Canada. It isn't just in the automobile shop floor. It is going to be the entire value chain and supply chain, which is also very exciting. The kinds of investments that are being made to make sure that workers in places like Windsor, which were not seeing growth.... They are now so excited. Small businesses are growing. Workers and homes are being built. It is exciting, and it is because of a plan on the environment, a plan to be able to build electric vehicles, and the investments that are here. That work is very well under way.

**The Chair:** Thank you very much, Minister.

We'll move on to Mr. Sheehan, please, for six minutes.

**Mr. Terry Sheehan (Sault Ste. Marie, Lib.):** Thank you very much, Minister, for your presentation and for being here for the CUSMA review.

I would be remiss not to mention that under your tenure you've seen other trade deals that have come to fruition. Could you speak to how having CUSMA and all these other trade deals is good for Canadian workers and the Canadian economy?

**Hon. Mary Ng:** Canada is enviable. We used to be able to say that we were the only G7 country with a free trade agreement with every other G7 country, but now we're the first because others have joined that as well. We continue to negotiate agreements because, I think now more than ever, the rules-based international order and the rules that govern trade are what investors and businesses are looking for. They're good for businesses, and they're good for workers. Rules matter because they give predictability and certainty to businesses and to investors. Canada is so well placed for that as a country that respects the rule of law, particularly around open and free trade under a rules-based system.

However, having a strong North American competitive trading bloc, together with those countries and those trading partners in Asia—including Japan, Australia, New Zealand, Singapore, Vietnam and Malaysia—and then the entire European Union means that Canada is in this well-positioned place. I talk to countless investors and businesses that look to Canada as a destination to invest in, to grow in and to partner with because of our access to a number of trade agreements. It is also the incredible talent that we have in this country. It is the excellent investment environment that we have, particularly for the economy of the future, that has a greater reliance on services and a greater reliance on solutions that will actually deal with climate change. They're solutions that, on the one hand, deal with climate change but actually also will grow those incredibly innovative entrepreneurs and businesses—I know that you have a bunch of them—certainly all across Canada.

• (1600)

**Mr. Terry Sheehan:** Thank you for that.

You mentioned the Japanese investments, but we've seen German investments as well. I'm an MP for Ontario, and you talked about the supply chain. We have Algoma Steel and Tenaris in Sault Ste. Marie. Algoma Steel feeds 50% of its products into the United States, but it also does the car industry on both sides of the border. Because of CUSMA, the Japanese and the Germans are choosing Canada over other places in North America. What is our competitive advantage, and why are they doing that?

A second part of that question, since we're on steel and I only have a limited amount of time.... Regardless of what CUSMA looks like, when a president put section 232 tariffs, under the guise of national security, on all the world just to hit everybody, we hit back dollar for dollar with our anti-tariff actions on sleeping bags, Jack Daniel's or whatever, and it worked. Meanwhile, the Conservatives called our anti-tariffs dumb. They thought we should roll over and play dead.

Can you explain why those anti-tariffs worked so well and got us back on track to free trade?

**Hon. Mary Ng:** This relationship is a really important one, and a balanced relationship is also an important one.

We're very proud that we worked very hard with the Americans at the time to get those tariffs removed, because they were harmful to Canadian industry.

What you saw there and will continue to see, and what people should continue to expect to see, is Canada standing up strongly for Canadian sectors like steel and aluminum and, indeed, for all of the sectors that form this great economy in Canada from coast to coast to coast.

It was really terrific to spend the time with you at Tenaris because of its further expansion into Canada.

At the heart of your question is really what makes Canada so competitive and what makes the investment environment such a good one. If you look at industries in mining like Algoma, or Tenaris, which is actually producing steel components for the value chain, it is because Canada has a strong agreement like the one we have in CUSMA and it is through that clean energy and the skilled workforce that we have here in abundance.

I spent some time earlier this week with a handful of American CEOs who told me that Canada is the investment destination because they know they can count on us. They know there's the ability to train the workforce and have the workforce here in their organizations, and there is also the fact that we have a plan on climate that is going to produce the kind of energy that will be necessary for the industries of the future, all the way from advanced manufacturing to IT, AI and quantum, and the list goes on.

That's the attraction to Canada, which is why you hear me and so many, from the Deputy Prime Minister to the Prime Minister, talking up Canada. We're simply echoing what others are saying about Canada, because they are making the choices with their investments right here.

**Mr. Terry Sheehan:** For the CUSMA review, you talked about the supply chain and, in particular, the critical minerals. It has been said that we are going to overtake China now as the most important critical mineral source in the world.

Can you please comment on that briefly?

**Hon. Mary Ng:** We have all of the critical minerals necessary to go into a battery. The investments we've made as a government in investment tax credits and the various incentives are actually creating an environment that is enabling that investment. Bloomberg has ranked Canada as the top investment destination, particularly for critical minerals, and our American partners are counting on Canada to be a supplier of critical minerals, which is a direct input into their green economy growth.

• (1605)

**The Chair:** Thank you very much.

We'll move on to Mr. Blanchette-Joncas.

[*Translation*]

**Mr. Maxime Blanchette-Joncas (Rimouski-Neigette—Témiscouata—Les Basques, BQ):** Thank you, Madam Chair.

Good afternoon, Madam Minister. It's a pleasure to have you at committee today.

I'm going to talk to you about something that's very important to Quebecers. You're probably familiar with it: the softwood lumber dispute. It's been a constant battle for 40 years now. Despite repeated rulings in our favour at the World Trade Organization, nothing is happening. We have trade agreements, including the Canada-United States-Mexico Agreement, which we are discussing today.

I'd like to know whether you acknowledge that Quebec is being penalized by the tariffs that the Americans find unjustified.

[*English*]

**Hon. Mary Ng:** I agree that they are unjustified. They're hurting the industry, they're hurting businesses and they're hurting the communities and the workers for which this important forestry sector and the softwood lumber industry provides.

That's why I had a meeting yesterday with probably the entire softwood lumber industry in Canada to keep working on how we can bring the Americans to the table so we can arrive at some kind of a negotiated resolution. That, in our view, is the best approach. At the same time, we are being aggressive with all of the other tools that we have, including mechanisms through dispute settlement panels. We're going to continue to do that.

[*Translation*]

**Mr. Maxime Blanchette-Joncas:** Okay.

Madam Minister, I am presenting hard facts. Quebec is being particularly hard hit, as you know. We're responsible for about 20% of Canada's softwood lumber exports, but our businesses account for 48% of the funds currently being withheld in the United States.

I'd like to hear what you have to say about that. Do you acknowledge that, compared to the other provinces in Canada, Quebec is more penalized when it comes to softwood lumber?

[*English*]

**Hon. Mary Ng:** It was excellent to have the leaders of the softwood industry, particularly from Quebec. I hear directly from them on how important their contribution is, not only to the Quebec economy but also to the Canadian economy. I have been very clear with the Americans, and we've done this at all levels—the Prime Minister and I—to register how harmful this is and how unjustified these tariffs are.

We're going to keep working on that. It is a priority. I continue to work with the industry across Canada and certainly in Quebec.

[*Translation*]

**Mr. Maxime Blanchette-Joncas:** Madam Minister, Quebec is more penalized than the other provinces with respect to softwood lumber.

What have you done to try to resolve this situation? You must know that it's not working, given the figures I just mentioned. Also, what are you going to do as part of the review of how this agreement is working?

[*English*]

**Hon. Mary Ng:** Well, what we were able to do very recently was get the Americans to agree to the establishment of a dispute settlement panel. They've worked in our favour because the rulings that come out often indicate that Canada doesn't subsidize its softwood industry.

Having an aggressive strategy there—along with continuing to work with Quebec and the industry for resolution with the Americans—is something that is on my top-priority list.

[*Translation*]

**Mr. Maxime Blanchette-Joncas:** Madam Minister, you say you represent all Canadians, including Quebecers. In that case, why do you accept that Quebecers are being penalized more on softwood lumber, a crucial economic sector for Quebec and its regions? I'd like to hear you talk about it in person.

[*English*]

**Hon. Mary Ng:** I don't accept that at all. I have to stand up for Quebec as I stand up for the sector all across Canada. We are fighting it.

[*Translation*]

**Mr. Maxime Blanchette-Joncas:** How do you explain the following figures?

In New Brunswick, J.D. Irving pays 4% tax on its exports. In British Columbia, the Canfor tax rate is 5% and the West Fraser Timber Co. Ltd. tax rate is 9%. In Quebec, however, Resolute pays 19.86% in tax. How do you explain this imbalance between the provinces?

You advocate for Canadian unity and your party goes on and on about it. How can you accept this inequity in international trade and in an economic sector that's crucial for Quebecers? Why are you unable to negotiate concrete measures to counter this inequity, which is hurting the economy of Quebec's regions?

• (1610)

[English]

**Hon. Mary Ng:** If we are a country of rule of law, I also have to accept the rule of law when the Department of Commerce in the United States does its review. The U.S. has its investigation methodology, and we object to it on a regular basis.

[Translation]

**Mr. Maxime Blanchette-Joncas:** You also need to face up to reality, Madam Minister. Right now, as the data I just mentioned shows, your government is incapable of concretely defending an important economic sector in Quebec, its forestry sector. You can tell us that you have good intentions, but clearly, even though the World Trade Organization has repeatedly ruled in Canada's favour, you're unable to meaningfully defend our economic interests. Do you recognize that?

[English]

**Hon. Mary Ng:** Well, I don't accept that. All I can say to you is that I stand up for Quebec industries, as I do for all Canadian industries.

However, I will also say that, in Quebec, we have seen tremendous growth in the Bromont to Albany corridor, where semiconductors—precisely between Canada and the Americans—are a growing area that is creating hundreds of jobs and greater competitiveness for Quebec more than anywhere else in that sector because of the expertise that's been developed. The aerospace industry is seeing tremendous growth between our two countries. Quebec is attracting incredible investments for green aluminum.

Those are the other areas of the Quebec economy that we have stood up for and made investments alongside, precisely to grow the economy, so those excellent jobs are accruing for Quebecers.

[Translation]

**Mr. Maxime Blanchette-Joncas:** Thank you very much.

[English]

**The Chair:** Thank you very much.

We're over to Mr. Cannings for six minutes, please.

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

Thank you, Minister, for being with us today.

I'm sorry I'm not there in person, but I can assure you it's a beautiful day in the Okanagan.

I just want to start with a question not directly related to CUSMA—it is related, and I'll get right to that—but it relates to our study we've just completed on the negotiations that are under way now between Canada and Ecuador for a free trade agreement.

As you know, Ecuador, in 2018, basically tore up its investment protection agreement with Canada and other countries because of the investor-state dispute mechanisms that are contained in them. After that, their courts found that it was unconstitutional to have investor-state dispute mechanisms in free trade agreements with Ecuador.

Finally, last month they had a referendum that put that to bed once and for all. The people of Ecuador resoundingly rejected investor-state dispute mechanisms once again.

I'm just wanting to get your assurance that Canada will not be pursuing an investor-state dispute mechanism in that free trade agreement with Ecuador.

**Hon. Mary Ng:** Well, thank you very much.

It would be great, Richard, if you were here too, but I totally understand why being in the Okanagan is something a little bit more desirable than being here in the committee room in the basement of West Block.

I want to thank the committee for doing the study on the free trade agreement with Ecuador. In principle, what I would say is that Canadians should certainly expect free trade agreements negotiated by Canada to respect the values that are important to Canadians, and the Ecuador agreement will be no different.

On this particular issue, through the negotiations, we certainly are going to need to talk to our Ecuadorian counterparts here because a negotiation is exactly that. It has to work for Canada, and it has to work for our trading partner. As you know, we need to balance the rights of investors, on the one hand, with those of a state able to govern in its own sovereignty.

On this one, we will make sure the negotiations will be in keeping with the values that are really important to all Canadians.

• (1615)

**Mr. Richard Cannings:** Thank you.

I do hope you will keep the views of the Ecuadorian people in mind when you do that.

This directly relates to CUSMA, because in the first version of CUSMA that we're thinking of looking at again right now, one of the major things that came out of it was getting rid of section 11, the ISDS part that was in NAFTA, and eliminating that for trade between Canada and the United States.



I hope that we will continue that. Minister Freeland made a big point of saying what a wonderful thing it was not to have that ISDS provision in CUSMA. I hope that we retain that. Those ISDS provisions remain in place in regard to trade with Mexico, and there are some people who would like to make sure that those are made stronger and expanded. I'm just wondering if you could comment on that. What would Canada's stance be on investor-state dispute mechanisms if we did reopen CUSMA for renegotiation?

**Hon. Mary Ng:** It bears repeating and clarifying that the 2026 review is not a renegotiation. It is a review. We were very proud of the work that was done when it was renegotiated. ISDS is no longer there, and that position hasn't changed for us.

**Mr. Richard Cannings:** I will move on then to some of the other provisions in CUSMA.

One of them in the labour chapter is the rapid response process, which seems to have been working well at least to some extent. I'm wondering if you have any lessons learned there, how that has worked and how it could be improved. Again, we've heard from some witnesses who would like to see those mechanisms broadened to include other industries, especially big agriculture and agriculture workers so that agriculture labour is treated properly and their rights are respected, as the rapid response mechanism is supposed to protect.

**Hon. Mary Ng:** Canada is really proud of our contribution. When I say our contribution, I really mean the leadership of Canadian labour through the capacity and technical sort of assistance funding that Canada provided to help with the rapid response mechanism and the development of that, particularly in Mexico.

If you look at how integrated our market is and how we want to do this more, what you really want are workers who are paid fairly and well, and you want the ability for unions to do their work in Mexico. Canada has played a very important role. During the first or the second free trade commission that took place in Mexico, the USTR, the economic secretary and I visited one such centre to see it in its development. I would say that this is a hallmark of one of the successes. When we talk about competitiveness in North America, it has to include competitiveness that protects and ensures that there are high-paying jobs for workers in all three countries.

In response to your question, Canada's contribution has been a good one, and it's been a useful one. I certainly hear directly from labour leaders in the U.S. as well as in Mexico about their gratitude for the Canadian expertise. We are trusted, and we are experts in providing that expertise, which has really helped. In fact, at the last couple of free trade commissions, the U.S. brought forward labour leaders specifically to give us, all three of the countries, an update on how that part of it was working.

At the end of the day, competitiveness in North America has to include growth and investment for our businesses and well-paying jobs in our sectors in our three countries. I think there's a tremendous opportunity here in Mexico, in particular, because of the volume of workers they have, and I think that this bodes well for the North American relationship.

• (1620)

**The Chair:** Thank you very much, Minister.

We'll go on to Mr. Hallan for five minutes, please.

**Mr. Jasraj Singh Hallan (Calgary Forest Lawn, CPC):** Thank you, Chair.

Minister, from 2001 to 2015, Canada saw a very consistent and steady inflow of investment from the U.S. to Canadian businesses and workers. Since 2015, just nine years into your government's mandate, that's fallen off a cliff. In fact, there are hundreds of billions of dollars of outflow from Canada into U.S. Why?

**Hon. Mary Ng:** Well, I think a \$1.9-trillion trading relationship would contradict that.

**Mr. Jasraj Singh Hallan:** Why is there a bigger outflow of investment from Canada, Canadian businesses and workers going to the U.S. so that the U.S. workers can get stronger paycheques than Canadians?

**Hon. Mary Ng:** I would say that the inflow of incredible investments here in Canada that are creating lots of Canadian jobs, along with the co-investments and the co-collaborations between Canadian companies, innovative companies, in a whole range of sectors is exactly contrary to what you just said.

**Mr. Jasraj Singh Hallan:** Can you give me a total of much inflow has come in in the last nine years, just a number?

**Hon. Mary Ng:** I don't have the numbers, but my officials can follow up and give them to you.

**Mr. Jasraj Singh Hallan:** I can tell you what the outflow was, though. It was \$460 billion that left Canada. The inflow that was once there fell off a cliff, and now there's more outflow than what ever came in nine years ago. Can you square up for Canadians why that happened?

**Hon. Mary Ng:** What I can square up for Canadians is the importance of this relationship and the benefit to jobs that are growing in Canada as a direct result of this excellent trade agreement.

**Mr. Jasraj Singh Hallan:** You use the word "excellent". Canada is in a productivity crisis—seven straight quarters of GDP per capita decline. GDP per capita is at the same rate as it was in 2014. Do you think your government chasing out \$460 billion of investment was helpful for productivity?

**Hon. Mary Ng:** That's your contention; it's not what the numbers show.

**Mr. Jasraj Singh Hallan:** The number is right in front of me. There's a report that says \$460 billion. You don't want to take my word for it, but the Bank of Canada said Canada's productivity is a break-glass emergency. It's a crisis right now. Do you not believe them? Are they lying?

**Hon. Mary Ng:** What I would say is that we're very proud that today, postpandemic, there are 1.3 million jobs—

**Mr. Jasraj Singh Hallan:** Are you proud that Canadians are getting poorer?

**Hon. Mary Ng:** No, I'm proud there are 1.3 million more Canadians working postpandemic.

**Mr. Jasraj Singh Hallan:** However, Canadians are poorer. What's there to be proud about?

**Hon. Mary Ng:** We're proud that we have the lowest unemployment rate. We're proud that the number of Canadian workers, particularly in areas like the electric vehicle supply chain, is growing. We're proud that we are leaders in places like AI. We're proud we're a strong hydrogen-developing economy that will provide that in the future into the United States as well as into other trading partners.

**Mr. Jasraj Singh Hallan:** Respectfully, Minister, you haven't answered why you're proud of Canadians being poor, but I have to move on, because I have a limited amount of time.

There's that recent NSICOP report that has said there are sitting MPs in Parliament—

**Mr. Francis Drouin:** I have a point of order, Madam Chair.

The line of questioning has nothing to do with CUSMA.

**Mr. Tom Kmiec (Calgary Shepard, CPC):** I have a point of order.

**Mr. Francis Drouin:** We're here to talk about CUSMA, not foreign interference.

**The Chair:** We have Mr. Kmiec.

**Mr. Tom Kmiec:** Madam Chair, usually a member is given the opportunity to ask the full question, to give the full context of what he's asking, before a member jumps in and doesn't cite which rule was broken, and the member was asking....

I understand that he wants to protect the minister, but he should at least let the member finish the question so he can hear how security is related to trade.

• (1625)

**The Chair:** Mr. Hallan, would you continue, please?

**Mr. Jasraj Singh Hallan:** There are MPs sitting in this House today, according to the NSICOP report, who are working in the best interests of foreign hostile regimes. This is well known around the world. It's embarrassing for Canada, under your government, this has happened, even though your government knew about it since 2020. More importantly, with our trading partners, our allies, what trust would our allies have in any type of agreements with Canada if there are sitting MPs who could possibly be involved in those, and they could be from anywhere?

**Mr. Francis Drouin:** I have a point of order, Madam Chair.

I'm sorry—

**The Chair:** Just a second.

Mr. Hallan, the minister is here to answer questions on the CUSMA review. If you could direct your question there, it would be appreciated. It is the CUSMA review we're doing.

**Mr. Jasraj Singh Hallan:** Absolutely, but it does tie in with trade, and she is the trade minister.

**The Chair:** That's going about it in a very sideways way.

**Mr. Jasraj Singh Hallan:** Trade and security is a part of the minister's mandate, is it not?

**The Chair:** You have 30 seconds remaining. If you could direct it to the CUSMA review, it would be appreciated. That's what the minister is here to speak to.

**Mr. Jasraj Singh Hallan:** Minister, how can our allies trust that sitting MPs would be making trades that are in the best interests of Canadians and not for foreign hostile regimes?

**Hon. Mary Ng:** Maybe a way to answer this, because I'll make it about CUSMA, is that in the last Free Trade Commission, which was just about three weeks ago in Arizona, we committed to working trilaterally to make sure that we stand up to policies or practices that may be unfair and injurious to the Canada, U.S. and Mexico agreement and defend—

**The Chair:** Thank you very much.

We go on to Mr. Sidhu, please, for five minutes.

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

Thanks to the minister and the entire GAC team for taking time to join us here today to speak about CUSMA and, of course, trade.

Minister, as you know, Canada last year was number three in the world for foreign direct investments, after the U.S. and Brazil. That means companies from all around the world are coming to Canada, setting up plants, creating industry and creating jobs in thousands of communities across our country. It's because of our collaborative approach, but it's also because of the many trade agreements we have with over 50 countries in the world.

When I was down in Washington, there was a lot of talk around friendshoring and nearshoring, and how we're working collaboratively within the North American market to support industries. Can you perhaps give this committee some concrete examples of how we're supporting industries in North America and working with the U.S.?

**Hon. Mary Ng:** Well, I'll start at the high level and then perhaps give you one example.

At the high level, it's essential that we continue to collaborate on energy security in the area of building out the green economy—particularly around automobiles and in areas that are really important like semiconductors, AI and quantum science and technology—so we've made commitments to do this and we are doing this.

I think the most interesting tangible example is what CUSMA has provided all three countries. At the recent Free Trade Commission meeting, we were getting an update on all things in the textiles committee. You might wonder why this would be so important and how it would be an example for friendshoring or nearshoring. Well, it's a commitment to work together for North American integration and greater resiliency. What I heard there was that, in Canada, there are two firehose manufacturers that depend on an input, and the input is high-performing technical yarn. It's a very specialized textile that is used in the production of firehoses. Today firefighters are dealing with devastating forest fires that are caused by climate change, so making sure this particular yarn is available for those firehoses is absolutely essential. Canada found itself in a position where its supplier no longer existed. It was specifically through the committee of CUSMA working together that we found and sourced a Mexican supplier that can produce and provide the Canadian firehose manufacturer with this specialized textile.

I use that as an example because it's a practical example that speaks to the commitment of trading partners looking for sourced input within the North American marketplace. The reason this is so important is that, as I think everyone will agree, fighting fires—today more than ever—is very important. Imagine not having the resiliency. Imagine not having that particular set of equipment in Canada or in North America. This is a practical example of how that committee worked to solve that particular practical issue and the resiliency that will come from that.

• (1630)

**Mr. Maninder Sidhu:** Thank you for that.

You mentioned fighting fires. Of course, many of us are concerned about the environment and climate change. Trade brings with it the potential for support to help countries adapt to the impacts of climate change and to build future resilience. Minister, maybe you can share with this committee how a strong environmental policy can benefit Canadian businesses that want to reach markets around the world. What would be at stake if we didn't have such a strong environmental policy to support these businesses in these regions?

**Hon. Mary Ng:** Thank you for that. It's a really important question.

You hear a lot about the price on pollution these days. Certainly, on this side, we support the price on pollution. It actually will make Canadian companies more competitive. Why do you say that? The rest of the world is decarbonizing. When the rest of the world is decarbonizing and they have targets to meet in COP or the Paris Agreement, they are absolutely committed to making sure that in their value chain and in their supply chain, they are looking at suppliers and companies and goods that are meeting environmental standards. We've taken leadership for Canadian companies to be able to export globally and for it to not cost them more to export globally.

The reason the price on pollution works, aside from the fact that it also helps eight out of 10 Canadians—that's just fact—is that, when you look at the carbon border adjustment mechanism in Europe, we are pretty confident that with the price of pollution here in Canada, Canadian companies will not be subjected to potential fu-

ture tariffs that will arise. If you're a climate laggard and you're in a jurisdiction that's a climate laggard, guess what, company? You are going to export and you're going to pay more because you're going to take on tariffs. You're going to potentially take on tariffs like the CBAM or any other tariffs that will be put forward because you are a climate laggard.

So a price on pollution is not only good for Canadians—eight out of 10 Canadians—it's also really good for businesses that will be competitive in the global environment. I'm glad that we have a climate plan. I'm glad we have a price on pollution. It's incentivizing companies to innovate and to go green, and when they do that, those very companies, when they export, are not going to be subjected to future tariffs, which we know are going to come. So, on this side, we have a plan, and that plan is going to work, and it's going to make companies competitive.

**The Chair:** Thank you very much.

We will go to Mr. Blanchette-Joncas for two and a half minutes, and then Mr. Cannings for two and a half, and then we have to shift. The minister will be able to leave.

Please go ahead, Mr. Blanchette-Joncas.

[*Translation*]

**Mr. Maxime Blanchette-Joncas:** Thank you, Madam Chair.

Madam Minister, are you considering bringing back an investor-state dispute settlement mechanism as part of the CUSMA review, yes or no?

**Hon. Mary Ng:** No.

**Mr. Maxime Blanchette-Joncas:** I will now turn to supply management.

Dairy Farmers of Canada stated on May 30 that they were concerned that even though CUSMA's second dispute settlement panel ruled entirely in Canada's favour on dairy tariff rate quotas, the U.S. could use the review mechanism in this agreement to try to get what it couldn't get through the complaint process.

Other supply-managed producers have also reached out to us with similar concerns. Their fears are justified, particularly because Donald Trump may get re-elected, and he has clearly stated publicly that if he does, he will attack the supply management system.

Do you feel that Bill C-282, which was introduced by the Bloc Québécois and seeks to protect supply management, must be passed as quickly as possible?

[English]

**Hon. Mary Ng:** Our government successfully defended supply management during the renegotiation of CUSMA. I'm very proud about that. We've been clear. I've been clear. The Prime Minister has been clear. Everybody on the government has been clear that we're going to continue to protect supply management in Canada, so Canadians should be clear about that, Quebecers should be clear about that.

In the renegotiation of CUSMA, we also protected the dispute settlement mechanism, and it's precisely through that dispute settlement mechanism that there were a couple of panels on this very issue, and a panel has upheld Canada's position. It's an area where we need to work very hard and to continue to work very hard. We've been very clear. We're protecting Canada's supply management system.

• (1635)

[Translation]

**Mr. Maxime Blanchette-Joncas:** What are you going to do to reassure Quebec dairy producers that supply management will be protected?

[English]

**Hon. Mary Ng:** I think you mentioned a piece of legislation that is making its way through Parliament, and the government has been supporting that. I think the proof is in the pudding, which is that we successfully defended it in the negotiation of CUSMA, and we're going to continue defending the supply management system in Canada.

**The Chair:** We go now to Mr. Cannings for two and a half minutes, please.

**Mr. Tony Baldinelli:** Madam Chair, before my colleague asks its questions, I understand that the minister has a tight schedule and could be leaving shortly. Given the importance of the topic, our most important trading relationship, I was hoping perhaps the minister would consider one additional round of questioning, maybe even for three minutes from each side.

**The Chair:** The minister was to leave at 4:30. I'm trying to complete the round with Mr. Cannings so that each party would have had another opportunity, which means it would end with Mr. Cannings with the other two and a half minutes.

**Mr. Tony Baldinelli:** That only allows, essentially, two rounds from the main party.

**The Chair:** There's only so much time.

**Mr. Tony Baldinelli:** Who agreed to it?

**The Chair:** Mr. Cannings, you have the floor for two and a half minutes, please.

**Mr. Richard Cannings:** Thank you.

Minister, you were just mentioning the carbon border adjustment mechanism, CBAM, that is in the EU and how that is beneficial for countries with carbon pricing. I was talking to the steelworkers last week, and they brought up the situation that we have here in North America with Canadian steel, which is the lowest-carbon steel in the world pretty much, and yet we face competition, primarily from China, but also from the United States even to keep our domestic

steel industry going. They were hoping that Canada would consider bringing in a similar mechanism, a border adjustment mechanism, so that their steel would be recognized for those properties. It would also, I think, help with this backdoor question we have with bringing in cheap steel from China and other parts of Asia that the United States doesn't like.

First of all, I'm wondering if your government is considering bringing in a border adjustment mechanism, and if so, would that be legal under the present CUSMA?

**Hon. Mary Ng:** We have been doing consultations on a carbon border adjustment. The Minister of Finance has been doing that. More will be said, I think, once we get a look at those consultations.

On Canadian steel, in budget 2024, Finance has certainly taken steps to increase funding and introduce legislative and regulatory amendments to support workers and industries. The concern around the overcapacity of steel is a very real one. It's work that Canada does with the United States, but also with other trading partners.

I said this earlier in response to a different question, but Canada will not become a back door to the U.S. market or become a dumping ground for unfairly traded goods. This is something we will continue to work on.

I think what we have just implemented together with the steel producers is a country of melt and pour to create greater transparency. That, too, will help.

There's more work that has to be done, certainly, but the issue of overcapacity is an issue for Canada, for the U.S. and, frankly, for the G7, and we need to keep doing work to ensure that, with the investments we have made in greener steel, we reap the benefits and it should be treated as such.

• (1640)

**The Chair:** Thank you very much.

Minister, thank you very much for being here today. It was very valuable information.

We will suspend for a moment and then we will start our questioning with the departmental officials.

• (1640)

(Pause)

• (1640)

**The Chair:** I call the meeting back to order.

We have the departmental staff here to answer some questions from the committee. We're going to start with Mr. Martel for six minutes, please.

[Translation]

**Mr. Richard Martel (Chicoutimi—Le Fjord, CPC):** Thank you, Madam Chair.

With respect to aluminum, the minister said that Canada was not a dumping ground and that the three countries were working together. I find it a little hard to believe that the three countries are co-operating when I see that Mexico doesn't properly control its aluminum imports like it's supposed to, which creates an unfair situation. What do the officials think?

[English]

**Mr. Aaron Fowler (Associate Assistant Deputy Minister, Trade Policy and Negotiations, Department of Foreign Affairs, Trade and Development):** I can assure you that Canada works very closely with the United States and with Mexico across the full range of trade issues, including on critical sectors such as the aluminum sector. I have not heard any concerns expressed with respect to the transshipment of Mexican aluminum into the Canadian market, which seemed to be the situation implied by your question. If I've misunderstood, perhaps you could reframe it.

If the concern is the nature of Mexican aluminum imports from the world, there are a multitude of fora, committees, working groups and opportunities created by the Canada-U.S.-Mexico agreement for the three parties to have constructive discussions about that. However, as far as I am aware, no concerns have been raised with me or my team regarding the possibility of transshipment of aluminum through Mexico to Canada.

[Translation]

**Mr. Richard Martel:** Mr. Fowler, I'm going to turn to you, still on aluminum.

You are no doubt aware of section 232 on tariffs imposed under the U.S. Trade Expansion Act, under which tariffs were applied to Canadian aluminum under the Trump administration. Currently, under the Biden administration, they are not in force, but section 232 still exists.

Are you aware that, if these tariffs return, it will hurt the industry very badly? Do you have a game plan? We've seen this before and it's been very hard on the industry.

• (1645)

[English]

**Mr. Aaron Fowler:** Thank you very much for the question. I fully accept the premise behind it.

The North American integrated market for trade in products like steel and aluminum is critical to the prosperity of Canada and to the well-being of the aluminum sector in Canada. The United States is not in a position to fully satisfy its own domestic market needs when it comes to aluminum. It relies on imports of aluminum products and it relies significantly on Canadian producers to provide inputs into manufacturing.

I've had no suggestion that the United States is reconsidering an imposition of 232 tariffs on Canadian aluminum. We work very closely with the Canadian sector. It works very closely with its counterparts in the United States and Mexico and we of course work with the United States to ensure that if any issues arose that caused concern for the United States as a trading partner, we would move proactively to address those, recognizing the importance of the situation.

[Translation]

**Mr. Richard Martel:** I will now talk about softwood lumber. There is definitely a glaring lack of leadership on your part in this area. As we know, nothing's been done in nine years.

The Arbec sawmill in my riding has just announced that it's closing down for at least a month because of tariffs on Canadian softwood lumber exports to the United States. As a result of the closure, 180 employees have been laid off.

Why are there constant delays in forming dispute settlement panels?

[English]

**Mr. Aaron Fowler:** I fully agree that the situation with respect to the treatment afforded to Canadian softwood lumber exports to the United States is unacceptable. The tariffs that have been imposed by the United States are unwarranted and the tariff rates that have been arrived at by the methodologies deployed by the United States are inaccurate and will not be sustained when subjected to a legal challenge.

Canada has a very aggressive litigation strategy with respect to softwood lumber. We've made good progress with respect to advancing that strategy in recent months. We have seen new panel formations under the Canada-U.S.-Mexico agreement to consider different U.S. determinations with respect to softwood lumber. We will prosecute this to a satisfactory resolution.

[Translation]

**Mr. Richard Martel:** Mr. Fowler, I'd like to know why there are constant delays in forming dispute settlement panels.

[English]

**Mr. Aaron Fowler:** The time that it has taken to establish panels to hear different softwood cases is extremely frustrating to the Government of Canada. We have been pushing counterparts in the United States to move more quickly with panel formation. It is a process. It does take a certain amount of time.

In recent months, as I indicated in the previous question, we have seen an improvement in the pace at which these panels are being formulated. We have had two new panels formulated since the beginning of the year.

**The Chair:** Thank you very much.

We'll go on to Mr. Sheehan for six minutes, please.

**Mr. Terry Sheehan:** Thank you, Madam Chair.

We're studying the 2026 CUSMA review. I've been on the trade committee for a while and have witnessed the process that we had undertaken.

I was proud that Canada had tried to put a gender lens, an indigenous lens and a union lens on it by engaging with the various groups. Will the review be taking in, other than this fine study in which we're going to present some information.... You have a couple of years until 2026. Are there plans to go back, engage, take the pulse and see what their expectations were in the CUSMA deal, having been engaged...for what it will look like now in 2026?

That's for you, Mary.

• (1650)

**Ms. Mary-Catherine Speirs (Director General, North American Trade Policy and Negotiations Bureau, Department of Foreign Affairs, Trade and Development):** Indeed, we have a fairly robust consultation methodology that we use when we are reviewing our trade agreements. It is our full intention, looking ahead to 2026, to proceed with broad and comprehensive consultations with Canadians, including a special focus on some groups that have been traditionally under-represented in trade and that we have sought to really advance in CUSMA.

We have a specific SME chapter, which is designed to encourage and support the participation, for example, of small and medium-sized enterprises and foster their engagement in international trade under CUSMA.

As you note, we do have gender provisions and indigenous provisions. We will be making an extra effort to ensure that stakeholders and rights holders are engaged and informing our views as we prepare for the review.

**Mr. Terry Sheehan:** I will pass the rest of my time to Francis Drouin.

**The Chair:** You have four minutes.

[Translation]

**Mr. Francis Drouin:** Thank you, Madam Chair.

I'd like to thank my esteemed colleague from Sault Ste. Marie, with whom I always have the opportunity to work on steel issues.

My question is for all the witnesses: When there are allegations of dumping, what kind of recourse do our Canadian businesses have? I'm thinking in particular of the Canadian International Trade Tribunal: Can Canadian businesses use this type of tribunal to ensure that steel is not dumped in Canada?

[English]

**Mr. Aaron Fowler:** That is exactly right. The Canadian industry has recourse to redressive measures to deal with situations of unfair trade practices, whether it's dumping on the part of foreign companies into the Canadian marketplace or heavily subsidized goods entering Canada at a rate that affects the competitiveness of Canadian products in the Canadian marketplace. Those companies and industries in Canada have a right to petition CITT to impose measures at the border that would offset the margin of dumping or the margin of the subsidy and its impact on Canada.

[Translation]

**Mr. Francis Drouin:** Thank you very much for that.

Now I'm going to put on my farmer's hat. I also want to thank my colleague Mr. Blanchette-Joncas, who spoke to the importance of

supply management in Canada. We know that the United States protects certain commodities as well. So sugar is subject to a form of supply management.

I come back to this whole issue and how we build a relationship with the United States. Some agricultural groups, including groups in the United States, sometimes forget that Canada has an integrated relationship with the United States. For example, cattle can come from Alberta, but be fed in the United States and then come back to Canada. In 2016 or 2017, if I remember correctly, your teams gave us the example of the hamburger, which clearly demonstrated how integrated our agricultural economy is with the U.S. market.

Do we still have that dialogue with the United States to make sure that we maintain that co-operation, even though I know Canada is sometimes seen as the little guy? I'm proud of our economy and our farmers, but sometimes we have to remind our neighbours south of the border of that. Do we do that all the time through our embassies or our teams on the ground?

[English]

**Mr. Matthew Smith (Chief Agriculture Negotiator, Department of Agriculture and Agri-Food):** We absolutely have, as was described, a very integrated economy in the agriculture space with the United States. I know this committee has already heard from a number of witnesses to that effect, including the fact that some products move across the border.

Many times, the import on one side is the input to export on the other. Some products in agriculture may add value more than once and cross the border several times. That integration is very valuable. It's very well known in the agriculture space, and we work very hard with our committees and in our interactions with industry to make sure we have all the best and latest examples to bring to bear. At the Department of Agriculture, we work very closely with colleagues in Global Affairs and our diplomatic presence across the United States at the embassy and in the consulates, as well as with business, provinces and territories, to make that message clear.

• (1655)

**The Chair:** Thank you very much.

Monsieur Blanchette-Joncas, go ahead, please, for six minutes.

[Translation]

**Mr. Maxime Blanchette-Joncas:** Thank you very much, Madam Chair.

I'd like to commend my colleague from Glengarry—Prescott—Russell, who highlighted the Bloc Québécois's work in defending supply management. I like it when he tells me about hamburgers or food. I'd rather he talk to me about that than fecal matter. Let's get back to the matter at hand, though.

I'm very concerned about the import of products made using forced or compulsory labour, which is normally prohibited under article 23.6 of the Canada-United States-Mexico Agreement. Further to a question on the Order Paper from my colleague the member for Saint-Hyacinthe—Bagot, we learned that nothing has been done to seize prohibited goods in Canada, apart from an initial decision to prohibit the entry of such goods into Canada, which was subsequently overturned. Yet the United States is accounting for billions of dollars of goods seized from the Xinjiang region of China alone.

What requirements will you be applying to ensure that Canada effectively complies with this import ban?

**Mr. Rob Stewart (Deputy Minister, International Trade, Department of Foreign Affairs, Trade and Development):** You should put that question to the Canada Border Services Agency. It could tell you about the methodology and legislation that govern its activities.

What I can say is that we're not as well equipped as the United States; we don't have the same authority to intervene and seize assets that could be—

**Mr. Maxime Blanchette-Joncas:** What's missing? Is it money, resources, structure, vision or leadership?

**Mr. Rob Stewart:** The laws would have to be reviewed, and we're currently working on that.

**Mr. Maxime Blanchette-Joncas:** Okay.

Mr. Stewart, organizations have told us that Canada is a gateway for such goods, particularly solar panels. That's a serious assertion. Have you heard that? If so, what have you done to shed light on the situation and to prevent it from happening again?

**Mr. Rob Stewart:** We try to make it clear to Canadian companies that in some parts of the world, there is a high risk they will use—

**Mr. Maxime Blanchette-Joncas:** Okay.

You said that the act should be reviewed. In the March 2023 budget, the government announced its intention to introduce legislation by 2024 to eliminate forced labour in Canadian supply chains and to strengthen the import ban on goods produced by forced labour. At the end of the last session, the committee adopted a motion to that effect and sent a letter to the minister reminding her of her government's commitment.

It's now June 2024. Where do things stand in that respect?

**Mr. Rob Stewart:** As I mentioned, the work is ongoing.

**Mr. Maxime Blanchette-Joncas:** What's your timeline?

**Mr. Rob Stewart:** I can't answer that question for the government.

**Mr. Maxime Blanchette-Joncas:** Can you get back to us in writing and give us a detailed plan? People need reassurance.

**Mr. Rob Stewart:** I can probably give you more details in terms of—

**Mr. Maxime Blanchette-Joncas:** Transparency and trust in our institutions are important, especially in these turbulent times of foreign interference.

Mr. Fowler, in fall 2023, you stated that it was too early to submit proposals to review the Canada-United States-Mexico Agreement, that the review had not really been defined and that the ministers had had a very preliminary discussion. Yet Colin Robertson, the vice-president of the Canadian Global Affairs Institute and a former trade negotiator, said that while Canada doesn't know what will happen in 2026, it needs to prepare for it now by setting up a task force.

Do you still believe that it's not yet time to do so? Have proposals, strategies and priorities been established as of today?

**Mr. Aaron Fowler:** Thank you for the question.

It's still too early to present future Canadian proposals, which will be tabled in the 2026 review. The work is certainly under way and we're continuing our assessment of the implementation of the Canada-United States-Mexico Agreement, to ensure that it does what the parties intended.

That said, I won't speak publicly about the proposals Canada is going to make. Canada's priority is to ensure that the access to the American and Mexican markets guaranteed by the agreement will continue. There's no need to wait until 2026 to address the problems that may arise in implementing the agreement. We always work very closely with our North American partners and the Canadian industrial community to put the required measures in place, if necessary. Right now, we have other mechanisms.

• (1700)

**Mr. Maxime Blanchette-Joncas:** I just want to know why it's too early. According to a credible person, Colin Robertson, it's not too early, but according to you, it is. Why would that person say something that's not true?

**Mr. Aaron Fowler:** I can't speak for Mr. Robertson. I'm giving you my opinion—

**Mr. Maxime Blanchette-Joncas:** Why?

**Mr. Aaron Fowler:** —as the current negotiator for the Government of Canada.

[English]

**The Chair:** Thank you very much, Mr. Fowler.

[Translation]

**Mr. Maxime Blanchette-Joncas:** I'm not reassured.

[English]

**The Chair:** Mr. Cannings is next.

It looks like we've lost the connection, or else he has left.

I'll go on to Mr. Kmiec.

[Translation]

**Mr. Tom Kmiec:** I'm almost ready.

[English]

Thank you, Madam Chair. I wasn't expecting to go this early.

**The Chair:** I'm sorry.

**Mr. Tom Kmiec:** Since Mr. Cannings is off, it gives me an opportunity to move a motion that was put on notice by my colleague Mr. Seeback on Tuesday, June 11. Maybe Mr. Cannings will make it before we have to vote.

I'll read the motion into the record:

That, given the large workload the committee has on the docket, the committee instruct the chair to book five meetings between July 8 and September 13, to deal with unfinished business and pressing matters facing Canadians, such as the impact of the government's cap-and-trade system, EV plant fabrication using offshore steel and other pressing matters as they emerge.

I won't prolong the debate too much. I'll even offer to come here after the Stampede, if you need me to substitute for one of our members on this side, because I'd be especially interested in talking about EV plant fabrication using offshore steel. I have fabricators in my riding who would be affected. They were working on the TMX pipeline for many years. They all were at risk of losing their jobs when Kinder Morgan gave up on the pipeline when this government decided to basically expropriate through regulation and make it really difficult to build it.

There's a report by the PBO that says that the three companies that have received federal government monies will receive \$43.6 billion in total from the taxpayer. I really wonder how much of that will be going to Canadians to build those plants and to ensure that Canadian taxpayer dollars go to them. That would be worthy of study over the summer to understand how many of those jobs are affected by it. There are also all of the government's different environmental regulations that have trade impact.

I was also surprised to note that when the minister was here, there was a claim that somehow national security was not connected to trade. But they're very much integral. The USTR, the trade representative, for the past however many years, whenever you go on the White House website, will link the two closely together. Section 232 tariffs feature very prominently in Robert Lighthizer's book. The entire conversation in that entire book for USMCA negotiations is strictly about the national security needs of the United States government and its wishes.

I just found it completely baffling that the minister didn't understand that connection. If we're going to have to renegotiate the deal by 2026, this has really deep implications. The minister doesn't even understand that fact, or understand who may be on the other side of the negotiating table. Whether it's a Democrat or Republican, it really doesn't matter. They have kind of converged on the matter of China policy. I will say, as vice-chair of the Canada–People's Republic of China committee, that we look at national security and trade issues that affect it.

I think it's worthy that the committee should return over the summer, meet in person and continue the good work that it has done so far.

Thank you, Chair.

**The Chair:** Thank you very much.

I have a question to the committee. We have our very smart departmental staff here. Should we wait and deal with this at 5:15 so that some additional questions can be asked, or do we let the witnesses go and deal with this motion?

**Mr. Tony Baldinelli:** The witnesses are here. As long as we have the agreement of my colleagues that we'll continue on after they're finished—

**The Chair:** Can we leave the motion until 5:15 so that we can get a few more questions answered from the officials?

**An hon. member:** Sure.

**The Chair:** That's agreed? Okay. We'll deal with the motion at 5:15.

I guess you've had your time now.

● (1705)

[Translation]

**Mr. Maxime Blanchette-Joncas:** Madam Chair, just to inform you, I also have a motion to put forward. Do you want me to wait until the end of the meeting? Is that the agreement we have among colleagues?

[English]

**The Chair:** Well, I'd prefer to wait until 5:15. We have a couple of people who would like to ask some questions of our witnesses.

Mr. Cannings, the floor is yours for six minutes, please.

**Mr. Richard Cannings:** Thank you. My apologies for that computer glitch. I had to reboot everything.

Thank you to the witnesses for being here.

I'm going to go back to some of my earlier questions of the minister and perhaps get a little more detail and a little different perspective.

The first one, obviously, is about the investor-state dispute mechanism that we've managed to remove from the Canada-U.S. part of this trade deal. We've just finished this study on the Canada-Ecuador free trade negotiations, and Canada seems to be taking a pretty hard-line stance on ISDS there, I would say, despite Ecuador's clear intention of not allowing that.



ISDS seems to be going out of favour in many parts of the world in terms of free trade agreements. We have side letters between Australia and New Zealand and the U.K. when it comes to CPTPP. We see the EU changing its views on ISDS.

I'm just wondering what Canada's policy on ISDS is, because we seem to be celebrating its being removed from CUSMA and yet pushing it hard in new trade agreements. I'm just wondering if someone could perhaps fill me in on where we are with investor-state dispute mechanisms, which many Canadians think are very deleterious to Canadians and, really, Canadian sovereignty.

**Mr. Aaron Fowler:** I think it is an important question, because the government tries to take a nuanced view of investor-state dispute settlement in the context of our trade agreements.

It's obvious that clear and balanced rules and an effective dispute settlement mechanism are key to creating a predictable investment climate for Canadian investors abroad. We try to take an approach that balances investor protection with the country's right to regulate in the public interest.

In so doing, we look at the domestic legal regime of the country. We assess whether Canadian investors in that country would be able to rely upon the domestic legal regime to swiftly and effectively deal with any issues that might arise in that context, and then we make a determination of whether it feels appropriate in the context of a particular negotiation to seek additional disciplines that Canadian investors may have recourse to.

I don't want to speak specifically to any ongoing negotiations so I won't say what Canada is discussing with Ecuador, but we are certainly aware of the issues the member asked about in his earlier question of the minister with respect to the Supreme Court ruling in Ecuador, and all of that very much informs Canada's position at the negotiating table.

Thank you.

**Mr. Richard Cannings:** Just to be clear, to use the CPTPP as an example and the U.K. trying to gain accession to that agreement, Australia and New Zealand signed side letters with the U.K. removing ISDS from those bilateral agreements within that agreement, yet Canada didn't. Does that mean Canada doesn't trust the U.K.'s legal system?

**Mr. Aaron Fowler:** No, that is not how I would characterize the basis for the decision that was taken with respect to the United Kingdom. The United Kingdom was acceding to an existing agreement. The rules of that agreement were already in place. Those rules included access and recourse to an investor-state dispute settlement mechanism. At the time of its accession and in our negotiations with them, at no point did the United Kingdom approach Canada about suspending the application of ISDS between us. Consequently, the basis upon which the U.K. acceded was the rules that had been previously negotiated in that agreement, and that included ISDS. It wasn't a judgment specific to the United Kingdom.

• (1710)

**Mr. Richard Cannings:** I was just curious why Australia and New Zealand took a different approach.

Again, I'll move on to a question I asked the minister about some of the parts of the labour chapter and the environment chapter with regard to the rapid response mechanism. I'm just wondering if you might comment on how you think those chapters have worked. Are they doing what they're supposed to do and can they be strengthened?

**Mr. Aaron Fowler:** Our view is that the rapid response labour mechanism is working very well. It is working exactly as intended. It has provided a platform for the parties to work together to address specific issues that are brought to our attention, often by labour organizations in one of the three countries. This mechanism has provided a means to consider the labour situation in a variety of specific facilities in Mexico. Our view is that, in the vast majority of cases, resolutions reached through the RRLM are key to strengthening union democracy and promoting labour rights in Mexico.

Our view is that there is every possibility—we are quite confident of this—to continue to collaborate effectively with Mexico in this space, and with respect to labour issues more broadly. If there is an opportunity to further strengthen the mechanism down the road, that is a conversation Canada would be pleased to take part in.

**The Chair:** Thank you very much.

Next on my list I have Mr. Sidhu.

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

My question is for Deputy Stewart.

Could you share with the committee how Global Affairs collaborates and works with other federal government departments like agriculture when it comes to trade negotiations? Let's say that agriculture has an issue. Do you pull in agriculture? A new agriculture office opened up in Manila, Philippines. How did that come to be? How is that going?

**Mr. Rob Stewart:** As is often the case, the lead negotiator in a trade negotiation works very closely with other government departments that have an interest in the matter, including, in particular, the agriculture department. There are others, as well.

For this purpose, there are a variety of committees and fora in which that collaboration occurs. Indeed, when trade negotiations occur, groups of officials from various parts of the government go and participate. In the ongoing administration of agreements, this is also a shared responsibility. Under CUSMA, the CPTPP or CETA, it will depend on what the subject of the committee is and where the chair is best placed.

The trade office in the Philippines is actually a separate issue. It was a result of the Indo-Pacific strategy that was launched 18 months ago. It's part of the broader effort to deepen our trade relationship in the region and deal with agriculture issues that may arise.

**Mr. Maninder Sidhu:** Part of our government's approach is to expand trade and our trade footprint. Minister Ng was recently in Arizona and Texas to open a new trade office in the Grand Canyon State region.

Could you share more details about this announcement and how this office will further support Canadian interests in the region?

**Mr. Rob Stewart:** Happily, I was with the minister in Phoenix when we announced the opening of the office. It is, according to people who live there, the fourth-largest urban area in the United States now. A vast number of companies are headquartered in the region. We reallocated resources we had currently deployed elsewhere—from California to Phoenix—in order to deepen our ability to cover trade relationships in that area. We aren't really in the business of constantly making sure the allocation of our trade commissioner service is yielding the maximum benefit.

**Mr. Maninder Sidhu:** Thanks to the witnesses for taking the time today.

**The Chair:** Let me thank you very much, witnesses, for coming again to spend some time with the trade committee. You are excused to go on and complete the rest of your day.

We are going to deal with a couple of motions.

Mr. Kmiec moved a motion that everybody is aware of.

I have Mr. Drouin down to speak on it.

• (1715)

**Mr. Francis Drouin:** I'm not a regular member of this committee, but I've seen a pattern develop over other committees where I've been.

It's requesting five meetings. I heard it verbally. I think it's probably from July 8 to September 13.

**The Chair:** Yes.

**Mr. Francis Drouin:** I can tell that none of them wrote the motion. It came from upstairs in the leader's office.

I salute the effort, but I know what they're up to. I've been around this place for a long time. They're trying to say that the Liberals or whoever won't support this motion—that we don't want to work this summer. I respect that the other side can do whatever they want.

They mentioned national security and how it's important. I will recall to this committee that the leader of the official opposition still hasn't gotten briefed. I salute Elizabeth May. I salute Jagmeet Singh. They've done their job.

Back to the motion, it's a nice play. It just doesn't have the effect they think it will have.

**The Chair:** Thank you very much.

Mr. Baldinelli.

**Mr. Tony Baldinelli:** Thank you, Madam Chair.

I'd like to thank my colleague for his comments, but the last I looked, it was a gentleman right back there who wrote this motion for us.

It's about a situation that we think is critical for us to examine during the summer period. It doesn't have to be five meetings. We're amenable to discussing that.

We're looking at a system that will limit emissions in Canada's oil and gas sector. It's a situation for western Canada.

One article reads:

The Canadian Association of Petroleum Producers said in a media statement that adding emissions cap regulations to existing carbon pricing and methane policies creates a layer of complexity that could hamper investments in clean energy projects.

CAPP also said the "unintended consequences" of the framework "could result in significant curtailments—making this draft framework effectively a cap on production."

There are reports out there now that this could be a \$600-billion hit to Canada's economy. This is a major situation that's developing, and rightly so.

We thought it was something we would want to bring forward for consideration by this committee during the summer period, because I know our agenda is quite full. Again, it doesn't have to be five meetings. We're open to discussing that.

My hope is that my colleagues will give this fair consideration. Let's vote on it and see where we stand.

**The Chair:** Thank you very much.

Everybody is fully aware of what the motion says. Of course, it would be exciting to be back here in July and see you all again.

(Motion negated: nays 7; yeas 4)

**The Chair:** I'm terribly disappointed.

Would you like to speak to your motion very quickly, sir?

[Translation]

**Mr. Maxime Blanchette-Joncas:** Thank you very much, Madam Chair.

The motion was submitted on Thursday, June 6, 2024, by my colleague Simon-Pierre Savard-Tremblay, the member for Saint-Hyacinthe—Bagot, whom I salute. Do you need me to read it, Madam Chair and colleagues?

[English]

**The Chair:** I believe all of the members have the motion in front of them. Is there any discussion on the motion?

• (1720)

[Translation]

**Mr. Maxime Blanchette-Joncas:** The motion involves duty-free shops.

[English]

**Mr. Richard Cannings:** I'm not getting translation.

[Translation]

**Mr. Maxime Blanchette-Joncas:** Someone needs to speak French.

[English]

**The Chair:** Hold on a second, Mr. Cannings. You should have it now.

Could someone speak French?

[Translation]

**Mr. Maxime Blanchette-Joncas:** Yes, Madam Chair, I'm pleased to speak French. I'm very proud to speak French here in Ottawa.

[English]

**The Chair:** Okay. Please, go ahead.

[Translation]

**Mr. Maxime Blanchette-Joncas:** Madam Chair, I just want to confirm that my colleagues have received the motion. Do you need me to read it? It will be my pleasure to do so.

[English]

**Mr. Richard Cannings:** I'm not getting translation.

**The Chair:** You're still not getting translation. Check your connection, Mr. Cannings, because the others here are getting it.

**Mr. Richard Cannings:** It's on English. It was working fine until just then, but now it's not.

[Translation]

**Mr. Maxime Blanchette-Joncas:** Madam Chair, that means Mr. Cannings wasn't listening when I was speaking earlier. That's interesting.

[English]

**The Chair:** I'll read out the motion in English, Mr. Cannings. It was the motion that Monsieur Savard-Tremblay gave us on Tuesday.

It is:

That, whereas the duty-free shop regulations under the Customs Act clearly state that goods in duty-free stores are for immediate export only, and must be declared under the act if returned to Canada; and whereas duty-free stores are subject to strict location, inventory, declaration and storage requirements to ensure that all products sold there are exported for consumption outside Canada; the committee recommend that the government recognize duty-free as an export industry, that a clear indication of the nature of this industry be conveyed to all federal agencies concerned and that it report back to the House before the end of the current session of Parliament.

It's a bit of a problem when it talks about the "current session of Parliament". If the current session of Parliament means when it ends next week, it would be very difficult to do much on this motion prior to the end of the session.

Is there any discussion?

I think if we're going to do something with it, you need to change the "end of the current session" because we're not going to have time to get to it, but the mover of the motion has to amend it.

Mr. Blanchette-Joncas, I realize you're doing it for Mr. Savard-Tremblay, but I think it would be "report back to the House" and end there. Eliminate "before the end of the current session of Parliament" because nothing would be done.

[Translation]

**Mr. Maxime Blanchette-Joncas:** Madam Chair, I'm convinced that we can manage to get something done.

[English]

**The Chair:** If we ended it with "report back to the House" and take out "before the end of the current session of Parliament", it would then leave it open-ended. If the committee chose to adopt it, they could work on this when they return in September.

Mr. Sidhu.

**Mr. Maninder Sidhu:** Maybe we could add a line that there would be a government response. I mean, what does this really mean? We want to know what the government thinks, right?

There should be a government response. I don't know if the member is amenable to that.

**The Chair:** There have to be some meetings first. Otherwise, it's just a basic motion, period. We adopt the motion and ask for a government response.

It's much more like just adopting the motion, raising the issue to the government and asking the government to respond back to the House.

Is everybody okay with that? Are we all in favour?

(Motion as amended agreed to [See Minutes of Proceedings])

**The Chair:** That should be good.

Not seeing anything else, the meeting is adjourned.





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