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• (1530)

[English]

The Vice-Chair (Adam Chambers (Simcoe North, CPC)): I call this meeting to order.

Welcome to meeting number 10 of the Standing Committee on International Trade. Pursuant to Standing Order 108(2) and the motion adopted by the committee on Thursday, September 18, 2025, the committee is resuming its study of Canada and the forthcoming CUSMA review.

We have with us today, on our first panel, Mr. Krips from the Alberta Forest Products Association; Ms. Tognarelli and Mr. Winterhalt from Export Development Canada; and from the Manufacturers et Exportateurs du Québec, Madame White.

Welcome to all of our witnesses here this afternoon. We will all have opening remarks. You'll have five minutes each to do those opening remarks. For those of you who are in the room and can see me or those of you who are online, when you have 30 seconds left, I will raise my orange folder in an effort not to interrupt but to let you know you are approaching the end of your five minutes.

Mr. Krips, I invite you to make an opening statement for the next five minutes.

Jason Krips (President and Chief Executive Officer, Alberta Forest Products Association): Thank you, Vice-Chair and committee members. I really appreciate the time this afternoon.

The Alberta Forest Products Association, or AFPA, represents 29 forestry companies in Alberta. AFPA members range from publicly listed companies to family businesses that have been passed through generations, and we represent everything from sawmilling to pulp and paper, wood pellets and everything in between.

We're proud to be a part of the Canadian forest industry, which stretches from coast to coast, an industry that creates 200,000 direct jobs and is one of the largest employers of indigenous people in this country.

One of the key requests as it relates to CUSMA and the CUSMA review is to ensure that the forest sector has a seat at the table with an aim to include forestry products in the final renegotiated agreement, or at least be treated as a priority with other key sectors such as steel, aluminum, auto, dairy and agriculture at the same time as any CUSMA renegotiations.

Outside of the trade dispute resolution process, which hasn't functioned all that well for softwood lumber, past iterations of NAFTA or CUSMA have largely excluded lumber. This means that

we've been singled out for additional duties and quotas and these have hurt communities, contributed to mill closures and cost Canadians throughout the country their jobs.

Destabilized and stifled trade isn't just bad for Canadians. It's also bad for the Americans as well. It results in American consumers paying more. In fact, the average American already can't afford to buy their first home until the age of 38. Adding costs through trade barriers exacerbates that situation further, and here's the real irony: While Canadian mills take downtime and communities suffer, American mills are taking downtime alongside us as well. They're being hurt by U.S. consumers who don't have the confidence to build homes, tariffs driving up their prices and other countries retaliating on their exports.

We need an agreement that is durable and creates certainty on both sides of the border. The U.S. supplies about 70% of its own lumber but they need to import 30%, especially species like spruce, pine and fir, which we produce here in Canada and particularly in western Canada, that play a unique role in structural building applications. The Americans can either get this lumber from Canada, or they can pay more and import it from Europe.

I speak for the Alberta forest industry but the reality is that this affects jobs in every corner of the country. Forestry is one of the foundational and fundamental industries, representing communities from Newfoundland right across to British Columbia, from southern Quebec to northern Manitoba. In fact, 300 communities throughout the country are forestry-dependent. It's a business that does the right thing for the environment, and it's a business where we have three generations of a family all working at the same mill. It's a business that needs certainty and stability. Investments to maintain and upgrade mills regularly run north of \$100 million and that isn't possible when you don't know where your product will go or under what terms you'll be selling your product.

In the current situation, we are paying 35.5% duties and an additional 10% under the section 232 national security investigation for timber, and it's leading to mills across the country curtailing production and sending employees home.

We certainly laud efforts to use more of our lumber here at home—that's very important—and to diversify our markets abroad, which is also very important. These are good steps and things that we need to be doing, but the reality is that about 50% of our lumber goes to the United States. We also send large volumes of wood panels, pulp, newsprint and other forestry products into the United States market. We cannot diversify our way out of this problem. We need to work out a solution with our American friends and customers, and that's why it's important that our industry has a seat at the table with respect to the Canada-U.S. trade negotiations, along with other key industries like steel, aluminum, auto, dairy and agriculture.

We ask that committee members advocate to help ensure we get that seat and that this issue remains a top priority for this government. Once negotiations start up, we ask that the Government of Canada ensure a new agreement contains enhanced dispute mechanism processes, including enforceable timelines for binational panel appointments.

Thank you very much. I look forward to your questions this afternoon.

• (1535)

The Vice-Chair (Adam Chambers): Thank you, Mr. Krips.

Ms. Tognarelli and Mr. Winterhalt, you have five minutes.

Todd Winterhalt (Senior Vice-President, International Markets and Head of Communications and Public Affairs, Export Development Canada): Mr. Vice-Chair and committee members, it's a pleasure to be here today.

At the best of times, business and international trade are risky and rife with uncertainty. The uncertainty takes many forms: extreme weather, election outcomes, conflicts, disease and, of course, trade barriers.

One thing that helps us manage through these downturns and even maximize opportunities contained therein is the presence of strong and reliable partnerships. Export Development Canada is one part of Canada's international trade ecosystem—a system that helps build these strategic partnerships.

[*Translation*]

For people who are less familiar with Export Development Canada, or EDC, let me quickly provide an overview.

EDC is a crown corporation. Our mandate is to support and increase Canadian exports through a range of financial solutions that help reduce the risks for Canadian exporters and investors.

Together, these products and services first give Canadian companies the tools needed to reduce financial risks. They then provide the capital support needed to break into new markets and invest with confidence. Lastly, they help the companies grow internationally.

To provide some context, last year, these products and services helped to support almost 28,000 companies and to facilitate export, foreign investment and trade development activities totalling over \$123 billion.

[*English*]

EDC is a counter-cyclical organization. We step to the fore in the most difficult moments. We operate on commercial terms, which helps to ensure that our work is complementary to the private sector. Consistent with this model, EDC is financially self-sustaining, does not provide grants or subsidies, and regularly returns dividends to the Government of Canada.

As all of us here know well, Canada is a trading nation. Our prosperity relies on a steady flow of goods into and out of the country. Together, imports and exports account for about 65% of this country's GDP. Exports, specifically, are about a third. This year, however, the country that was, for generations, our most reliable trading partner started moving in a different direction. There is currently little certainty around Canada's trading relationship with the United States and, at EDC, we are now starting to see the effects of that. Canadian exports contracted in August, pushing the trade deficit to the second-highest level on record.

We also see these feelings reflected in our biannual trade confidence index, with our mid-2025 release pegging the index at 65.7, which is down 3.3 points from the 2024 year-end survey. It also found that 40% of our respondents are experiencing a decline in their U.S. orders. Six months earlier, in our last survey, only 16% said the same thing.

Perhaps on a more encouraging note, the survey also found that exporters are now actively exploring new markets as a means of growing their customer base. Most of the respondents—72% in fact—said they plan to be in new markets within two years and are focusing on countries that have existing free trade agreements with Canada.

There is no doubt about how difficult it is for Canadian business owners to muster confidence when each day seems to bring a new challenge.

I want to be clear, though. At EDC, we remain very confident in Canada's exporting and partnering opportunities. We see this country at an inflection point, where Canada truly has what the world needs. Our natural resources and world-leading clean technologies have a key role to play in the energy transition. Our innovative high-tech ecosystem has the potential to lead the way as industries, economies and societies progress in their technological transformation. As one of the world's most agriculturally self-sufficient countries, Canada's agri-food supply chain can help pave the way globally.

To accomplish all of this, at EDC, we believe that Canada must shift from a predominantly continental trade system to a more global one. With still approximately 75% of Canadian goods exports headed to the United States, it's no surprise that the impacts of the tariffs have been felt so broadly across the economy. The proximity of the U.S. to Canada, our highly integrated supply chains, supportive infrastructure and a strong and long-shared history make it the perfect trading partner. For all of those reasons, we believe the U.S. will remain Canada's largest trading partner going forward.

• (1540)

For Canada to prosper and for our economy to grow, Canadian exports require an incremental strategy, one where we add to and diversify our markets—not replace the world's largest consumer nation. We need to position our companies to weather the challenges of the U.S. market through a presence in new ones.

Allow me to conclude with this. Diversification to the Indo-Pacific, Europe, Latin America and beyond is the key to unlocking a transformational opportunity for Canada, to help us move away from the economic dependencies of the past and toward a competitive, resilient and secure economy built on reliable trading relationships with markets across the globe.

Joanne and I look forward to offering more information and addressing your questions. Thank you so much for time and your interest today.

The Vice-Chair (Adam Chambers): Thank you, Mr. Winterhalt.

Ms. White, you have the floor for five minutes.

[*Translation*]

Julie White (President and Chief Executive Officer, Manufacturiers et Exportateurs du Québec): Thank you, Mr. Chair.

Members of Parliament, I'm pleased to be here with you today.

First, I would like to thank you for giving us the opportunity to speak on behalf of Quebec manufacturers and exporters on an issue as important as the review of the Canada-United States-Mexico agreement, or CUSMA.

Manufacturiers et Exportateurs du Québec, or MEQ, is a business association dedicated to the growth of the manufacturing sector. It has a network of over 1,000 manufacturing companies of all sizes throughout Quebec. We're also part of Canadian Manufacturers and Exporters, the country's largest trade and industry association, which was founded in 1871.

First, keep in mind that the manufacturing sector is a pillar of the Quebec economy. It ranks first out of all the sectors in terms of its weight in the gross domestic product, or GDP. It employs over 500,000 Quebecers, contributes to 12.3% of the GDP, accounts for 86.1% of our exports and includes more than 13,600 companies. In 2024, Quebec's manufacturing sector generated almost \$220 billion in total sales. This makes the sector a cornerstone of our economy.

MEQ considers CUSMA a good agreement overall. However, the agreement is good when all partners comply with it. Our companies have been able to develop their exports and grow as a result of this agreement and previous free trade agreements.

We surveyed our members in recent weeks about their views on the CUSMA review. Almost all members surveyed, or 96% of respondents, want to see CUSMA renewed. In addition, 90% of the members support the integration of our economy with the American and Mexican economies. However, 75% of respondents want stricter measures for the countries that fail to comply with the agreement.

Obviously, the events in recent months involving the American administration have significantly disrupted the manufacturing sector. The ongoing tariff war must come to an end. This tariff war is damaging a number of our manufacturing subsectors that play a key role in the Quebec economy, such as wood, aluminum and steel. It's also creating a general sense of uncertainty for companies.

For the purposes of the review, our preferred approach is based on the following five principles.

First, we must preserve the spirit of CUSMA, in particular by avoiding permanent tariffs as much as possible.

Second, we must maintain the preferential access to the American market developed through the signed free trade agreements. The American market will always remain the main client for manufacturing companies given its geographic proximity and also its size and influence in the consumer market.

Third, we must continue to support a trilateral approach that includes the United States and Mexico. Over the past few decades, we've worked with these partners to develop a strong and integrated North American economy. Our companies have been built and expanded with all three markets in mind. We have companies with production facilities in the three countries. Any change to this approach would be detrimental.

Fourth, Quebec must have a voice at the negotiating table and in discussions. As in previous negotiations, we're calling for Quebec to take an official seat at the table, with the Quebec government appointing a chief negotiator. This person should have extensive knowledge of the Quebec economy and experience in negotiation. This person should be able to build a broad consensus in order to ensure legitimacy.

Fifth, we must encourage predictability and stability in trade relations. As I said earlier, we need to find common ground. Rules that change frequently and without notice harm companies, investment, innovation and the economy in general.

Thank you. I'm available to answer your questions.

• (1545)

[English]

The Vice-Chair (Adam Chambers): Thank you very much, Ms. White.

We'll now move to our questioning rounds. The first round is six-minute questions.

Mr. McKenzie, you are up for the first round.

David McKenzie (Calgary Signal Hill, CPC): Thank you very much, Mr. Chair.

Thanks to all of our witnesses for their time and input today.

Mr. Krips, I think you touched on—or came close to—this issue concerning a forest manufacturing tax credit. Could you elaborate a little bit on what it is that your members would be seeking there and what response you've had from the government to date on that issue?

Jason Krips: Our sister association, FPAC, Forest Products Association of Canada, has been doing excellent advocacy to try to land a tax credit. My understanding is that those conversations have gone well. Certainly, our members would be interested in having that type of a tax credit to help support revitalizing some of their mills, increasingly refurbishing equipment and making them more operational.

David McKenzie: That would be a credit for additional investment in the plant facility.

Jason Krips: That's my understanding.

David McKenzie: Those are good nation-building projects, I think.

Jason Krips: Absolutely.

• (1550)

David McKenzie: Thank you very much.

You've noted that Alberta-made lumber and wood panels facilitate the affordable construction of American homes. I'm curious. It must be that the American customers and the consumers of those forest products—and products generally—appreciate the value that Alberta forest products give to them.

Are they speaking out in the U.S. about the trade circumstances we find ourselves in?

Jason Krips: We have a real, natural ally in the National Association of Home Builders in the United States. They have been long-standing allies against the softwood lumber duties.

Just to step back.... Fifty per cent of the lumber that's produced in Alberta stays domestic. By "domestic", I mean all of Canada. Out of the other 50%, about 96% to 97% goes to the United States. It is, by a large margin, our largest trading partner. The lumber is predominately used in home building, for sure, and we produce lumber made out of spruce, pine and fir, which are longer growing. It's more flexible, and the builders actually really enjoy working with it. It doesn't splinter when you use nails.

It's actually the housing market and the demand down there that very much appreciates, wants, demands and has a demand for our product. That's why you see that 70% and 30%. They can produce

70% of their needs, but the 30%, especially related to housing and refurbishment, is done with spruce, pine and fir.

Associations like the National Association of Home Builders have been long-standing supporters of ours. We continue to work with them closely to voice our view that it's a partnership approach and that it's not just spruce, pine and fir. It's also southern yellow pine used for decking and that.

In our mind, it's a symbiotic relationship between our different types of products.

David McKenzie: Thank you very much.

Mr. Winterhalt, the information I have available to me is that Taiwan, the Philippines, Poland, Japan, South Korea, Germany, Latvia and Ukraine all want Canadian natural gas. Is EDC responding to these requests?

Todd Winterhalt: EDC remains a steadfast supporter of the Canadian oil and gas industry here domestically, and it continues to provide support across all of our product lines to Canadian producers here in Canada domestically, who have identified many of those markets as target markets.

David McKenzie: I understand that EDC adopted a policy that it would not support any investment or development of traditional energy sources. Has that changed, or did I misunderstand that?

Todd Winterhalt: Following the Glasgow agreement at COP26, there was a decision taken by the Government of Canada to preclude additional investment in international oil and gas projects. That does not curtail our efforts to support domestic oil and gas companies, including their operations in Canada.

David McKenzie: From my experience, I know that EDC is very active in markets around the world in terms of assessing risks, needs, opportunities, etc. That is key to your financing role. Would you be in a position to comment on what the demand is for Canadian liquefied—for shipping purposes—natural gas around the world?

Todd Winterhalt: We certainly have seen, I would say, an increasing interest in LNG. In Asia in particular over the last number of years, EDC has invested significantly in deepening our Indo-Pacific footprint—that's in the last three years—now having 12 offices in the region. We do hear of the interest across the region in Canadian energy and, I would say, writ large—so, traditional energy but also renewables, and energy and energy transition-type products.

David McKenzie: From your perspective, there is certainly a business case for the export of liquefied natural gas.

Todd Winterhalt: The demand is clear, and I think we're seeing that take place in Europe as well, given recent crises there and a growing need for the European continent.

David McKenzie: We're talking specifically about European nations, our allies and trading partners, having the opportunity to get away from Russian and Qatari supplies of natural gas. Is that right?

Todd Winterhalt: That's correct.

David McKenzie: Thank you.

What are the instructions to EDC from the Government of Canada respecting trade between Canada and China. Is that an area of growth or increased emphasis? Has that changed recently?

Todd Winterhalt: I think it's a very timely question. I think there is existing, I guess, engagement taking place shortly. EDC has remained open and on cover for the Chinese market over the course of the last decade. I think it's fair to say that's been a fairly narrow part of our portfolio and largely revolves around our accounts receivable insurance for Canadian companies that continue to export to China. The market is not particularly friendly for financing and direct lending.

As a result, the portfolio is relatively small, but we would say that China and India remain two of the anchor markets for all growth in Asia going forward.

David McKenzie: Thank you.

The Vice-Chair (Adam Chambers): Thank you very much. The first round has expired.

Mr. Fonseca.

Peter Fonseca (Mississauga East—Cooksville, Lib.): Thank you, Chair.

My first questions will go to Mr. Krips.

Mr. Krips, we know these tariffs on softwood lumber are unjustified. In your opinion, how best do we convince the Trump administration to understand this and to reverse course?

• (1555)

Jason Krips: Thank you very much for your question, Member.

Softwood lumber is probably the longest-standing trade dispute between Canada and the United States. It doesn't just go back decades. It actually goes back centuries.

Part of the issue is how we actually produce, grow and then harvest our lumber—the broader forestry sector—versus the United States. Here in Canada, about 90% of the forestry products are developed from public lands. There's a symbiotic relationship with companies, which actually pay timber dues to each of the different provinces they're active in for the right to harvest, but with those dues and the agreements they form with the provinces come responsibilities.

As companies, they need to harvest and replenish, and they have to do consultation with first nations and other communities. They have regulated needs so that, within two years of harvesting, we need to reseed. We typically grow three seeds for every seed we harvest. We have to reclaim the lands and the roads afterwards. All of that is actually baked into the cost of production, whereas in the United States—

Peter Fonseca: I'm going to jump in.

What is it that will convince the Trump administration that this is unjustified in terms of the way we do our business here and the way the forestry sector works? We've gone to the WTO. We've won numerous times at the WTO. We've come back again.

What is it that is not getting through to the Trump administration that these are unjustified?

Jason Krips: My sense is that we need to showcase the partnership approach of our different sectors and the fact that they have needs we can actually supply. Historically, and going forward, they will need to import about 30% of their products. Their home builders actually demand our product. They like working with it.

We need to make sure the administration recognizes that it's their own producers of houses who like our product, use our product and need our product. The more we have tariffs on it, the more expensive it is for them to build houses, which means that their consumers are paying more. We need to actually get that message out.

Peter Fonseca: On those U.S. home builders you're speaking to and also the American consumers of homes, is that not an opportunity to put pressure on the administration to understand that these are inflationary, that this is costing Americans thousands of dollars to purchase a home?

As you said, it's very difficult for a new homeowner. I think you mentioned that the average age is 38 now in the United States.

Would that be an approach that should be taken?

Jason Krips: We certainly need to amplify the inflationary pressures that these duties put on the United States for home building and home purchasing, for sure.

Peter Fonseca: What has allowed us to succeed when we've won those WTO cases? Why does this continue to reoccur when it comes to the industry?

Jason Krips: That's why I was going into how we actually produce our lumber versus how the United States does. A company that purchases their timber actually purchases at gate, so they don't have those other responsibilities. Therefore, with our cost structure, it's more expensive to produce here. That has been typically how the systems operate, and that has been part of our challenge: articulating that structurally they're just different production systems.

Peter Fonseca: I think what you were asking was for forestry to be at the table when we go into this CUSMA review.

Is that to make it a continental industry so that we would not have this friction over and over again, and every country would understand the importance of that flow through?

Jason Krips: Absolutely, and it's making sure we are part of the larger equation with the other priority sectors such as steel, aluminum, auto, dairy and agriculture.

Peter Fonseca: Thank you.

My next questions are going to be for Mr. Winterhalt and Ms. Tognarelli.

We had some businesses here that we're discussing the challenges they have now with the de minimis and getting through in the United States. These are small businesses that are selling products that are maybe \$20, \$50 or \$150, and now with these new duties and again that friction at the border, this is impeding their ability to do business with the United States.

Are you helping those SMEs with their businesses, and could you take us through how you are helping them?

Todd Winterhalt: Sure, I'm happy to do that.

The smallest of the businesses tend to be clients of the Business Development Bank or BDC. In the small and mid-sized range, we certainly have seen our customers express significant struggles with the changing tariff regime, so in March of this year, EDC launched a program called the trade impact program, or TIP. We put an additional \$5 billion in capacity available to, in particular, small and medium-sized exporters to help them with some of the risks they were seeing. That could include things like an increase in a tariff rate after they had signed a contract and then the buyer in the United States repudiating that contract, saying that it's too expensive for them. We introduced an insurance policy that would help them mitigate the risk of that happening and offset the differential in tariffs.

We've also provided additional working capital support for many Canadian small and medium-sized exporters to allow them to ramp up their production, hopefully to look at secondary or tertiary markets and mitigate some of the risk of a U.S. buyer market only approach. That's been largely successful. To date, we've seen—we just got the numbers today through October 2024—roughly 761 companies apply to that for lending or working capital support. About 30 of those have been successful, and we've supported them to the tune of about half a billion dollars Canadian. On the insurance side, which is perhaps more important for the smaller companies, we've helped 2,700 companies mitigate some of the risk with respect to the U.S. tariff regime to the tune of about \$800 million Canadian. So far, there's been about \$1.3 billion in support since March.

• (1600)

The Vice-Chair (Adam Chambers): Thank you very much, Mr. Fonseca.

Mr. Savard-Tremblay, you have the floor.

[*Translation*]

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

I want to thank all the witnesses for their remarks.

Ms. White, I just want you to clarify something for me.

When you talked about an ideal negotiator, so to speak, you were referring to someone from the economic sector.

You prefer this field over law or politics.

Is that right?

Julie White: Thank you.

We want someone who has both a sound understanding of the economic environment and a good grasp of negotiations.

It could be someone from the legal profession. In the past, there have been lawyers, former politicians and people who worked in the government and who had extensive knowledge of all Quebec's economic sectors.

Simon-Pierre Savard-Tremblay: I see.

According to a June 2025 survey of Canadian manufacturers and exporters, I believe that 16% of respondents said that they had moved some or all their operations. Most of these companies already had facilities in the area in question.

Do you have any data on Quebec manufacturers and exporters?

Have you seen anything similar?

Julie White: Our latest data specific to Quebec dates back to May. I'll give a somewhat cautious response.

That said, we see similar things happening. The people moving their operations are usually people who had already set up shop in other places, such as the United States. They already had production targets or they had started the process and then fast-tracked it to see what would happen.

Not everyone has really moved their operations entirely, as we perhaps anticipated at the start of the tariff war in February and March. However, some have prepared a relocation plan.

Obviously, we're deeply concerned about this. The manufacturing sector is the largest industry in Quebec, but it has also been in decline in recent years.

When we see companies relocating parts of their operations, we find this worrying.

Simon-Pierre Savard-Tremblay: You said that companies that relocated part of their operations to the United States often already had facilities in that country.

This is a general observation, but does it apply more to certain industries in particular?

Julie White: Many of them are companies that produce building materials or that process metal. These products are used in large infrastructure projects and the clients are mostly Americans.

Certain types of products don't have a large enough market in Quebec or Canada. As a result, companies turn to the United States. These companies are often manufacturers of metal parts or products.

Simon-Pierre Savard-Tremblay: Your organization has often criticized the fact that federal programs fail to take regional realities into account. Please feel free to elaborate on this if you wish.

Your organization has also often spoken about the federal government's lack of flexibility regarding temporary foreign workers.

Does the federal government's red tape around hiring foreign workers, such as skills recognition, and contract requirements hinder competitiveness more than tariffs?

• (1605)

Julie White: We're in a difficult economic situation. We don't need to shoot ourselves in the foot.

The business environment must be cleaned up. Right now, the biggest issue for our members concerns temporary foreign workers. Quebec's permanent immigration system is different from the system in the rest of Canada. This must be recognized. Hence our request to the federal government for a grandfather clause on temporary foreign workers.

All the aspects that you listed are currently undermining companies. They add an unnecessary burden under the circumstances.

Simon-Pierre Savard-Tremblay: You spoke about the grandfather clause.

Are you proposing any other measures?

Julie White: Public sector procurement remains a significant issue for our members. They need liquidity and predictability. The companies want access to contracts first and foremost. They aren't necessarily asking only for subsidies.

Another issue is program flexibility. There are good and well-designed programs, particularly programs that invest in innovation. That's great. However, some companies are currently facing a critical situation. They urgently need liquidity support. I'm thinking in particular of the kitchen and bathroom cabinet industry. Companies that manufacture their products in Quebec or in other parts of Canada are affected by the 25% tariffs. These tariffs will increase to 50% in January.

However, they export most of their products. If they don't receive support, they won't make it through until the end of the Canada-United States-Mexico agreement discussions. The government must show flexibility in order to pump liquidity into these companies at a certain point and under specific conditions.

This matters to us. We can see on the ground that some companies are currently at risk.

Simon-Pierre Savard-Tremblay: Do I still have time left, Mr. Chair?

Adam Chambers: You have 25 seconds left.

Simon-Pierre Savard-Tremblay: Thank you, Ms. White. We'll come back to this topic in the next round of questions.

Julie White: Thank you.

[English]

The Vice-Chair (Adam Chambers): Thank you very much.

We'll move to our second round.

We have Mr. Viersen for five minutes.

Welcome to the committee.

Arnold Viersen (Peace River—Westlock, CPC): Thank you, Mr. Chair.

Thank you to the witnesses for being here.

Mr. Krips, could you explain to us what the interaction is with Mexico and softwood lumber?

Jason Krips: My understanding is that it's not very much. It's predominantly a Canada-U.S. dispute.

Arnold Viersen: Ms. White talked about maintaining the “triness” of the agreement. Is that an important thing? It doesn't sound like it would be an important thing from your perspective.

Jason Krips: From an industry perspective, we want to make sure that the governments have whatever tools they can at their disposal to ensure an appropriate settlement renegotiation mechanism.

If the government and the officials determine that a trilateral agreement is better to get the best deal for Canada, then it would be for us to say to the government officials, “Use whatever tools and means you think appropriate to get the best deal for Canada.” Whether that's bilateral or trilateral, they'll have the inner workings of what will need to be to actually understand whether it'll get us the best deal possible.

Arnold Viersen: Tolko just informed us that they have laid off one shift already. Across B.C., mills have been shutting down all over the place. This is affecting us quickly.

What is the urgency for the government to get a deal on this?

Jason Krips: The urgency is to at least try to get some stability so the purchasers of our product, whether it's lumber or pulp.... We haven't even talked about the derivatives that are an important part of the whole value chain. We need stability in the North American market so that there's a recognition for investment based on the agreement, based on ensuring that we have a stable economic outlook. That would be the urgency.

There have definitely been closures in British Columbia, and we're starting to see some downturn and curtailment in Alberta. I know Ontario has experienced the same thing, as well as Quebec. The urgency is from an employee or worker standpoint. The sooner we can get a deal, the sooner these workers can either get back to work or re-engage with their employers.

Arnold Viersen: Could you explain for the committee how the global tariff conversation is affecting pulp producers in northern Alberta?

• (1610)

Jason Krips: The pulp producers, in particular, have been struck by the dispute between the United States and China. In Alberta, about 80% of pulp is exported outside Canada. Out of that 80%, about 50% is U.S.-based. The other 50% is for Asia, and most of that is for China. There has been an indirect impact on the pulp sector thanks to the U.S.-China tariffs. These have caused an absolute reduction in pulp demand in China. As a result, on the pulp side in Alberta, we had three mills take some downturns over the summer months. That's not directly linked to the softwood lumber dispute. It's more directly linked to the U.S.-China tariff dispute going on.

This showcases how, if you take down the pulp mill, you put the sawmill at risk. The sawmill sells its chips to the pulp mill for the pulp to be made, and vice versa. If a sawmill goes down, the pulp mill can't get the chips—its derivatives—to make the pulp. It's a very symbiotic relationship in our sector. Outside softwood lumber, there are some impacts on the trade side for companies here in the country.

Arnold Viersen: I think we need to clarify this fact a bit. It's not directly tariffs that are the problem. It's because there is less trade happening between the United States and China. There is no demand for our product in China. There are no tariffs being charged on our pulp products.

Jason Krips: There aren't on our products, but the tariff situation between the U.S. and China has reduced the demand for products coming out of China. This has, in turn, reduced the demand for pulp going into China.

Arnold Viersen: I'll throw it over to Export Development Canada for 30 seconds.

How important is it for us to maintain the “tri” part of the CUS-MA agreement among Mexico, Canada and the U.S, rather than having a deal with just the United States and a deal with just Mexico?

Joanne Tognarelli (Vice-President, Global Business Development, Export Development Canada): I think it's important to recognize that Mexico is also a key trading partner for Canada.

As well, there are many Canadian exporters looking to diversify their exports to—

Arnold Viersen: Would there be a problem if we had separate deals with Mexico and the United States? Some people are talking about that. Is this realistic?

The Vice-Chair (Adam Chambers): You're going to have to do this with a very quick answer, please.

Joanne Tognarelli: A trade agreement with both parties is important. As Mr. Krips mentioned, that which gets us most effectively to trilateral trade—

The Vice-Chair (Adam Chambers): Thank you very much.

Mr. Lavoie, go ahead for five minutes.

[*Translation*]

Steeve Lavoie (Beauport—Limoilou, Lib.): Thank you, Mr. Chair.

I'm very pleased to be here with you by video conference today.

Good afternoon to all the witnesses. I'd like to thank them for accepting the invitation to appear before us.

For the information of the committee, I would like to say that Ms. White and I know each other. We worked together when I was president of the Chamber of Commerce in a previous life. I'm very happy to see her again today.

My first question is for you, Ms. White.

You said in your presentation that the tariff war must come to an end. My initial reaction was that we would like that too. You also

talked about doing business in the United States, the trilateral approach, predictability and stability.

As you know, “predictability” was the word I used most often when I was president of the Chamber of Commerce. My colleagues, who have listened to me over the past few weeks, can see where I'm going with this. Other witnesses have told us that they have never seen a situation like this in 40 or 50 years of negotiating.

Considering that we are living in a world of unpredictability for perhaps the next five to 10 years, how can the government help manufacturing companies cope and thrive in this new world?

It's important to keep in mind that predictability won't be there, because if we wait for it, we risk missing the boat.

With this new lens of unpredictability, how can we help you?

What do manufacturers need to continue to move forward in this new reality?

Julie White: Thank you for the question.

We are aware that negotiations with the U.S. administration aren't easy at present. We see it, and we understand it. However, the reason we're repeating ourselves is that some sectors have very high tariffs. A 50% tariff rate is significant. We have to be able to take the pressure off these companies.

As you said, we are obviously in a world of uncertainty. I often think that we're on a roller coaster and that the ride will never stop. That's our current situation.

To support manufacturing companies, the government must first look at what it is able to control in its business environment.

I talked about temporary foreign workers earlier. I know that the situation isn't the same in all Canadian provinces, but we're in a unique situation in Quebec because of our permanent immigration system. It's something that needs to be looked at.

We also need to look at public contracts and make sure that we prioritize manufacturing companies that manufacture in Canada, not those that only have a commercial establishment. Guidelines have been announced. So we look forward to seeing the result on that front.

Beyond these important measures, we need to look at the financial issue. Struggling companies are working with EDC or the Business Development Bank of Canada, or BDC, to explore financing options. That's very good, we have to do it and we have to keep working on it.

That said, some companies are having cash flow problems, so we have to be able to put flexible programs in place. I talked about it briefly earlier. For example, Canada Economic Development for Quebec Regions announced the regional tariff response initiative, or RTRI. This initiative goes a bit in that direction for projects of a certain size. It has a liquidity component and a loan component.

So it's important to be able to adapt the programs. Obviously, it isn't necessary to do that for everyone. It's not a matter of being an open bar; it's a matter of targeting the businesses and subsectors that are the most affected by the tariffs. The goal is to be responsible with government money. Then you have to look at those options.

In addition, we obviously have to continue making efforts to negotiate new markets, both within and outside Canada.

That said, EDC knows better than I do that it takes time to develop a new market. Developing a new trading partnership in a new country is complex. These solutions will therefore be put in place in the longer term.

When we talk about significant investments in defence, that's good news and very important for our Quebec manufacturing companies, but it's not going to happen tomorrow morning.

We have to be able to build bridges and ensure that our businesses will always be there, that they will be strong and able to win these contracts when the government is ready to propose them.

• (1615)

Steeve Lavoie: As Minister Lightbound said, what is best for our businesses are contracts, not subsidies. So we're on the same wavelength.

The Vice-Chair (Adam Chambers): Thank you very much, Mr. Lavoie.

[*English*]

There will be a future round, hopefully.

We'll move to Monsieur Savard-Tremblay for two and a half minutes.

[*Translation*]

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

Ms. White, the issue of depoliticizing the CUSMA review was raised. Article 34.7 of that agreement provides for a joint review after six years. We're almost there. An annual review must also be conducted if a country doesn't wish to renew the agreement for a period of 16 years.

Depending on how it's used, it can become a tool for one partner to exert constant pressure on the other. In this case, it's easy to guess which one is more likely to use it.

Have you thought about that at all? If so, have you thought about solutions that would help us avoid that?

Julie White: It's an interesting question, but not a simple one.

Obviously, we've been thinking about this with our members. We held an initial consultation with them on the matter.

It's important that, during negotiations, rapid response mechanisms be included in the event of a unilateral imposition of a surtax. If this happens again and we manage to continue the negotiations, our members will certainly want the framework to be a little different.

When it comes to negotiations, predictability is important if we consider the situation more broadly. It's important to look at what's being proposed.

The one-time review that will be done is good news. We still have to adapt to the economic context and new sectors. The situation isn't simple, given the current U.S. government.

• (1620)

Simon-Pierre Savard-Tremblay: Have you observed any distortions between Quebec and the other provinces with regard to Canadian rebate quotas for vehicles and steel, for example? We know that these quotas were set up in response to tariffs.

Julie White: There isn't necessarily a distortion between the provinces. I do note, however, that the rebate process is very long.

One of our members told me this week that they've had to pay out about \$3.4 million as a result of the retaliatory tariffs. He has been trying to get answers to his questions since June, but he is having trouble getting a follow-up from the Department of Finance. We'll be meeting with the department next week to talk about that.

There's obviously an issue with the delay on the rebates. If we want to help businesses have more cash flow, we need to fix that.

Simon-Pierre Savard-Tremblay: Thank you.

The Vice-Chair (Adam Chambers): Thank you very much, Mr. Savard-Tremblay.

[*English*]

For our final round, we'll have about three minutes each.

If that's okay, we'll start with Monsieur Groleau for three minutes and then go to Madame Lapointe.

[*Translation*]

Jason Groleau (Beauce, CPC): Good afternoon, Mr. Chair and witnesses.

Good afternoon, Ms. White. I hope you're doing well.

You are the president and CEO of Manufacturiers et Exportateurs du Québec. I come from the Beauce region, where there are a lot of factories. We're very proud of that.

If I understand correctly, the manufacturing sector accounts for 90% of exports and 500,000 jobs. Since 2010, those numbers have been fairly stable, if I'm not mistaken. We went from 500,000 to a little over 500,000. GDP has also been stable since 2010, which people don't see. That's very impressive. Your sector dominates the industry significantly, especially in Quebec.

We always hear about steel and aluminum. It seems like the sector you represent is always second or third.

What are your comments on that?

Julie White: Manufacturing is large, and steel and aluminum are part of that. We work with those sectors and we do processing, but it's true that it's much broader. You have to see it.

I've been in the media recently talking about furniture manufacturers. There are many other types of manufacturing in Quebec. Our sector is also highly integrated into supply chains. I'm thinking in particular of another major sector, aerospace.

All of these sectors need to be considered as part of the CUSMA review.

Jason Groleau: At an event I had the opportunity to attend, you talked about the need to alert public authorities. You mentioned the number of temporary foreign workers, especially in regions like Beauce. For your information, the unemployment rate is 3% in Beauce. We in the Conservative Party want that rate to be at least 5.5% and continue to rise. I think reducing the percentage of temporary foreign workers from 30% to 10% has alarming repercussions.

What do you think about that?

Julie White: Quebec is a vast territory. Many manufacturing companies are far from major centres. There are, of course, manufacturing businesses in Montérégie and Montreal. However, from the southern part of Montérégie, to the Lower St. Lawrence, to Saguenay—Lac-Saint-Jean, unemployment rates are very low. Beauce is a good example.

Right now, we are losing workers, and that is causing slow downs in production. Businesses have already shut down evening shifts, night shifts and weekend shifts. That must be happening in your riding as well, Mr. Groleau.

We're seeing a slowdown in production in a number of businesses. It also results in lost contracts and lost growth. Business owners tell me that they would be able to take on a new contract and that their business is fine, but they won't be able to hire workers for production.

Jason Groleau: The fact that negotiations aren't moving forward also creates instability.

If I'm not mistaken, 15% of your members no longer want to invest because there is no predictability. They're also stressed about the new negotiations that Canada will undertake with the American government.

That's what's not working, isn't it?

Julie White: Investment has indeed slowed. We've been seeing it for a year, since Mr. Trump was elected.

Our members are waiting, even though they have the money to invest. They're being told to invest, but certainly, if you give them a loan but they have to pay a 50% tariff on their exports, they're not going to be very tempted to invest right now. They're taking a step back, and they're waiting to see what's going to happen.

So this period of uncertainty does indeed hurt the affected sectors, but it also hurts those that are affected less directly. Members from all over are experiencing this.

[English]

The Vice-Chair (Adam Chambers): Thank you very much.

Go ahead, Madame Lapointe.

[Translation]

Linda Lapointe (Rivière-des-Mille-Îles, Lib.): Thank you very much, Mr. Chair.

I would like to welcome the witnesses.

Everything they said and expressed is very interesting, but I only have three minutes of speaking time, so I have to make a choice.

I'll turn to Export Development Canada.

Mr. Winterhalt, you said earlier that your clients were trying to diversify their exports to all places where free trade agreements already existed.

Some of your clients are turning to Africa. They are taking advantage of the fact that French is spoken there to do business.

Is that correct?

• (1625)

Todd Winterhalt: Thank you for your question.

[English]

I would say that Africa probably still rests as the last region of interest, broadly speaking within Canada. We've seen the most increase in attention paid to the Indo-Pacific, in the recent three or four years. I would say that, in the last six months, Europe has become, again, very interesting for Canadian companies, regardless of region or sector. We are starting to see a bit more interest in the Middle East, after a number of years of quieter activity there. Africa, for many companies, remains the final frontier in many respects. It's very specific to sector or to region.

To your point, then, with the Francophonie and French west Africa, there are very good connections there. They have been maintained. South Africa holds some opportunity. Again, in the global sense, it's probably the area of least interest at this point.

[Translation]

Linda Lapointe: Thank you.

We're going to try to get the best agreements we can.

With regard to the intellectual property, knowledge and digital industry, which is growing a lot in the Montreal region, I know you're going to guarantee loans and client accounts.

However, do you have any suggestions for us so that we can better protect this industry?

[English]

Todd Winterhalt: I think it's a wonderful area of growth for Canada and for companies in Quebec, in Montreal in particular. With the strength of the AI industry there, digital technologies are very much in demand. All of our products and services at EDC, in terms of risk mitigation, would apply equally to companies in that space.

What's interesting is that they have a real head start, though, on goods exporters, in some senses. Only 50% of exports for services are destined to the United States. It's already about half-and-half. There's more opportunity for even faster growth and diversification to other markets and services than there is for goods. I think that is an area of additional growth.

[Translation]

Linda Lapointe: Thank you very much.

Ms. White, you said earlier that Quebec had to be represented at the negotiating table for CUSMA.

In the last negotiations on this agreement, which took place in 2018, did the presence of a Quebec representative help and contribute to achieving good results?

Julie White: We believe so. I would say that there seems to be a consensus among Quebec's economic groups.

Our economy has its own unique characteristics. They are part of who we are, and they have worked for us. CUSMA was signed, and it was a good agreement. We were satisfied. Overall, it provided favourable conditions for Quebec businesses.

It certainly helped.

Linda Lapointe: Thank you very much.

[English]

The Vice-Chair (Adam Chambers): Thank you very much. We appreciate the presence of our witnesses here this evening for our first panel.

We will suspend for a few minutes. We have a number of witnesses online, whom we will have to test, so we'll suspend this meeting and come back in about four minutes.

Thank you.

• (1625) _____ (Pause) _____

• (1630)

The Vice-Chair (Adam Chambers): I call this meeting back to order.

Thank you very much. We have to begin our second panel.

This evening we have with us Mr. Verheul, who is appearing as an individual, but he is well-known to members of the committee for his expertise in trade. We have the Dairy Farmers of Canada, represented by Mr. Wiens and Mr. Gobeil. The Union des producteurs agricoles is represented by Monsieur Caron and Monsieur Tougas.

I will open the floor for opening remarks. These are five minutes each, or five minutes for each organization. I will give you notice by showing an orange folder when you have 30 seconds left, so you can begin to wrap up your remarks and avoid my cutting you off. Thank you very much.

Mr. Verheul, we'll start with you for five minutes.

Steve Verheul (Principal, GT and Company Executive Advisors, As an Individual): Thank you, and good afternoon, everyone.

Good afternoon, Mr. Chair and committee members.

My name is Steve Verheul. I am the former chief trade negotiator for Canada, and I was Canada's chief negotiator for the CUSMA negotiations.

I am currently the Canadian co-chair of the Coalition for North American Trade, a group of companies and organizations from Canada, the U.S. and Mexico dedicated to a successful review of the CUSMA. I am also a member of the Prime Minister's council on Canada-U.S. Relations, and I am a consultant with GT and Company Executive Advisors.

To start with, the review clause in article 34.7 of the CUSMA was not a provision that Canada or Mexico wanted to see included in the agreement, but now that the review is rapidly approaching, we need to recognize that even in these challenging times, the review presents both challenges and opportunities.

The key challenge, of course, is around the tariffs that have been imposed by the Trump administration. Given that there doesn't appear to be a satisfactory or sustainable deal on the table at this point, it seems unlikely that these issues will be resolved before the review. Canada will need to push hard to both maintain the current CUSMA exemptions and address the U.S. section 232 tariffs that are causing so much damage to our steel, aluminum, auto and soft-wood lumber sectors, and various others. These tariffs are clearly inconsistent with the CUSMA and, indeed, with any free trade agreement, and that will likely be our biggest challenge.

Issues in the review that we anticipate include rules of origin, certainly, as well as various bilateral issues, as the U.S. has a long list of bilateral issues with both Canada and Mexico. There will also be a number of new issues that will pose challenges in the review as well.

There will also be issues like aligning and strengthening North American economic security and competitiveness. These issues were specifically highlighted by the U.S. side in its consultation notice, and I think that's very important because it offers us the opportunity to pursue common causes across North America with the U.S., and that's a big part of the path forward.

The biggest challenge Canada and Mexico will face is to convince the U.S. of the reality that extending the agreement is the most effective way to promote economic growth and prosperity in all three countries, that this is essential to ensuring that economic security can be most effectively addressed, and that the U.S. will be far more competitive in the world with an integrated North American market than with a go-it-alone approach.

The deadline for written submissions in the public consultations on the review in Canada and the U.S. is on November 3, and it is a couple of weeks later for Mexico. These consultations provide an important opportunity for stakeholders in all three countries to demonstrate broad support for the CUSMA and an integrated and competitive North American market.

The USTR is obligated to provide a report to Congress in January with its assessment of the operation of the agreement, specific recommendations for action to be proposed and the U.S. position on whether to extend the term of the agreement. To put further pressure on Canada and Mexico, the U.S. is unlikely to take a position that supports an extension of the agreement at this time. They're going to try to use that as leverage.

The period between January and June will be critical to the future of the CUSMA and to our trading relationship with the U.S. Discussions during the review will provide opportunities for Canada to exercise broader leverage than it has in the more narrow discussions that have been pursued more recently, but it will be important for Canada to ensure that it is well prepared, and there is much work to be done.

Canada consulted extensively with industry, labour and provinces and territories throughout the CUSMA negotiations on strategic approaches, on detailed positions and on fallbacks. As a result, Canada had the advantage at the negotiating table of having more detailed knowledge of the issues, more awareness of the pros and cons of various proposals and more extensive preparation for various scenarios. We also had the advantage of a highly unified Canadian position across industry, labour and provinces and territories, which gave us the ability to be agile at the table, with strong support behind us. We need to make sure we enter the review with those same advantages.

Thank you, Mr. Chair.

• (1635)

The Vice-Chair (Adam Chambers): You're right on time. Thank you very much, Mr. Verheul.

Mr. Wiens and Mr. Gobeil, you have five minutes.

David Wiens (President, Dairy Farmers of Canada): Thank you, Mr. Vice-Chair and committee members. I'm pleased to be here to present to you today.

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

On behalf of our members and over 9,000 dairy farmers from coast to coast, I am pleased to be here with you today to share our perspectives on the upcoming review of CUSMA. Ninety-nine per cent of Canadian farms are family-owned and the average farm size in Canada is 105 cows, yet we support over 270,000 jobs and contribute \$28 billion to our GDP.

I'd like to say how much we appreciate the commitments made by the Prime Minister and leaders of all parties to keep supply management off the table in any future trade discussions. Still, we re-

main very concerned about the U.S. administration's continued reference to Canadian dairy. We want to ensure that all parliamentarians understand that keeping supply management off the table in any future trade discussions means no concessions of any kind.

This extends beyond market access, including Canada's right to a tariff rate allocation, which has already been ruled upon. We want to ensure that we will be able to continue on, because the panel's decision was legally binding, so it shouldn't even be up for discussion. DFC estimates that the combined impact of the market access granted under CUSMA and other Canadian trade agreements, when combined with our WTO commitments, amounts to approximately 18% of Canada's domestic dairy production.

In addition to additional market access, the Canadian government had surrendered some of its sovereignty by giving the U.S. the right to be consulted on changes to the Canadian dairy system. It also conceded a threshold on the worldwide export of certain Canadian dairy products, like skim milk powder, milk protein concentrate and infant formula. This unprecedented concession applies only to Canada. Each time concessions are granted, they negatively impact our economic contribution, stifle growth and investment, and hurt the communities and farm families who depend on our sector for their livelihoods.

With this, I pass it over to Mr. Gobeil for concluding comments.

• (1640)

[*Translation*]

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

Good afternoon, Mr. Chair and members of the committee.

Thank you for having us today.

Although Mr. Wiens introduced me earlier, I would like to add that, with my nephews and children, I operate a dairy farm with a view of the bay.

Canada must adopt a "do no harm" approach in the next review, making it clear that the process is intended to assess and ensure the proper functioning of the agreement, not to reopen it to negotiate new provisions.

While the current agreement presents challenges for dairy farmers and offers few benefits, it provides predictability and contributes to the economy as a whole. That stability must be preserved, which is why it is important to have a review to ensure that the agreement works well.

As Mr. Wiens pointed out, the current CUSMA provides significant duty-free access for U.S. dairy products. Tariffs only apply if the U.S. exceeds the threshold that has already been negotiated.

Currently, the United States exports about 2.5 times more dairy products than Canada exports to the United States. Of course, 50% of dairy products imported by Canada come from the United States. Obviously, we're talking about really significant quantities, 100,000 tonnes annually. This increased reliance on dairy imports means that our food supply becomes more vulnerable to global problems beyond our control. I'm thinking in particular of extreme economic ups and downs, natural disasters, epidemics or conflicts involving governments.

In conclusion, I think the Canadian economy must be preserved in order to protect jobs and rural communities, while protecting food security and food sovereignty. Canada must ensure that no further concessions are granted in the next CUSMA review.

We are now available to answer your questions.

[English]

The Vice-Chair (Adam Chambers): Thank you very much.

We will now move to Mr. Caron.

You have the floor for five minutes.

[Translation]

Martin Caron (General President, Union des producteurs agricoles): Thank you, Mr. Chair.

Thank you for having us here today.

With me is David Tougas, an agro-economist at the Union des producteurs agricoles.

I am the general president of the Union des producteurs agricoles, or UPA. I am also a dairy farmer and I farm field crops in Louiseville, Quebec.

The UPA represents all 42,000 agricultural producers operating more than 29,000 farms in all regions of Quebec. We therefore represent all production sectors active in local, national and international markets.

CUSMA is a critical agreement for Canada's agri-food sector. From the time it was signed in 2020, agri-food exports to the United States have increased from \$35 billion to nearly \$58 billion Canadian. The balance of trade went up 177% over the same period. Despite current tariff tensions with the United States, CUSMA has spared our agri-food sector from most tariffs, which confirms the strategic role it plays for the Canadian economy.

The UPA urges the Canadian government to do everything in its power to keep the agreement in its current form. Supply chains are deeply integrated across all three countries, and a small bilateral treaty approach would be ineffective. That approach would also be confusing for businesses.

A comprehensive agreement with the United States and Mexico remains essential to preserve the fluidity of trade and the competitiveness of North American businesses. It remains relevant, as demonstrated by multilateral initiatives like the Comprehensive and

Progressive Agreement for Trans-Pacific Partnership, or CPTPP, the Canada-Mercosur Free Trade Agreement or the new agreement between China and the Association of Southeast Asian Nations.

If negotiations are to take place as part of the 2026 CUSMA review, Canada must firmly defend the agri-food and forestry sectors, which are true economic drivers and pillars of our national security.

The 190,000 Canadian farm businesses support Quebec's entire food ecosystem, and they shine brightly on the markets. In 2024, they generated \$92 billion in revenue.

The agri-food industry alone supported more than 541,000 jobs and contributed more than \$67 billion to the GDP in 2024, which is five times more than the auto sector. Agri-food is present in every region of the country, from Saguenay to Saskatchewan, from the Okanagan Valley to Prince Edward Island, and it's a strategic source of economic growth and vitality in rural areas.

Defending agri-food is defending our economy, our food security and our sovereignty. Bill C-202 is a major step forward to protect supply management by prohibiting the assignment of market share through tariff rate quotas. However, the pressure that the United States is putting on our system remains very real. Canada must take a firm stance against any attempt to weaken supply management and defend its national interests with the same determination as the United States, which protects its sectors.

One concrete way to facilitate trade between the three countries is to harmonize the rules. Reciprocity of standards would simplify market access, strengthen the competitiveness of Canadian farm businesses and promote a fairer trade environment.

The softwood lumber dispute unfairly penalizes Quebec's 31,100 private forest producers. These producers are subject to U.S. tariffs without support, unlike the factories and workers who benefit from support programs. Quebec's private forests generate more than 24,000 jobs and nearly \$5 billion in revenue. It's time to recognize their strategic role and exempt them from punitive measures in CUSMA.

I will conclude with a call for vigilance. U.S. tariffs on foreign agri-food products are currently disrupting trade flows. Significant volumes of products originally destined for the U.S. market are diverted to Canada, often at prices akin to dumping.

Canada must take action to protect its agricultural producers from unfair trade practices that undermine our sectors and risk throwing our domestic market off balance. Canada must also act responsibly and meet its food obligations for Canadians. This is a real national security issue.

Thank you for your attention.

• (1645)

The Vice-Chair (Adam Chambers): Thank you very much.

[*English*]

We will now enter our rounds of questioning. As a reminder, the first round is six minutes.

We'll start with Mr. Groleau.

• (1650)

[*Translation*]

Jason Groleau: Good afternoon, Mr. Chair, witnesses and colleagues.

Mr. Gobeil, you are the president of the Producteurs laitiers du Québec. I come from Beauce. We're not going to argue much. There are a lot of dairy farmers in my region. I have some in my family as well. Although I'm not one of them, I know the sector well.

We're here to talk about the upcoming CUSMA review. People talk to me about it a lot, and it's stressing them out a bit.

I imagine you're also hearing the same thing from all your producers. It seems that the Liberals would be willing to drop a small part of the agreement. We in the Conservative Party find that unacceptable.

Are you confident that the dairy sector will be fully defended in the next renegotiation of this agreement?

Daniel Gobeil: Thank you very much for the question, Mr. Groleau.

Yes, you're in a very beautiful dairy-producing region.

Since the last election, we've heard about the commitments the government has made. Bill C-202 was also discussed.

That said, as you know, the dairy sector has suffered successive concessions in the last three trade negotiations. I would say that we're at a breaking point. We gave up 18% of our market share. You talk to producers back home. The consequences are real.

We're counting on parliamentarians to ensure that those words translate into negotiations with the countries in question.

Jason Groleau: I can tell you that we're watching carefully.

Do you feel that the government is consulting you enough?

Daniel Gobeil: Right now, we're receiving clear messages, but we have no direct link to the negotiating team.

Jason Groleau: That's a bit concerning.

I want to talk a bit about supply management.

In your opinion, how important is the supply management system to the economic vitality of small regions like Beauce?

Daniel Gobeil: As you know, we have a model for regional economies. In Quebec, 4,215 farms across the province produce milk. On average, farms have 80 dairy cows. Our model is well

suited for human-sized businesses, and it respects natural resources, land and water. We're seeing that more and more.

In addition, our farms are located near the factories. In your region, you also have processing plants, Mr. Groleau. Having processing plants nearby means that consumers have faster access to our products on grocery store shelves. It's essential to have short food circuits.

Jason Groleau: What happens if the deal falls through?

Daniel Gobeil: Without going so far as to talk about worst-case scenarios, in our opinion, that's not an option. That's for sure.

We've done studies before. As you know, nearly 50% of our farms have only 75 dairy cows. We need to protect the supply management system.

If the deal falls through, we could lose more than half of our farms.

Jason Groleau: I can confirm that we Conservatives are on the same page as you, Mr. Gobeil.

Thank you very much.

Mr. Caron, you are the president of the UPA. Earlier, you said that Quebec had more than 29,000 farm businesses.

Is that right?

Martin Caron: That's correct.

Jason Groleau: That's a huge number.

Farmers today are entrepreneurs. We're talking about big businesses now. I know a lot about this environment.

For weeks now, we've been hearing a lot about the aluminum and steel sectors. My many contacts tell me the same thing, that the agricultural sector always comes in second or third.

Do you see it the same way?

Martin Caron: Thank you for the question.

Right now, people take the agriculture and agri-food sector for granted sometimes in our country. As I mentioned earlier about the GDP, it's been demonstrated that the agri-food industry contributes five times more than the automotive sector.

People want to protect the automotive sector, but the fact remains that agriculture and agri-food are high-performance sectors. The agri-food industry is evolving, and I think there's enormous development potential in agriculture.

That said, we need programs tailored to our reality on the ground. Above all, we need agreements, as we've already said. Predictability must be provided. To do that, we need to be able to put programs in place.

Mr. Gobeil mentioned the fact that the supply management system must be protected. I would add that, beyond supply management, we have to consider the whole collective marketing aspect.

I'm sure you're familiar with the maple sector, which produces our maple syrup. We export 62% of that product to the U.S. An agreement like CUSMA allows us to maintain those direct exports and secure that predictability.

• (1655)

Jason Groleau: Thank you very much, Mr. Caron.

The Vice-Chair (Adam Chambers): Thank you very much, Mr. Groleau.

Ms. Lapointe, you have the floor for six minutes.

Linda Lapointe: Thank you very much, Mr. Chair.

I'd like to welcome the witnesses.

I'm pleased to be able to ask them questions.

Mr. Verheul, we've met before at the Standing Committee on International Trade when you were Canada's chief trade negotiator for NAFTA. I had the opportunity to take part in that meeting, and it turned out to be a very good experience.

You spoke earlier about a provision that bothers Mexico and Canada. The provision had been adopted, but you didn't agree to include it in the agreement.

Can you tell us more about that?

I'd also like you to tell me about the rules of origin issue. You said earlier that negotiations would be difficult.

What would you suggest?

[English]

Steve Verheul: First of all, I would say the rules of origin issue is going to be a challenging one because we had a fairly big challenge with that in the negotiations to begin with, particularly on autos. The U.S. wanted to initially have a provision that said a certain proportion of autos had to be manufactured within the U.S., which would have effectively destroyed the Canadian auto manufacturing industry at that time. We rejected that and went in a different direction.

I do have fears that the U.S. will come back and try to include maybe not just in autos but in other places as well this notion that a certain percentage of production has to happen in the U.S. at the expense of Canada and Mexico.

With the respect to the review clause itself, I would say that none of us around the table, with the exception of the U.S., really thought this was a wise provision to put into a free trade agreement. The whole purpose of free trade agreements is to provide assurance so that companies, exporters, understand what the rules of the game are. If those rules are going to come up for review every six years or more often, it's very difficult to make investments or to do long-term planning because you don't have the security that you would get from an agreement that doesn't have that kind of provision. That's why we were against it. We knew it would be disruptive. We knew it would lessen confidence in investing in North America.

[Translation]

Linda Lapointe: Thank you very much for that.

You said a little earlier that Mexico and Canada had to pool their efforts to convince the United States. Together, we would be stronger and we'd all have a better economy. We have to try to convince them.

The last time you negotiated the trade agreement, the same president was in office.

What would you suggest to reach an agreement?

[English]

Steve Verheul: I think it's a different kind of discussion taking place now, in part because we have two separate sets of negotiations in front of us. The one is the short-term arrangements that the U.S. is trying to do. They have done it with the EU, Japan, Korea and others. Canada has been pursuing that kind of short-term deal. Mexico has been pursuing that as well. Mexico is making a lot more progress than Canada is to date.

Those kinds of agreements in my view aren't worth all that much. What's critical, I think, for Canada and Mexico is to ensure that we are aligned for the review of the agreement when we get to that. We have much more value, all three of us, in having a trilateral agreement rather than two bilaterals. That's going to be preserving the integration of the North American market, which is serving us all well with respect to prosperity and with respect to addressing challenges posed by others outside of the region, such as China. It makes us all more competitive in relation to the rest of the world.

• (1700)

[Translation]

Linda Lapointe: Who should parliamentarians be pressuring?

How do we make sure that people understand the importance of the trade relationship between the two countries?

[English]

Steve Verheul: I don't think there's any alternative to a lot of work, a lot of conversations and a lot of contact.

I think that we got off to a bad start with respect to Mexico. Certain comments by some provincial premiers made our relationship with Mexico much weaker than it would have been otherwise. They're trying to repair it now, but we need to try to get on the same page as Mexico and to work with them to confront the challenge we're facing from the United States.

I also think that we could be doing so much more to ensure that we have industry on side and provinces and territories on side, all understanding what it is the government is trying to achieve and being consulted on strategy, fallbacks and different scenarios, to make sure that we can move more easily at the negotiating table.

I think this is the one issue that I'm probably most concerned about because, when we went to the negotiating table to negotiate the CUSMA, Canada knew far more about every single issue on the table than the other two parties did. They knew that because we spent so much time consulting with industry. At the end of the day, we're negotiating these agreements for industry, so if we're doing that, we'd better make sure we know what it is they need before we lock something in.

[Translation]

Linda Lapointe: Thank you very much, Mr. Verheul.

The Vice-Chair (Adam Chambers): Thank you very much, Ms. Lapointe.

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

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

I'd like to thank all the witnesses for their presentations.

My first question is for the representatives of the Dairy Farmers of Canada and the Union des producteurs agricoles.

I represent the riding of Saint-Hyacinthe—Bagot—Acton. As you might suspect, there are farm businesses in my region too. We also do a bit of agri-food processing, but I wouldn't say that the region is the processing capital.

The issue of supply management was raised before our committee. In fact, we heard from Mr. LeBlanc, the Minister responsible for Canada-U.S. Trade, Intergovernmental Affairs and One Canadian Economy. He told us that touching supply management was out of the question.

What came out of the discussion wasn't really about the loopholes in the system or the tariff quota rates. It was more about working on import rules in a variety of ways.

Can you explain how this exercise amounts to trading four quarters for a dollar?

It's a fact; it won't run counter to Bill C-202. However, if the rumours were founded and it had to come to that, it could nevertheless do you very real harm.

That said, it's okay to give that the benefit of the doubt.

Daniel Gobeil: I'll answer your question first.

Obviously, people talk when we say that there will be no concessions. This is also about allocating tariff rate quotas.

In terms of stability, as you know, producers have lost market share. Processors are not processing that product. Right now, Global Affairs Canada has granted TRQs to dairy processors. We believe that's essential to retain stability. Details can lead to an imbalance in the market.

Many focus groups have discussed the Americans allocating TRQs. These focus groups were all in Canada's favour in terms of administering the agreement. Why give something that's regulatory and has been done right? We don't want to make any concessions at all.

Simon-Pierre Savard-Tremblay: Mr. Caron, would you like to add any comments?

Martin Caron: A few weeks ago, we had a meeting with the organization that represents American producers and with some Mexican producers. That's not what producers want, far from it. Instead, they have tariff problems with China, and that's what they'd like to resolve.

I agree with Mr. Gobeil; we agree on that. That's not what producers want. When we ask them if they agree with the tariffs the Americans are imposing, they really don't agree with them. They're not happy about this situation because it brings up inflation.

There's an economic imbalance. Between 20% and 25% of farm businesses in the U.S. are in financial trouble right now. In our producer-to-producer exchanges, it's clear that this is not what they're asking for. On the contrary, we need to go back to an established way of doing things.

We also need to recognize that CUSMA carries added value for our three countries. I talked about it earlier. I would add that BRICS member countries, such as Brazil, Russia, India and China, are also signing trade agreements. Countries are coming together to present a common front in other markets.

We need to maintain CUSMA and not open the door to increasing import TRQs.

• (1705)

Simon-Pierre Savard-Tremblay: As I understand it, Mr. Caron, you agree with Mr. Gobeil's statement that the community is calling for loopholes to be closed. That does not exclude the possibility of exploring various ways to reach an agreement.

Is that correct?

Martin Caron: Yes, that's right.

Simon-Pierre Savard-Tremblay: You also said that retaliatory tariffs should be astutely chosen.

First, were they? How can we do better?

Martin Caron: As we heard, when Canada imposes counter-tariffs, it may end up penalizing itself. The government really has to approach that judiciously.

Furthermore, as I said in my speech, now that the Americans have imposed tariffs on market garden and horticultural products as well as vegetables for processing, those products are coming in from other countries that previously exported their products to the United States, but are now exporting to Canada because of the tariffs.

This is problematic and has major consequences for our producers in terms of their products and processing activities. Production at our processing plants is declining. Some of these imports come from China, Brazil, Egypt and Thailand. We therefore need to find a way to improve the situation.

What is unacceptable, in my opinion, is that our health centres and hospitals are opting for imported products instead of purchasing from our local producers. It's just not right. Canadians want to prioritize Canadian products. The government must tackle this problem.

Simon-Pierre Savard-Tremblay: Mr. Caron, what about a scenario in which we hurt the Americans who want to hurt us? For every one of their tariffs, we apply a countermeasure without hurting ourselves.

What do you think of that scenario?

Martin Caron: We have trade tools that give us that protection, such as the national priority for the agriculture and agri-food sector. We have to use these types of tools to counter the effects of tariffs. If we do not impose counter-tariffs on products that are being dumped, we have to protect our rural economies by finding other ways to block those products from coming into the country.

Simon-Pierre Savard-Tremblay: Thank you both.

[English]

The Vice-Chair (Adam Chambers): We'll move to our second round.

We have Mr. McKenzie.

David McKenzie: Thank you, Mr. Chair.

Mr. Verheul, I want to say that I really appreciate your bringing your experience here before this committee at a very critical time in our country right now with respect to our most important and largest trading relationship.

As you see what's unfolding now, do you support a larger, more comprehensive negotiation approach versus what we seem to be getting pushed into now, which is a series of smaller and individual industry or segmented negotiations?

Steve Verheul: From my perspective, if you pursue smaller, more segmented negotiations, Canada is not in a good position for those kinds of discussions. It essentially means that the U.S. would be able to use considerable leverage on a handful of issues and then do it again on another handful of issues.

The only way Canada has more extensive leverage is if it's in a broad discussion where various issues can be played off against each other. You can start to look at an overall package that can be balanced. It's highly unlikely that you can ever get a balanced outcome out of those smaller handfuls of issues and dealing with them one at a time.

If I could just extend that a bit, if we're talking about steel, aluminum and energy, it's really not going to be an outcome that is going to really advance us. We're not going to get a great outcome on steel and aluminum because the U.S. will protect enough room to ensure that they can bring manufacturing into the U.S. We're not going to get a great outcome there.

On energy, we're going to pay. We're going to pay for a not great outcome, which I don't think is where we want to be. I think we need to be looking at trying to recover some of our leverage and position ourselves to be able to use that.

• (1710)

David McKenzie: This committee has heard in previous testimony that one of the great strengths that we took into the negotiation of CUSMA was something you referred to today. It was the extensive preparation and consultation domestically here in Canada in order for Canada to be prepared for those negotiations.

If I understood you, sir, and I just want to confirm, we're not in that position today.

Steve Verheul: We are not in that position today. From what I understand, the consultations are taking place, but they are taking place at very high levels. There will be calls from ministers and the Prime Minister to CEOs.

That's not what gets discussed at the negotiating table. Negotiations are all about the fine detail of the very specific issues that you're dealing with. The consultations need to take place with the experts on the industry side and the experts on the government side, so that they have the common understanding of what the concern is and what the objective is to try to address it. That's the part that's missing, from everything I've seen.

As I said earlier, our greatest advantage when it came to the negotiating table, even when the political figures were there, was that Canada knew far more detail than anybody else because of that consultation process.

David McKenzie: It seems to me that in this challenging time, when decisions are being made by a partner that we don't control, this is an issue that we do control.

Steve Verheul: Absolutely, we do control it. It's up to us to do that.

We've seen increasing tensions between the federal government and provinces on various issues. I think if you have an ongoing process of consultations, then everybody starts to buy in to what the plan and the process is. If we arrive at the table with a unified position, with the support of industry and labour and with provinces and territories behind us, then we can move more quickly at the table too. We can do fallbacks. We can be much more agile.

I'm concerned that if we are just going to have very high-level consultations and rely mainly on high-level officials to have conversations, then we are just putting ourselves in the same place as the U.S. and we're losing our advantage.

David McKenzie: Sir, it makes me think that if the captain of the team is not strong, then the individual players tend to go in their own different directions. That's a little bit of what seems to be happening when our provincial premiers are feeling the need.... I don't know what they're feeling, but what they're doing is acting. Perhaps we need that stronger leadership in respect of this file.

Steve Verheul: I would just say that when we dealt with provinces—and Premier Ford and others were there at that time—we had an elaborate system of consultations at the officials level between federal officials and provincial officials.

When a premier was getting a briefing on what was going on, it came out of those discussions that we had already had. We were already building that unity in from the bottom up. We didn't have those kinds of problems at all during the negotiations.

David McKenzie: Everybody was singing from the same song sheet.

I just wanted to ask you one more question.

The Vice-Chair (Adam Chambers): Mr. McKenzie, we have expired the time. Thanks very much.

Go ahead, Mr. Lavoie.

[*Translation*]

Steeve Lavoie: Thank you, Mr. Chair.

I'll share my time with my colleague, Mr. Naqvi.

My first question is for Mr. Verheul.

Mr. Verheul, you mentioned predictability and how concerned everyone is about it. The current situation is very different from what you experienced during the first round of negotiations.

I myself have been talking about predictability for 20 years in the banking sector. One thing I have learned is to always prepare for the worst and hope for the best. Right now, Canada is negotiating with the United States. I heard you say that we need to reach an agreement with Mexico and the United States. At the same time, many companies are telling us about the need to diversify markets.

I've heard a lot of advice about negotiating. Beyond that, what would you advise Canada to do to prepare for the worst?

• (1715)

[*English*]

Steve Verheul: I think that there are a multitude of things that we have to do. It's a complicated network of various actions that we have to be pursuing.

When it comes to the U.S., without a doubt, we have to keep lines of communication open. We have to engage in discussions on what might seem like a negotiation, because we might learn some things from that, even if there is not likely to be a great outcome to that. We have to keep that process going.

On the diversification of exports, we have to pursue that at the same time, but I think we have to recognize that the way our economy is structured now in many sectors it is all oriented towards the U.S., for example, U.S. regulatory requirements or U.S. consumer expectations. A lot of what we send to the U.S. is to be further processed in the U.S. Transitioning to other markets on a large scale is a big issue. I think we need to be paying more attention to that.

If we're going to get into Europe more, for example, then I think we need to think about how we can help Canadian businesses make the transition to producing to other standards, the requirements of the buyer in Europe, and make sure that they can really make progress there. I don't think that's happening to a great extent either.

We have to pursue both. We have to do as much as we can with the U.S. without sacrificing interest, which would happen with a bad deal. We have to pursue diversification and think a bit more

about what that means and what it's going to require. As we've all heard, we need to do more with respect to getting what we can out of the domestic market. That, too, needs some more thought than has been given to it so far.

Those are the three real avenues that I think we need to be focusing on.

The Vice-Chair (Adam Chambers): Mr. Naqvi, go ahead, please.

Yasir Naqvi (Ottawa Centre, Lib.): Thank you, Mr. Verheul, for being here.

I want to go to section 232. You talked about it a bit. It's clearly been weaponized. The use is illegal.

I'm interested in your thoughts on how we make CUSMA or any agreement moving forward 232-proof. Is this a trend you see being used often, moving forward? We'll find out the legality of it by the U.S. Supreme Court at some point, but I think it's a serious vulnerability that we're seeing, and I'm interested in your thoughts as to how we proceed and not find ourselves in the same place.

Steve Verheul: Yes, that's the big challenge in front of us.

I'm not aware of any challenges out there now with respect to the legality of section 232. The broad tariffs are a subject that has gone to the Supreme Court. It will decide on that in January. I think there's a good chance the case will be decided in our favour. The law is very strong in that particular case.

However, on section 232, even though it talks about threats to national security as justification for imposing tariffs on Canada for things like steel and aluminum—which, on its face, seems kind of ludicrous—it is on more solid legal ground, so we have to deal with those. Looking back briefly to the first negotiation, the U.S. imposed those same section 232 tariffs against us on steel and aluminum. We managed to get them removed, but it took time.

Our biggest challenge right now is that we have to stop putting ourselves in the position of being in too big a hurry, because the timing, in many ways, isn't quite right. There's no decent deal on the table from the U.S. for Canada right now. There may be in the future. I think there's a good chance there will be, but we're going to have to see some of those economic indicators change in the U.S. We're going to have to see more bad job numbers and more bad inflation numbers.

I always keep in mind that, while President Trump certainly loves tariffs, as he frequently says, that love isn't shared by many others in the U.S. in the same kind of way. I've talked to many Republican congressmen. U.S. industry doesn't share this love, by and large. The U.S. population is against it. Therefore, we have to let some of that discontent get stronger and stronger. As hard as it is, we're going to have to wait for better conditions.

• (1720)

Yasir Naqvi: Thank you very much.

The Vice-Chair (Adam Chambers): Go ahead, Monsieur Savard-Tremblay.

[Translation]

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

Mr. Verheul, when you were a negotiator, you were a key player in the CUSMA renegotiation, during which the investor-state dispute settlement mechanism was dropped. You referred to it as a relic from another era.

I agree with you on that. We should never have put that in in the first place.

Do you think that mechanism should not be part of the next version of the agreement?

[English]

Steve Verheul: The dispute settlement mechanism should absolutely be part of the new version. We made great improvements over the NAFTA—

[Translation]

Simon-Pierre Savard-Tremblay: I'm talking about the investor-state dispute settlement mechanism that was dropped.

[English]

Steve Verheul: Investor-state provisions.... As you know, we ended up dropping those in the new agreement. Effectively, not having those provisions isn't causing us that much difficulty. We still have them with Mexico because of the CPTPP. We generally have some degree of confidence in U.S. courts when it comes to those types of issues. I don't think we need the investor-state provisions.

I'd also mention that the U.S., not entirely on understandable grounds, has never lost an investor-state decision. We've lost many against the U.S. I have further views about that, but I won't expand on them.

[Translation]

Simon-Pierre Savard-Tremblay: So you're not suggesting we bring that back. You're glad you were a key player in the negotiations during which it was dropped.

[English]

Steve Verheul: I don't think there's any need to bring that back, no.

[Translation]

Simon-Pierre Savard-Tremblay: I completely agree with you. I don't think we should even have put it in there in the first place.

As you know, we also have a problem with imports from China. Chinese exporters often engage in dumping to pass their products off as North American. That's often the case with metals, which go through Mexico.

Do you think we should change the rules on dumping?

Are the CUSMA rules good enough? Should we go even further and have even more measures in place?

[English]

Steve Verheul: Without a doubt, we need to go further. This is one of the issues on which we can work with the U.S.

Mexico will be a bit more difficult, but I think they won't have a choice but to join in.

China is dumping products in our markets, overproducing, being forced to find other markets for the various things they produce and subsidizing products very heavily. This is one of the areas where we can have common effort with the U.S., which would put us on the same page, in part, in the upcoming negotiations. We can take common approaches against China so that we have a coherent North American approach to deal with these issues. Don't just do it country by country, because there's always going to be one country that's weaker than the others. Let's have a common approach to deal with this.

The Vice-Chair (Adam Chambers): Thank you very much.

We have time for one final round. We'll have three minutes each for Mr. Lefebvre and then Mr. Fonseca.

Mr. Lefebvre.

[Translation]

Eric Lefebvre (Richmond—Arthabaska, CPC): Thank you, Mr. Chair.

I thank all the witnesses for being with us.

I'm sitting in for my colleague, Jason Groleau, and I'm very happy to be here. I'm usually at the Standing Committee on Finance, which is closely connected to this committee. I'm also happy to see Mr. Caron and Mr. Gobeil here.

In my central Quebec riding of Victoriaville, agriculture is important. I'm worried because there's a lot of talk about steel, aluminum and the auto sector in the negotiations, but not much is being said about agriculture, supply management and forestry.

How worried are you about the negotiations that are under way?

My question is for Mr. Gobeil and Mr. Caron.

• (1725)

Daniel Gobeil: Thank you, Mr. Lefebvre.

Mr. Carney and Mr. LeBlanc have actually made public commitments. However, as Mr. Verheul said, consultations happened at a very high level with the provincial premiers' teams. We represent the producers, and we have a lot of information.

I would point out that, during the previous negotiations, concessions were made to cap Canada's exports around the world. That was unprecedented: a three-country agreement that prevented Canada from exporting around the world.

Our door is definitely open. We're ready to participate in consultations, but we definitely won't be making any concessions.

Eric Lefebvre: As you said, concessions were made during the previous negotiations. You've already done your share.

Daniel Gobeil: That's right. Mr. Wiens said that the concessions represented more than 18% of our production. The dairy sector is at a breaking point.

Eric Lefebvre: There's no more room.

Daniel Gobeil: It has compromised the growth of dairy farms. We know entrepreneurs need to grow to fight inflation and keep their businesses profitable.

Eric Lefebvre: What do you think, Mr. Caron?

Martin Caron: Let's remember that we rank ninth worldwide for agri-food exports, which is significant, especially since Canada spends less than 1% of its total budget on the agri-food sector. That contribution will have to go up if the government really wants to invest in our systems.

Keep in mind that we believe agri-food's contribution to the GDP could rise by \$100 billion over the next 10 years.

That said, we need predictability and investment, as well as agreements like CUSMA. We're in many of the same markets as Mexico and the United States. For example, we're on the same exchange for grains. The prices are established. The same goes for pork. We're integrated, but—

[*English*]

The Vice-Chair (Adam Chambers): Thank you very much, Monsieur Caron et Monsieur Lefebvre.

Go ahead, Mr. Fonseca.

Peter Fonseca: Thank you. These questions will be for Mr. Verheul.

Mr. Verheul, I was here in 2018 and you were where you're sitting right now as we were negotiating the first NAFTA with the first Trump administration. I recall Ms. Hillman sitting right next to you. One of the things we brought up that gave us a lot of leverage was our team Canada approach—that everybody was on the same page with all of our stakeholders and the work that had been done.

We're in a different time right now and we're in a different time here in this Parliament. I recall back then that all parliamentarians were on board. Everybody was singing from the same song sheet. We were all team Canada and it was all positive. That's not the case today. We have parliamentarians who have politicized these negotiations and have been, in my opinion, very negative on Canada. Does that hurt our leverage at the table? Does that hurt us when you're in Washington and doing the work that you need to do?

Steve Verheul: I think it's always better when you have everybody behind you, supporting you at the negotiating table. It prevents the other side from taking opportunities to try to find divi-

sions or ways to weaken Canadian positions. I think that a certain number of political differences are always going to be evident. It's easier when there are not, but you have to accept that they can be there. Most important, from my perspective, is that the government has a very close exchange with industry, all along the way. It's the same with labour and the same with the provinces and territories.

If you do that and if you manage to get everybody in that kind of position, there is really not much space for any other political actor to say that they're not on board, because they're not going to be supported by labour, by the business community or by others who are all on board. The benefit of having such a dedicated effort to have a team Canada approach is that it doesn't leave a lot of space for political differences.

• (1730)

Peter Fonseca: Really quickly, what are the risks and benefits of retaliating versus negotiating quietly, in terms of our response to the U.S. tariffs?

Steve Verheul: That's a tricky one, of course.

In most situations, I tend to be a fan of retaliation, not only because you're causing some pain for your opponent on the other side but also because you are levelling the playing field somewhat. When it comes time to take things off, you both have things to take off and you can reach an accommodation more easily.

We're now in an environment where the U.S. has successfully managed to convince most countries around the world not to retaliate, so you get to be in a position where you're far more isolated and that makes it much more difficult to play that game. I think, without a doubt, we should be playing a very firm, strong game, but we need to think about how we're going to react in a bit more subtle way—I wouldn't say any less effective but more subtle—rather than with the kinds of issues that are going to attract the attention of the President.

The Vice-Chair (Adam Chambers): Thank you very much. We will have to leave our panel there.

As I understand, the clerk has sent a motion around to all of the members, so the chair will recognize himself to move the motion. If we have unanimous consent, we would pass that. Do I see that from the members?

Some hon. members: Agreed.

The Vice-Chair (Adam Chambers): Thank you very much.

Do I have agreement to adjourn the meeting?

Some hon. members: Agreed.

The Vice-Chair (Adam Chambers): We're adjourned. Thank you very much. We will resume at our meeting next week.

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