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Chair: The Honourable Judy A. Sgro



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• (1105)

[English]

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

Welcome to meeting number 114 of the Standing Committee on International Trade. We're all very happy to be back and to see the group at the table. Everybody is ready to do the work we're here to do on international trade.

Before we begin, I need to ask all in-person participants to read the guidelines written on the updated cards that are on the table. These measures are in place to help prevent audio and feedback incidents and to protect the health and safety of all participants, including the interpreters. You will also notice a QR code on the card, which links to a short awareness video.

I'd like to remind all members of the following points. Please wait until I recognize you by name before speaking. All comments should be addressed through the chair. Also, members, please raise your hand if you wish to speak, whether participating in person or via Zoom. Thanks to all of you for your co-operation.

I have Mr. Savard-Tremblay, and then Mr. Cannings, before I start.

[Translation]

Mr. Simon-Pierre Savard-Tremblay (Saint-Hyacinthe—Bagot, BQ): Good morning. I hope you all had a nice summer.

I have two short questions, Madam Chair.

We received a letter about a request to meet with Ecuadoran activists. Would it be possible to deal with it a little later?

[English]

The Chair: Excuse me.

We're not getting any translation. We're not getting any sound at all.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Madam Chair, there is also a problem on my end: When I speak, I hear the interpretation in English, even though I made sure to select the French channel.

[English]

The Chair: I'm not getting any sound.

Does everybody have this on the English channel?

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Madam Chair, I had properly selected the French channel.

Hon. Mona Fortier (Ottawa—Vanier, Lib.): Good morning everyone.

Can you hear me?

It looks like you can, perfect.

[English]

The Chair: Mr. Savard-Tremblay, would you speak about something—anything—that they can translate to make sure we've got it?

[Translation]

Mr. Simon-Pierre Savard-Tremblay: I can certainly talk about all kinds of things, Madam Chair. I won't ask my question now so that I won't have to repeat it later.

Can everyone hear me in the language of their choice?

[English]

The Chair: Is everybody good? Okay.

Mr. Savard-Tremblay, go ahead.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: I have two questions that I'll ask at the same time, Madam Chair.

We all received a letter asking for a meeting with members of an Ecuadoran delegation to discuss the issue of human rights, as we are studying the possibility of a free-trade agreement with that country. Will we be able to deal with the letter a little later during the meeting?

Also, I noticed that we are using the old equipment. Could we get an explanation as to why we are not using the new equipment that had been installed?

[English]

The Chair: Thank you very much.

I'll also acknowledge that Sophia has had her baby, and we have a new clerk, as you can see.

Grant, would you introduce yourself?

• (1110)

The Clerk of the Committee (Mr. Grant McLaughlin): Good morning, everyone. My name is Grant McLaughlin. I am taking on the committee for international trade. I'm happy to meet you all, and I look forward to working together. Of course, if you have any questions, don't hesitate to reach out, as that's what I'm here for.

The Chair: I think you can answer the first question.

The Clerk: On the request from the delegation, my understanding is that we need to discuss that in the second half of the meeting.

The Chair: It's October 2 that we're having the Ecuador... There was a request from the Ecuadorean group that wanted to come, but we can discuss it further when we go into committee business.

What about the issue with the mics?

[Translation]

The Clerk: As to why we are using the old microphones and new headsets, that's a good question. I will have to ask management for the details to make sure I give you an accurate answer.

Mr. Simon-Pierre Savard-Tremblay: Perfect, thank you. Will you be sending us the answer once you've received it?

The Clerk: Yes, of course.

[English]

The Chair: Thank you.

Mr. Cannings.

Mr. Richard Cannings (South Okanagan—West Kootenay, NDP): My question was regarding the fact that I was getting no feed. It's the earpiece that was the problem.

The Chair: Okay. It seems to be working.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Wednesday, August 21, 2024, the committee is commencing a study on protecting certain Canadian manufacturing sectors, including electric vehicles, aluminum and steel, against related Chinese imports and measures.

With us in person today we have, from the Canadian Labour Congress, someone who's here frequently, Elizabeth Kwan, senior researcher. From Electric Mobility Canada, we have Daniel Breton, president and chief executive officer, by video conference. From the United Steelworkers union, we have Marty Warren, national director; and Meg Gingrich, assistant to the national director, by video conference. As an individual, we have Lawrence Herman, counsel. Welcome to you all.

We'll start with opening remarks. Ms. Kwan, I turn the floor over to you for five minutes, please.

Ms. Elizabeth Kwan (Senior Researcher, Canadian Labour Congress): Thank you, Chair.

Good morning, committee members. It's my honour to be here with you today on the unceded territory of the Algonquin Anishinabe people.

The Canadian Labour Congress advocates on behalf of all workers in Canada. The 55 national and international unions affiliated

with the CLC bring together over three million workers in virtually all sectors, industries, occupations and regions of this country.

The goal of a trade and industrial policy toward a net-zero economy is to ensure the future of an innovative, high-productivity and competitive manufacturing industry in Canada, providing good-paying union jobs and helping to meet Canada's Paris objective. Urgent protective measures are required to prevent lasting damage to the nascent ZEV industry from Chinese dumping, which poses risks to over 600,000 Canadian jobs, many of them unionized jobs, and jeopardizes the almost \$53 billion announced by the federal government for the Canadian EV industry. This threatens Canada's trajectory to achieving net-zero emissions by 2050.

Chair, I'd like to highlight a few recommendations from our submission to the government's consultation on potential policy responses to unfair Chinese trade practices in EVs.

First, the CLC supports the government's surtax on EVs made in and imported from China.

Second, the CLC recommends that the government work with unions and establish a plan to support workers in all sectors that may be affected by China's retaliatory measures following Canada's policy responses to their unfair EV supply chain trade practices.

Third, the CLC supports the government excluding ZEV point-of-sale incentives for EVs made in and exported from China, regardless of whether they bear Chinese or non-Chinese brand marks, and based on thresholds of certain Chinese critical minerals and battery components.

Fourth, any federal government investment tax credits, production subsidies or construction and other supports must be directed toward the nascent Canadian EV supply chain and exclude EV companies from other countries, such as China, that lack high labour and environmental standards and use unfair trade policies and practices.

Fifth, the government needs to vigorously implement the ban of forced labour in the supply chain, as per article 23.6 of CUSMA.

Sixth, the CLC echoes the United Steelworkers of Canada's call to Canada to have a strategy on the materials used to build a clean low-carbon economy.

Seventh, CLC supports the government imposing surtaxes on Chinese steel and aluminum products.

Chair, cheap Chinese EVs, EV batteries and parts, steel and aluminum impact Canadians in the slower creation of net-zero jobs, possible job losses and fallout from the circumvention of CUSMA. The CLC supports the government's recent announcement to impose surtaxes to provide a short-term, temporary protection to allow the developing Canadian EV investments to establish and ensure the transition of workers to good, well-paying green jobs. Canadians and unions expect domestic manufacturers in the EV supply chain to use this temporary reprieve to ensure that high-quality Canadian-built ZEVs come on the market in growing numbers in the near term.

However, there are many serious considerations to be weighed in arriving at longer-term policy responses, including the faltering trajectory of domestic EV supply chain development and decarbonization efforts and the state of geopolitics, in particular the China and U.S. rivalry. In developing longer-term policy responses, Canada is strongly positioned. In 2024, Canada ranked first in EV supply chain potential in the world. The government must use every tool in its arsenal and work with unions to realize the full potential of growth opportunities to become a global leader in this space. But the road of transition will be bumpy. That is why the CLC supports the sustainable jobs act. We want greater continued investments in social protections and supports for workers and sectors at risk in the transition to a low-carbon economy.

Lastly, the CLC urges the government to include labour conditions of prevailing union wages and apprenticeship requirements in the new electric vehicle supply chain investment tax credit that will be detailed in the upcoming fall economic statement. The government must build on its commitment and obligations to foster an inclusive, worker-centred approach to trade in its climate-focused policies, investment tax credits and other supports toward a net-zero future.

Thank you. I look forward to your questions.

• (1115)

The Chair: Thank you very much.

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

[*Translation*]

Mr. Daniel Breton (President and Chief Executive Officer, Electric Mobility Canada): Good morning, Madam Chair.

My name is Daniel Breton, and I am the CEO of Electric Mobility Canada. Thank you for allowing me to appear before the Standing Committee on International Trade to talk about tariffs on Chinese-made electric vehicles. I want to start by saying that we are in favour of tariffs on Chinese-made electric vehicles.

Electric Mobility Canada, the Canadian association for transportation electrification, has nearly 200 members, including manufacturers of cars, trucks, buses and all-terrain vehicles, as well as unionized workers. We are therefore very aware of the delicate nature of this issue.

[*English*]

On one hand, we want to ensure that Canadian workers and our local EV supply chain investments are protected from unfair labour practices from China. On the other, we want to ensure that Canadian

consumers and end-users have access to more affordable light-, medium- and heavy-duty EVs that are, as much as possible, made here.

EMC and its members suggested a targeted approach that supports Canadian workers, innovation and our growing EV supply chain while addressing Chinese labour and environmental practices that have an impact on the Canadian auto industry.

China holds a dominant role in global smelting and refining of critical minerals, including most of the lithium and copper sourced from Chile and Australia. China also has a dominant position in battery technology and manufacturing. The global EV supply chain presently relies on this battery technology and certain components from China to function.

China could take significant retaliatory action in response to an across-the-board surtax. Canadian tariff actions in this regard should not be taken arbitrarily. EMC recommended that any surtax be phased in and be time-limited to allow affected EV manufacturers sufficient time to adjust their production plans. This would also have provided OEMs fair warning that they need to address issues of affordability and be prepared for competition.

This is why we recommended the following targeted actions.

One is to impose an import surtax on EVs as well as gas and diesel vehicles assembled in China, after having reviewed how China's practices impact the Canadian auto industry. There is no environmental value to keeping out Chinese EVs but allowing Chinese-assembled gas cars and diesel trucks to replace the EV stock.

In exchange for this program, the Ontario government should have been required to supply EV incentives and deploy EV infrastructure for light-duty vehicles to make sure that EVs are affordable in that province. With \$40 billion in total government support for Honda, VW and Stellantis alone in Ontario, we feel that the Ontario government must do a lot more to support EV adoption in their province, which, believe it or not, is lagging behind not only Quebec and B.C. but even P.E.I. and Yukon.

As a growing number of carmakers are starting to offer more affordable versions of EVs in other countries, in order to encourage affordable EV availability in Canada for Canadian consumers, we recommend that the federal government provide a three-year relief period for automakers to offer more affordable EV alternatives. After that period, if an automaker does not offer any EVs or PHEVs at a 20% lower purchase price than it is offering right now for its electric and plug-in hybrid vehicles, it wouldn't be eligible for any EV or PHEV rebates for any of its vehicles.

For medium- and heavy-duty vehicles, we also recommend tariffs, but I'm running out of time, so I will explain during the question period.

● (1120)

[*Translation*]

Some automakers are currently offering more affordable EVs in other markets, but not in Canada, because they don't have to. In fact, the vast majority of automakers aren't even offering entry-level gas-powered cars in Canada anymore. Also, if we don't have a zero-emission standard, we'll never get there.

Thank you very much.

[*English*]

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

We're moving on to Mr. Warren, please, for up to five minutes.

Mr. Marty Warren (National Director, United Steelworkers Union): Thank you, Chair and members of the committee.

My name is Marty Warren. I'm the Canadian national director of the United Steelworkers union. I'm here with Meg Gingrich, the assistant to the national director. We appreciate the opportunity to appear before you today as part of this study.

United Steelworkers represents over 225,000 members across Canada, many of whom work in industries such as steel, aluminum and mining. These industries, which are vital to our economy and the workers in these sectors, are the backbone of Canada's EV supply chain. They face massive risks due to China's trade practices.

The motion for this committee study rightfully emphasizes the serious threat that electric vehicles from China pose to Canadian industries and workers. Chinese EV manufacturers are heavily subsidized and benefit from unfair competitive advantages, including poor environmental, labour and human rights standards. These practices pose a direct threat to over 600,000 Canadian workers in the steel, aluminum, mining, auto parts and auto-manufacturing industries. Our members, who take pride in producing high-quality materials, are being unfairly undermined by cheap, substandard imports. That's why we need to protect the entire EV supply chain from predatory Chinese competition.

The USW strongly supports the use of section 53 of the Customs Tariff on Chinese EVs. Our largest trading partner, the United States, has already announced an increase in tariffs on Chinese EVs to 100% and an increase in tariffs on steel and aluminum to 25%. These remedies are scheduled to kick in September 27. We believe Canada should follow suit to ensure that our domestic industries are not left vulnerable, by imposing the same border tariffs and ex-

panding remedies on other parts of the EV supply chain, including steel, aluminum and critical minerals.

The issue before us today goes beyond just EVs. Excess Chinese industry capacity and unfair trade practices have long plagued the steel and aluminum sector. For years, we've been warning of the devastating effects of Chinese steel dumping, which has led to falling prices, job losses and the decline of our domestic industry.

Just last year, offshore steel increased its share of the Canadian market from 19% to 38%. Steel and aluminum are the centre of the EV supply chain, and this market cannot grow without a stable and competitive industry. As China continues to flood global markets with cheap steel and aluminum, Canadian producers, who adhere to some of the highest environmental and labour standards in the world, are being undercut, and workers suffer the tragic consequences.

We urged the government to expand the scope of section 53's authority to impose tariffs on steel and aluminum products originating in China, and we are pleased that the government has acted in this direction. If Canada does not follow through with this, the Canadian steel producers estimate that over 760,000 tonnes of Chinese steel could be diverted into Canada due to the U.S. tariffs. The status quo would be devastating for Canadian workers and businesses. Even with section 53, Canada remains at risk as a result of lower tariff and non-tariff barriers on China than are imposed in the U.S.

While these tariffs are necessary, they are only part of the solution. We need a comprehensive and coordinated industrial strategy that includes steel, aluminum and critical minerals as pillars of our EV supply chain, from mining to refining critical minerals and producing the steel and aluminum that will go into EVs and batteries.

We also call on the government to increase the use of Canadian-made steel and aluminum in publicly funded infrastructure projects. Public procurement policies should be a priority for these domestic products.

● (1125)

Additionally, Canada must implement a carbon adjustment to level the playing field. Canadian producers are world leaders in producing low-emission steel and aluminum, and yet they are being penalized by foreign competitors with much higher carbon footprints. We need a—

The Chair: Thank you very much.

I'm sorry, but I have to cut you off, Mr. Warren. Maybe you can get in your last comments in response to a question.

I'll go to Mr. Herman, please, for up to five minutes.

Mr. Lawrence Herman (Counsel, Herman & Associates, Cassidy Levy Kent, As an Individual): Thank you very much, Madam Chair. I'm very pleased to be here.

I hope I'm not a bit out of context. I was asked to come and give some views on the legal aspects. I'm a lawyer. I'm not a policy person. I'm pleased to answer questions, and I hope I can provide some clarification.

[*Translation*]

I'll give my testimony in English because I'm not very familiar with the technical words in French, but I'll do my best to answer you in French, if necessary.

[*English*]

Look, Mr. Warren made a very good point, and I think the committee has to be conscious of this. Our most important trading partner has taken action against Chinese EVs, steel and aluminum. Canada, as part of the Canada-U.S.-Mexico Agreement, has to follow suit. We don't necessarily have to do everything the Americans do, but we're part of an international agreement—a North American trade agreement—and it is incumbent upon Canada to take action accordingly. That's what the government has done under section 53 of the Customs Tariff. I can talk a bit about the Customs Tariff act and section 53 during the question period.

There is no doubt that China breached its WTO obligations. They engage in strategic targeting of foreign industries through massive subsidies and exports that are developed and implemented, basically, to inundate and take over foreign markets in strategic areas, and we have to be conscious of that. We have to respond to China's aggressive use of subsidies in breach of basic WTO GATT obligations.

I should mention that we're talking about subsidies and not dumping, but dumping of goods can't be completely ignored. The traditional trade remedy approach doesn't work in this case. Trade remedies deal with individual companies that experience injury. There is no way in which the traditional trade remedies—anti-dumping and countervailing duties—can deal with China's aggressive strategic actions.

I want to talk a bit about national security, and I'm going to make some suggestions in the answers to questions. We have rights, under WTO GATT provisions, to take action when Canada's national security interests are affected. In my view, in this case China's actions are a threat to our national security interests. I think section 53 of the Customs Tariff act should be amended to include reference to national security, and there are other aspects of our trade laws that could also be changed to include references to national security.

Those are my comments. I'm happy to deal with any of these points in the question period.

• (1130)

The Chair: Thank you, Mr. Herman.

We now move on to the members and their questions.

Mr. Williams, go ahead for up to six minutes, please.

Mr. Ryan Williams (Bay of Quinte, CPC): Thank you very much, Madam Chair.

Thank you to our witnesses for attending this very important meeting today.

We talk, really, about the need for balance, balanced trade, in looking at this relationship with China but also with the Americans.

Mr. Herman, I'll start with you. Can you let the committee know a bit about the current relationship with the U.S. and the Canadians when it comes to trade? Specifically, can you speak about the recent almost doubling of software lumber tariffs, the digital sales tax and what they're bringing up as concerns on that?

Mr. Lawrence Herman: Those are good questions.

Look, in a major trading relationship like the one we have with the Americans, there will always be disputes and disagreements, and softwood lumber is one of those. It's just a fact of life that the U.S. industry is well organized and deep-pocketed and they can keep this dispute going as long as they want. The only way to deal with softwood lumber is to have a separate agreement with the Americans settling this matter.

There will always be these kinds of differences. The point I make is that in the large scheme of things, it is important for Canada, Mexico and the United States to work together to deal with major international concerns, such as the Chinese aggressive trade actions. As part of a trilateral trade agreement—one of the largest, if not the largest, relationships in the world—we should work together with our trading partners.

Look, to be frank—I don't think it's a secret, and everybody on the committee will know this—our trade with the United States is our dominant interest when it comes to international trade, and we have to work closely with them, Mr. Williams, notwithstanding the differences we might have in discrete, separate subject areas.

Mr. Ryan Williams: Just from your expertise, right now is that relationship better or worse, given the fact that softwood lumber has been going on for a while and they've just doubled the tariffs, and they're bringing up issues that are affecting trade? They're talking about a digital sales tax affecting a trading relationship. Is that making the relationship worse?

Mr. Lawrence Herman: Look, there will always be tensions in certain areas. We have an agreement, and the agreement provides for the resolution of those disputes through a third party settlement process. We'll have to work that out. The Americans will—

Mr. Ryan Williams: Thank you so much. I'm sorry, but I only have so much time.

Mr. Warren, we've talked about the steel industry and aluminum. You talked in a broader sense about 600,000 workers. How many workers are there in just the steel industry, directly or indirectly?

Mr. Marty Warren: Meg might help me with that answer, but directly in the steel industry, for our union alone there are probably close to 20,000, and that's our members, our locations. Then, obviously, there's the downstream: all the shops around it that support it, the maintenance work. You're talking 100,000 jobs or more.

Mr. Ryan Williams: That's 100,000 jobs and good paycheques in Canada in this industry.

We've talked about the EVs, obviously, and the steel and aluminum industries in China, and you did talk about dumping in those industries and how that was going to affect this. You used a large number. You talked about 19% to 38%. How many jobs would be threatened if steel is continually dumped, if we don't have these tariffs in place on aluminum, steel and EVs? How many of those jobs would be threatened?

Mr. Marty Warren: I would suggest to you that if we don't figure it out, every job will be under threat, because it comes down to investment. Again, if you can't sell your steel.... There's no premium on green steel right now, even though we produce some of the greenest steel in the world. There's no premium in the marketplace for green steel. If we don't put in tariffs to help these manufacturers so they invest, what's a nation without a steel industry? What about all the good jobs and the communities they create?

I will tell you—the last point I'll make—that if we're not able to stop our porous borders with foreign steel being dumped in, at the end of the day it leaks into the U.S. Our greatest trade partner, especially with steel, is the U.S. I assume their patience is running thin if we cannot look after our borders and the foreign steel continues to leak into their country. I'm very concerned about that.

• (1135)

Mr. Ryan Williams: Thank you, sir.

Something else we've been hearing about from some of the producers as well, which is affecting this, is the carbon tax. The carbon tax is going to increase the costs for the steel industry. If so, how many jobs would be under threat out of that?

Mr. Marty Warren: Well, right now, I think it's too early to say how many jobs.

From my perspective, there is no doubt about it: Steel producers should not be let off scot-free around creating the green economy or continuing to grow within the green economy. I am somewhat concerned about how it ramps up with the steel industry. We're having a harder look at that right now and we're trying to see if they need a bit of a carve-out, a bit of a runway so the technology can catch up with them, so the investments can kind of catch up with our steel industry. It's clear that they shouldn't be let off the hook, but I am concerned right now. The way it ramps up, if it is.... We need a closer look at it to see how it impacts investment.

The Chair: Thank you—

Mr. Ryan Williams: Are you asking them for a pause? Is that something you're asking for?

Mr. Marty Warren: No, not directly. We're reaching out to some of the parties to have the discussion. I was with the steel producers a couple of months ago. We talked to all three of the parties about it and made them aware of it. Again, we're hopeful that as we continue down this path to figure out a solution that works for our environment, our children and our grandchildren—

The Chair: Thank you very much, sir. I'm sorry. I have to interrupt. We're 20 seconds over.

The next person is Mr. Sheehan, please.

Mr. Terry Sheehan (Sault Ste. Marie, Lib.): Thank you very much to everyone on this presentation.

It would seem that everyone is in agreement that these tariffs are a good idea. Thank you very much for presenting your various points, opinions and data on this.

Marty, you talked about this dumping that's been going on for a very long time. I'm the member of Parliament for Sault Ste. Marie. I've been there for quite a while. I've seen how important the steel industry is directly for the steelworkers, but also for the economy in the Soo and northern Ontario.

When I was first elected, Algoma Steel was in bankruptcy protection. The Tenaris tubes mill had a handful of people working there: basically just maintenance and keeping the lights on. They squarely blamed dumped steel. That was why they were in such a terrible situation.

Fast-forward, and in our first budget, we implemented a plan to strengthen Canada's response to unfair trade. We implemented measures that created a longer length of time in which a penalty, once levelled, would be in place, and then we launched a consultation.

After that consultation in 2017, we introduced some really important facts. The particular market situation was one piece of anti-dumping legislation, and there were the anti-circumvention scope ruling and union participation. I want to highlight and underline the union participation and how important I believe it has been for us as we continue our journey together to strengthen the steel industry. I think of Cody Alexander from district 6 and how he said he went to and participated in one of these committee meetings. They had a favourable ruling after the steelworkers presented how it would affect their jobs and how unfair this was.

Could you explain to the committee as well? I really appreciated the steelworkers' help when the section 232 tariffs were put in place—25% on steel and 10% on aluminum—and how the United Steelworkers on both sides of the border were able to work with us—including Leo Gerard, from northern Ontario, Sudbury, a Companion of the Order of Canada—and the importance of that voice.

Maybe you could explain to this committee the ongoing efforts of the United Steelworkers in working together, on both sides of the border, to strengthen the steel industry. I'd like you to provide some comments on that.

• (1140)

Mr. Marty Warren: Yes, I would say we're very fortunate. We're an international union on both sides of the border, which not only gives us a voice in Ottawa, but it gives us a voice in Washington. We do a lot of work together to protect our countries and our economies. As we all know, our economies are so dovetailed together on almost everything.

Just to back up to your point around some of the tariff cases and our having the ability to testify in tariff cases, that is a huge step forward. You hear that from a lot of the committee people, who would normally just get facts and a whole bunch of stuff. When they're able to hear a worker on how it affected their community, and the layoffs and the lack of overtime.... You hear a lot of committee members saying that matters: how that affected their bargaining and how they were in a weaker position to bargain for pension plans and wages. That's been a huge step forward, and I can't thank the committees enough for allowing us to be part of that.

I just want to say that with melt and pour coming up, that's a huge step forward, too, because some of these countries circumvent it. China and some other countries like to go to three different countries, change the stamp and dump it in: It's still dumped steel. With the implementation of melt and pour, we really need to resource that. We also need to resource the CBSA in terms of effecting or enforcing the trade remedies we're getting at the trade council.

Thank you for the work you've done and the importance you see in the steel industry. I can tell you that we and our U.S. counterparts work strongly together to protect our two economies and to make sure that both of our economies have a thriving steel industry and many other industries.

Mr. Terry Sheehan: You began speaking about exploring a carbon adjustment. Could you please delve into that a little further? What would a carbon adjustment do, potentially, to protect steelworkers' jobs, aluminum jobs and EV jobs, etc.?

Mr. Marty Warren: The theory behind a carbon border adjustment is that when steel comes to our shores and it's made in a way that doesn't meet our standards, creates an environmental impact or creates a problem with carbon emissions, for it to enter our border to be purchased, there's a carbon border adjustment. You're not doing what it takes to change the world for our kids and grandkids. We can no longer just let your steel or your product into our country if it's not made to our standards, because all you're doing at that point is undercutting all the good work the steel manufacturers are doing in Canada and the U.S. You make them not want to invest, and the minute you don't get investment in these huge operations, you're like a grape dying on the vine.

Yes, it's a next step, and it's an important step.

Mr. Terry Sheehan: I was going to ask the CLC how important prevailing wages and union wages are for the tax credits. Could you answer that in a very short time?

The Chair: Give a brief answer, please.

Ms. Elizabeth Kwan: It's extremely important to create good jobs in the transition to a green economy, without a doubt.

The Chair: Mr. Savard-Tremblay, you have six minutes.

[*Translation*]

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

I'd like to welcome all the witnesses and thank them for being here to share their testimony.

Mr. Breton, we saw each other recently at Electric Mobility Canada's national conference in Halifax. We even had the opportunity to eat seafood together. I was glad to see, during the sound checks, that the weather's still nice there.

Could you say more about your idea of applying the new tariffs to gas-powered cars from China? I gather that's not as big a deal geopolitically, because China isn't considered to be as big a player in that market, so targeting EVs is a much more effective way to restrain China.

Mr. Daniel Breton: You're right. Geopolitically, the issue of Chinese-made gas-powered vehicles is not as important as the issue of Chinese-made EVs. We have to be logical and consistent, though. Dealerships carry Chinese-made gas-powered vehicles imported by American automakers. What's good for the goose should be good for the gander, as they say. In other words, everyone should play by the same rules. It doesn't make a lot of sense for that not to be the case.

I want to point out something important that hasn't come up in this conversation: Chinese industrial espionage in Canadian research centres. I know for a fact that people in China have been spying on transportation electrification research centres in Canada. That's a significant aspect of unfair practices in an international trade context.

We want to protect jobs in assembly, manufacturing and steel. I completely agree with what Mr. Warren said earlier about wanting to protect our industries. My father worked in a factory that was relocated to a country with lower labour and environmental standards. We want to protect jobs here.

I think we mustn't overlook the issue of industrial espionage. There are top-notch research centres in Quebec and places like Nova Scotia. Dr. Jeff Dahn from Dalhousie University in Halifax was at our conference talking about all the leading-edge research that's going on.

There's no reason not to protect our jobs, our research and our innovation.

• (1145)

Mr. Simon-Pierre Savard-Tremblay: What you're saying is interesting because, the minute we talk about tariffs, people say that limits healthy competition, which is necessary in a market economy. One thing we know for sure is that industrial espionage negates true competition. That seems obvious to me.

Look at this from a historical perspective. In the 1980s, the Reagan administration, the driving force behind North American free trade, introduced tariffs on Japanese gas-powered vehicles. At the time, people said that, even though it would limit competition, Japan was very clearly engaging in trade practices that could not be described as healthy.

Forty years on, what impact have those tariffs had?

Mr. Daniel Breton: That's an interesting question. I'm old enough to remember the articles in Time and Newsweek about the Japanese invasion of the Toyotas, the Hondas, the Nissans, the Mazdas, and so on.

After that, governments adopted the practice of imposing tariffs of about 60% on imports, which ended up encouraging Japanese automakers to come to North America, particularly to the U.S. and Canada.

I can tell you right now that Chinese car, truck and bus manufacturers are coming to North America, so that's a factor in the current conversation and something people need to look at.

Unifor is one of our most important members. Its members are unionized employees who work in vehicle assembly plants. Apparently, a number of manufacturers are currently offering non-union jobs. Good working conditions include union membership. That has to be part of the equation.

When we talk about protecting our jobs, we also have to think about protecting Canadian consumers. One thing we're a little disappointed about is that some manufacturers that sell EVs in Canada, Europe, Asia and elsewhere don't offer the same choices here.

At the moment, some entry-level EVs aren't available on the Canadian market. For example, the Volkswagen ID.3 is available in Europe, but not here. If we want to boost EV sales, we need lower-cost entry-level vehicles. We would also like to create jobs.

An extremely important consultation is about to begin, not only on vehicles, but also on batteries, critical minerals and microprocessors.

We also want to—

[*English*]

The Chair: Thank you very much. I'm sorry to have to interrupt.

Mr. Cannings, go ahead, please.

Mr. Richard Cannings: Thank you to all of the witnesses who are here today.

It's clear, I think, that we all agree this action is needed, that we need to impose these tariffs because of our relationship with the United States and what China's doing, but what a lot of Canadians are concerned about—and certainly I am—is how this will affect

the necessary fight to reduce our emissions overall and promote the uptake of electric vehicles in Canada and the electric vehicle industry.

I will turn to Ms. Kwan, from the CLC. If I'm not mistaken, you made the point that these should be short-term, temporary measures to make sure that Canadian manufacturers step up to the plate and start producing low-cost vehicles that Canadians can afford. If they're so afraid of Chinese vehicles coming in that are cheaper than ours, this is what we should be striving for and this is what we should be using these tariffs to drive. Is that the point you were trying to make?

• (1150)

Ms. Elizabeth Kwan: Yes, that is exactly the point. This is basically a short, temporary reprieve for Canadian manufacturers in the EV supply chain to step up to the plate and build the things they promised to build—with investments of a lot of public dollars—and to actually get it started.

The issue is that we haven't really established or used the amount of investments to actually establish a solid foundation yet, so the introduction of cheap EVs, at this point, will be very damaging. What we're saying is that Canadians are competitive, and therefore we need to give ourselves a chance to actually build on investments. The tariffs or the surtaxes are really a stopgap approach to give everyone a chance to get things going.

Mr. Richard Cannings: Thank you.

I'll turn to you, Mr. Breton, and ask more or less the same question. I think you brought up a lot of those points.

My wife and I were looking at EVs this summer in lots in British Columbia. There are plenty available there. A lot of them are fairly expensive, but I think British Columbia is ahead of many other provinces because we have a provincial government that is supporting that shift to EVs with EV infrastructure and EV subsidies for purchase.

I'm just wondering if you could comment on that same question and perhaps add what vehicles we are making in Canada now—or planning to make—in the low-cost EV bracket. Or are we ignoring that bracket altogether?

Mr. Daniel Breton: Actually, we are. That is an issue. To tell you the truth, there were plans to build an electric pickup truck in Ontario, but Ford decided to postpone their plans to build an electric pickup truck and go with a gas pickup truck.

One thing that I found quite stunning, actually, is that now there's a Dodge Charger EV being assembled in Windsor, Ontario. Because there is regulation for EV sales in B.C. and Quebec, even though Ontario taxpayers are subsidizing the assembly of those cars in Ontario, they won't be able to have access to those cars. Only people in B.C. and Quebec will have access to those cars. That shows you the power of regulation.

It is an issue. Carmakers like Hyundai, Kia, VW, Ford, GM, VinFast, Tesla and others are talking about making more affordable electric cars between now and 2027. We just want to make sure that we have access to those cars in Canada, because right now, as I said in my opening statement, carmakers are not even making affordable gas cars. They're not providing them to Canadians anymore, so it is a big issue of affordability, even for gas fuel.

We want to make sure that we support our workers and that our workers start making more affordable gas and electric cars in Canada—and specifically electric cars—with the funding we're giving carmakers and suppliers.

• (1155)

Mr. Richard Cannings: You're suggesting that the three-year relief period should be used and that regulations should be in place to make sure the cars being produced in Canada do reflect that need for lower-cost EVs. The whole reason we're pushing to get EVs built is to bring down our emissions, and we can't do that if people can't afford them.

Mr. Daniel Breton: Yes, exactly.

Obviously, right now the price of EVs is getting more and more competitive with the price of gas cars. If you look at mid-market cars, they are very competitive now, but when you're looking at entry-level EVs, there's a gap. Actually, it was easier to buy an entry-level EV three, four or five years ago than it is now, because there was more choice then than there is now. Now, most car manufacturers are offering SUVs and pickup trucks that are more expensive. If my wife were to scrap her small electric car, she couldn't find anything—or hardly anything.

The Chair: Thank you very much, sir.

Mr. Baldinelli, please go ahead for five minutes.

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

I would like to thank the witnesses for being here today.

I want to follow up with Mr. Warren.

You mentioned in your discussions that United Steelworkers represents about 225,000 members in the steel, aluminum and mining sector, and you mentioned that the workers are the backbone of Canada's EV supply chain.

I want to follow up on my colleague's earlier line of questioning. You mentioned that you were having discussions with parties about your concerns with the carbon tax ramping up in the coming years and the impact on the Canadian steel industry. What is the union specifically asking for? You mentioned a carve-out in your opening comments. Who are you speaking to? What have you requested from this government and what has been the response?

Mr. Marty Warren: That's been jointly with the steel producers. If you listen to the steel producers, they raise a lot of issues. They raise issues about investment, the technology and the further technology they will need to have to get where they need to go. I think every steel producer we're with wants to be a green steel producer. Again, it's the attraction of investment. If it's uncertain ground, there's a concern about investment.

The best I can say is that it's a work in progress. I think every party, all three parties that we visited—I did not visit the Bloc that day, my apologies—all understood how important a steel industry and an aluminum industry are to calling yourself a nation. I think it's going to take further discussions. Obviously, we're doing a lot of work in the Soo around electric arc furnaces, so that's going to be helpful.

Again, I think it's an open dialogue. I don't think you can say the current plan won't work, but we're just raising some flags to say, hey, sometimes one shoe doesn't fit all. The steel industry might need a longer ramp-up or some other things.

I think it's important to say that we and the steel producers all agree that producing green steel—

Mr. Tony Baldinelli: To your point, Mr. Warren, I think it is important that we have these discussions. You know, we don't operate in isolation, particularly when it comes to other issues and policies impacting the sector.

Specifically, back in November 2022, Ms. Gingrich appeared here when we were doing a study of the Inflation Reduction Act. During her testimony, she said, “we do have some concerns that the IRA's incentives for firms to invest in clean technology, absent any carbon tax, provide a double advantage to U.S. steel producers”. She also testified later on, “I think the combination of the lack of a price on carbon in the United States and the provisions of the IRA could put the Canadian steel industry at a disadvantage, including our members.”

If steelworkers aren't being undermined by the Liberals on carbon tax at home, they are being undermined by the Liberals letting artificially cheap Chinese-made EVs, steel and aluminum into Canada. For many years, they have been undermining Canada on both.

Do you agree? What are your comments on this?

Mr. Marty Warren: My initial comments would be that there have been two different approaches. In the U.S., there's been kind of a carrot approach with the amount of monies and different pots of monies they're offering up to incentivize a big industry to go green. The steel producers and other producers would say that Canada is using more of a stick approach: Fall in line, or else the costs will go up each year until 2030.

Again, I don't think I'm ready to throw the baby out with the bathwater, but I do believe this is an issue we'll continue to discuss to find out what's right and to find out how it works. I do want to say this, though it might not be the right spot: It's so important for every one of us on this call and for our kids and our grandkids. This is a chance to belong to a new economy. Quite frankly, we lost—

• (1200)

Mr. Tony Baldinelli: Mr. Warren, if I could, what risk does the stick approach that the federal government has decided to take pose for those 225,000 members? What does it mean for Stelco, for example, in Hamilton, which was recently purchased by a firm in the United States? What does that stick approach and the cost in terms of carbon mean to those Canadian workers who live in Hamilton? What does that mean for them?

Mr. Marty Warren: The rest—

The Chair: You have 10 seconds, sir, for an answer. I don't think you can get an answer in that particular time.

I will go on to Mr. Sidhu.

Go ahead, please.

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

Thanks to the witnesses for being here today.

Today we're hearing a lot about our Canadian carbon pricing mechanisms. Earlier today we also heard about the carbon border adjustments. For those watching, I'd like to read something for you just so you can understand what carbon border adjustments mean. I'll read right from the European Union's website:

The EU's Carbon Border Adjustment Mechanism (CBAM) is the EU's tool to put a fair price on the carbon emitted during the production of carbon intensive goods that are entering the EU, and to encourage cleaner industrial production in non-EU countries.

By confirming that a price has been paid for the embedded carbon emissions generated in the production of certain goods imported into the EU, the CBAM will ensure the carbon price of imports is equivalent to the carbon price of domestic production, and that the EU's climate objectives are not undermined.

If the Conservatives are talking about removing carbon pricing, we know that for our exports and industries, the EU comprises a large market, close to half a billion consumers.

Ms. Kwan, the Canadian Labour Congress represents many of these industries that ship to the EU. If we remove carbon pricing in Canada and we don't have environmentally progressive policies in place, no doubt we will be hit with import taxes in the EU, which will unfairly target our industries and workers here in Canada. I'd like to hear your thoughts on that.

Ms. Elizabeth Kwan: I think that Canada's work on the carbon border adjustment front has been a little slow, and we need to do better on it. We have a lot to learn from the EU.

My understanding is that the way we have been talking about the CBA in Canada is not compatible or not integrated in a way that it would fit in with the CBAM. However, that doesn't mean that it's not working; it just means that we have to work harder to find ways of actually making the two systems work together.

You're right. If we don't meet some of the basic standards of the EU—or of the U.S., for that matter—we will be at a loss. Canada will be penalized, and jobs will be lost or manufacturing will be decreased because of that.

Therefore, one way or another, in order to actually build a sustainable, resilient green economy, we have to really take a long view and invest in not just the EV supply chain but a lot of other things. For instance, we have to invest in electrification and in charging infrastructure. We have to invest in a lot of technology as well.

We cannot just say that this particular response to the Chinese EVs is the end point; it is not. This is in fact, I would say, a pre-starting point. All of us need to work really hard to make sure that we have a very long-term view with long-term investments by government, manufacturers and Canadian workers to actually build a future for our children and grandchildren, as Mr. Warren said.

Thank you.

• (1205)

Mr. Maninder Sidhu: Thank you for that, Ms. Kwan.

I'd like to turn to Mr. Warren now.

As we heard from Ms. Kwan today, that is why we stepped up with tariffs on imports from the Chinese EV sector. We want to make sure that we protect industry and workers and that we're all playing on a level playing field.

Mr. Warren, I'd like to hear your thoughts on the CBAM. Also, if we roll back our supports to the environment and our progressive policies, how could that impact exports to the European Union market and what we're doing here in Canada?

Mr. Marty Warren: I'd start by saying this, and probably acquitting what was just said: It can't be just a one-thing approach, whether it be melt and pour, strong enforcement at the border, hearing from workers at the trade hearings or these tariffs that we're talking about today. The first thing I would say is that our economy.... We're not a communist country. It takes time. It's a democratic country, and we have to convince consumers. We have to do stuff. We can't just make changes as of tomorrow. This is giving us some breathing time, allowing our companies—whether in steel, manufacturing or anything—to get set up and to get more prepared.

I will tell you that when we went to the global economy in manufacturing, we lost. Our kids lost. Canada lost about 1.5 million jobs in about a year and a half to three years. The U.S. lost millions upon millions of jobs. We can't have that again.

What was the cost of the \$50 VCR? I can tell you. It wiped out every Zenith manufacturer and Canadian manufacturer. What we're trying to do with this—whatever element you want to pick—is build for the future, build an economy and take back our economy for our children—

The Chair: Thank you very much, sir. I'm sorry, but I have to cut you off. I apologize.

We'll go to Mr. Savard-Tremblay, please, for two and a half minutes.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: I'll have to be very brief, because there's a lot to cover in these questions.

Mr. Breton, if I'm not mistaken, there are two models, or two companies, at least, that the tariffs in question would penalize. Given that the middle class is currently struggling with high prices, I gather these models are not for them.

I'd like you to answer with a simple yes or no, please.

Mr. Daniel Breton: Actually, the middle class can access these vehicles. The fact remains that, for the time being, \$30,000 Chinese-made EVs aren't really available in Canada. These are vehicles that cost \$50,000 or more.

Mr. Simon-Pierre Savard-Tremblay: Okay. So these tariffs aren't penalizing the middle class. Thank you.

All the same, I think it's clear that we can only proceed as a North American entity. The United States pressured Canada to introduce these tariffs. They're afraid of Canada. They complain, and rightly so, that it's a sieve and that there's negligence on many fronts.

Is the United States still our best ally? Are there any points we should urge the Canadian government to raise in its conversations with the Americans?

Mr. Daniel Breton: That's a great question.

Negotiations for the Canada-United States-Mexico Agreement, or CUSMA, will be happening next year. Canada will have to stand its ground because, at this point, it looks like we could come out on the losing end of that process if we're not careful.

Mr. Simon-Pierre Savard-Tremblay: Okay, thank you. I'm sure we'll have the opportunity to talk about it again, probably right here at this committee.

Could you talk to us about clean procurement?

Mr. Daniel Breton: Yes. People have been saying that Canada only has a stick, not a carrot. That's not true. We're spending billions of dollars subsidizing manufacturing of electric vehicles, electric vehicle components and batteries. We have a carrot and a stick. In that sense, I think Canada is doing a good job.

One thing we've been talking about for a few years is what's known as “clean procurement” or green bidding processes that are compatible with free trade agreements.

Canada could say that it will order greener components and vehicles manufactured in Canada. Strictly speaking, Canada would not be penalized for that under free trade agreements. It couldn't be. That would help Canadian businesses and workers.

Canada is not doing that right now, and it's a missed opportunity. A law research chair at the Université de Sherbrooke talked about it. We suggested this approach to the House of Commons. We would like to see clean procurement be part of Canadian policy.

[*English*]

The Chair: Thank you very much.

We'll go to Mr. Cannings for two and a half minutes, please.

● (1210)

Mr. Richard Cannings: Thank you.

I'm going to turn back to Ms. Kwan from the CLC.

You had a very short period of time to expand on your comments about labour provisions and details on the tax credits coming up. I'd like to give you more time to expand on those comments and say why it's important and what you hope to see for Canadian workers.

Ms. Elizabeth Kwan: Thank you very much for the question.

In the transition to a green economy, which is ramping up—with bumps, and that's why we're here today—we need to make sure that the jobs available at the other end of and during this transition are good-paying, high-skilled jobs.

Having said that, there are things that can be put into place, like the labour conditions of prevailing union wages and apprenticeship requirements, that would help maintain the levels of skilled labour and good-paying jobs in any part of the EV supply chain sector. What these will do is build a workforce that is highly skilled and has good-paying, unionized jobs.

It all grows communities. We saw this happen before, when auto manufacturing was first established in Canada. Suddenly, we had strong communities being built up and growing because there were those opportunities. That's why we have to make sure.... Why not add value to public investment in these supply chain hubs when we can, and make sure that everyone has a piece of that prosperity down the line?

Mr. Richard Cannings: I'm going to turn quickly to Mr. Breton again.

Tariffs will benefit the manufacturers that are being protected by them, but they'll also create revenue. Do you have any ideas for what that revenue should be put toward to incentivize this shift to more EV sales?

Mr. Daniel Breton: I'm not sure exactly what you mean by revenue. There won't be any revenue for.... Those tariffs mean that car manufacturers importing cars from China right now will stop importing them from China. They will import them either from the U.S. or from Europe. It's just going to stop the importation of electric cars made in China right now.

The Chair: Thank you very much.

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

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

It's good to be back and to see everybody again.

Thank you to the witnesses for taking the time to be here today.

Just quickly, for my colleague across the table here, Mr. Sidhu, his comments mentioned that Conservatives want to remove the carbon tax. You bet we want to remove the carbon tax. I'm glad that Mr. Sidhu has finally come on board in hearing the message on that, but I would stress to him that it's not just Conservatives who want to remove the carbon tax, but premiers across the country. Now, even in Mr. Cannings' home province of B.C., the premier is moving away from the carbon tax. This is what Canadians are asking for. At the end of the day, the carbon tax is driving up the cost of groceries, home heating and getting goods to market. I just want to make sure Mr. Sidhu knows that it's not just us asking for this. We're reflecting the thoughts of Canadians across the country.

I might just share a bit of my time at the end with my new colleague on the committee, Mr. Williams, but I want to quickly ask Mr. Herman a brief question.

You mentioned, as part of your opening comments, softwood lumber always being an issue. The fact is that it wasn't as big an issue under the Stephen Harper Conservative government as it is today. It wasn't until the agreement ended in October 2015. All this government has been able to do is to secure a moratorium for the softwood lumber agreement.

I would like to ask you, Mr. Herman, if you see this as a bigger issue in terms of the relationship between the current government and the government down in the United States, coupling this with the digital sales tax that's come into force. Are these issues that will cause friction in that relationship?

• (1215)

Mr. Lawrence Herman: Well, frankly, I don't think the softwood lumber issue is something that would destabilize our relationship with the United States. I said earlier that it is an irritant, that it is a problem, and it can only be resolved, in my view, through a separate agreement between Canada and the United States to deal with these issues, but I don't see softwood lumber as a destabilizing element in our relationship. It is one of a series of difficulties we have with our major trading partner.

I would hope that both sides could come to some agreement on settling this, but at the end of the day, it's about the U.S. industry wanting to protect its market share, and as long as they have the money to pay lawyers, this dispute will go on. It might be a perpetual problem. I hope not, but that's where we are.

That said, just to repeat my earlier point, I don't think that, in itself, the softwood lumber case will destabilize our good relationship, generally speaking, with the Americans.

The Chair: You have one minute and 30 seconds remaining, sir.

Mr. Ryan Williams: Thank you, Madam Chair.

Thank you to the committee.

Ms. Kwan, we talk about union members and good workers in Canada. We want to protect those jobs. We're talking about the mining sector. Right now, this committee is debating tariffs on China. This government right now has not chosen to put tariffs on critical minerals from China, but 70% of cobalt and lithium is mined and refined there and bought by Canada here. Those aren't union jobs in Canada. Those are in China. Ninety per cent of the rare minerals that provide batteries and magnets for batteries are mined in China and brought here.

Can you tell me about the labour standards here in Canada versus China and why those unionized mining jobs in Canada should be protected?

Ms. Elizabeth Kwan: I'm not really that clear on what you're asking about, but definitely we have higher labour standards. In fact, because we have higher labour standards, we are attractive to the EU and to the U.S. I think that's very valuable to our trading relationships with the U.S. and the EU.

If you want to talk about labour standards, I believe that much of the extraction as well as the production of critical minerals for EV batteries is actually done in Xinjiang. You know very well that this is where a lot of forced labour is used. You know, I have absolutely no desire for our standards to get to those standards in terms of our future in the green economy.

The Chair: Thank you very much.

We go now to Mr. Arya for the completion of the second round.

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

Madam Chair, sometimes I have policy disagreements with our colleague Mr. Cannings, but I should state that I agree with the sentiments Mr. Cannings expressed during the first round of questioning.

In the bigger picture, the world order is changing, which started before COVID. That has since been accelerated. Globalization, as we know, is dead. So is free trade, almost. The free trade that benefited both developing countries and developed countries is on its way out. Protectionism is in.

We are focusing on onshoring, nearshoring and friendshoring, and obviously we all want to protect our domestic industries. Where that will lead and what impacts it will have will be known after quite some time, but the immediate impact—whatever policies we use to protect our industries—will also have an immediate effect on our other sectors within Canada that are export-dependent. The Canadian agricultural sector—Canadian agri-foods and agricultural produce—is the fifth-largest in the world. I think that sector is going to be impacted first by the decisions we have made. Probably the canola growers will be the first group of farmers who are going to be affected.

However, this is a reality. The United States is our biggest trading partner. Our economic prosperity is linked with and dependent on our trade with the United States. Once the United States took the decision to impose tariffs on EVs from China, it was inevitable that we would follow suit. As a *Globe and Mail* editorial recently stated, matching American tariffs would be the right decision, even though such tariffs are usually bad.

As I said, this is a new paradigm. We don't know where it will lead. It affects not only Canada but all the countries in the world, especially developed countries that have been the champions of free trade.

Mr. Lawrence Herman, I have a question for you. I read your article in the *Globe and Mail* on this issue and I also listened to your comments today. I don't know if you are 100% confident that the route we took using section 53 of the Customs Tariff act is the right one. Obviously, taking this route means that we are losing the WTO cover we could have used to reaffirm our commitment to the multilateral rules-based order.

In that article, you proposed that we could provide two arguments. I think one of those arguments would have necessitated

what you just proposed today—that we amend section 53 of the Customs Tariff act by including reference to national security. Obviously, the decision that we have taken may not go to the court to face the challenges, so the intricacies of what route we took, why we didn't go through the WTO route or the route we took may not be challenged, but I want to ask you again: Are you confident that the route we have taken using section 53 is the right one?

• (1220)

Mr. Lawrence Herman: I am confident that it is the right route taken in this case.

Look, the world multilateral trading order is under tremendous stress. I think we've reached a point where it doesn't answer all of the challenges that countries face. In this case, Canada took steps, and those steps are, in my view, consistent with the right of governments, members of the WTO, to take exceptional measures to protect national security. We don't need to get into all the intricate legal arguments, but I think we did the right thing.

We have to recognize that some of the rules of the multilateral order—which were drafted many, many decades ago—need to be adjusted and need to take into account the contemporary trading environment, so we did the right thing.

As I said before, we're part of a trade agreement with the United States and Mexico. I think we need to consolidate our operations as well as we can and coordinate with our major trading partners. From a legal and policy point of view, my conclusion is that the section 53 tariffs were the right move in this case.

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

That completes the two rounds.

We have booked for some committee business. This is our first meeting of the new section.

I will suspend so that we can go in camera.

[Proceedings continue in camera]

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