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Chair: Judy A. Sgro



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• (1535)

[English]

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

Welcome, members. I hope you have all had a positive summer and are well rested and ready to deal with some challenging issues that are facing our country at the moment.

Welcome to meeting number two of the Standing Committee on International Trade.

Welcome to our analysts, who consistently cover off our meetings and do our reports. You are very much appreciated.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on June 16, 2025, the committee is commencing its study of Canada's engagement in a rules-based international trade and investment system.

Regrettably, we are missing Mr. Herman. He did not have the proper connection for his headset and will not be appearing before us today, but he will be invited to come, possibly on Monday, or at the first opportunity he can.

From Attac Québec on video conference is Claude Vaillancourt, and here in the room with us, from the Canadian Pork Council, are René Roy, the chair, and Stephen Heckbert, the executive director, people who are familiar with our committee and whom we are familiar with, for the most part.

From the Canadian Vehicle Manufacturers' Association, we have Brian Kingston, president and chief executive officer, and Jennifer Steeves, director, industry and consumer affairs.

Thanks very much to all of you for making time to be here today to start us off on our current study.

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

Mr. Kingston, please start us off for five minutes.

Brian Kingston (President and Chief Executive Officer, Canadian Vehicle Manufacturers' Association): Thank you.

Madam Chair and honourable members, I appreciate the invite to be here today as part of your study on Canada's engagement in a rules-based international trade and investment system.

The Canadian Vehicle Manufacturers' Association, or CVMA, is the industry association that represents Canada's leading manufac-

urers of light and heavy-duty motor vehicles. Our membership includes Ford, General Motors and Stellantis—formerly FCA Canada.

As a trading nation, the rules-based international trade and investment system is foundational to the success of the economy. Two-way trade in goods and services accounted for 67% of GDP in 2023. In the automotive industry, 90% of Canadian production is exported.

Rules-based trade policies and regulatory harmonization created the integrated North American market, whereby Canadian manufacturers sell into a broader North American market accounting for annual sales of 20 million vehicles. It is this integration that has allowed Ford, General Motors and Stellantis to make historic job-creating investments in Canada over the past five years that total nearly \$15 billion.

The CVMA has consistently advocated for Canada to pursue a rules-based trade and investment system that adheres to the following five principles.

Number one is that there be no differentiated outcomes between Canada and the U.S. with respect to automotive trade.

Two is that trade rules support the deep integration of the North American integrated automotive industry.

Three is rules of origin that fully consider and align with our strong dependence on sourcing within North America.

Four is currency disciplines to ensure that market access provisions in our trade agreements are not undermined by currency manipulation.

Finally, number five is the removal of all non-tariff barriers, such as unique regulations or taxes, that impede free trade.

China does not adhere to many of the rules-based trade and investment principles that have been fundamental to the success of the auto industry and the Canadian economy. The CVMA strongly supports the China surtax order that placed a 100% tariff on Chinese EV imports, and we have asked the government to maintain it.

The economic and national security concerns that prompted the government to implement the surtax in the first place remain the same today. There is simply too much at stake for the auto industry and the broader Canadian economy if this surtax were to be removed. The playing field must be level and rules-based if Canada's auto industry is to compete with China's EV industry.

In markets around the world where action was not taken quickly, Chinese EVs have rapidly gained market share and undermined the domestic automotive industry. The best example of this is Mexico. This year, one in three new cars sold will be built in China. That's up from 4% of the market in 2020.

China has achieved this EV price advantage through a state-directed industrial policy that has provided subsidies totalling an estimated \$230 billion U.S. between 2009 and 2023. Combined with weak labour and environmental standards, Chinese manufacturers can produce and sell EVs at a price point that is far below what a North American OEM could achieve.

As documented extensively by Unifor, non-existent labour rights in China have suppressed wages and artificially lowered the cost of production. According to an analysis of 30 Chinese auto companies, the hourly wage paid is anywhere between \$1.93 U.S. and \$4.27 U.S. Just to give you a sense of how that compares to CVMA members who are unionized, a production assembler there is paid an average hourly wage of \$44.52 per hour and, of course, has generous pensions and benefits.

In addition to a level playing field, we recommend the federal government eliminate the EV sales mandate known as the electric vehicle availability standard. This mandate prioritizes arbitrary EV sales targets over the development of the North American supply chain. This policy has opened Canada to subsidized or dumped EVs from China and other non-market economies.

We recommend that this misguided EV sales mandate be scrapped in advance of the review of the CUSMA, our North American free trade agreement.

Thank you very much for your time. I'm happy to answer any questions.

• (1540)

The Chair: Thank you very much.

Mr. Roy, please go ahead.

[*Translation*]

René Roy (Chair, Canadian Pork Council): Thank you for this invitation, Madam Chair.

I would also like to thank the committee members for their work on this issue.

My name is René Roy, and I am the chair of the Canadian Pork Council. Joining me is Stephen Heckbert, our executive director.

[*English*]

As the third-largest pork exporter in the world, free and fair trade policies are of the utmost importance to the prosperity and vitality of the Canadian pork industry. As you may know, Canada exports 70% of its pork production to almost 80 countries around the world.

We are believers in and supporters of free and fair trade in a rules-based system. That is why we are pleased to have been consulted on this question.

There have been many significant shocks to the international trading system. A rules-based system—notably, science- and evidence-based rules—is a remedy to such uncertainty and increases food security for the world.

In our view, Canada must remain a strong advocate for a rules-based international trade and investment system, but we must also demand the same from our trading partners. For example, we have a TRQ with Great Britain as part of our ongoing efforts to increase trade with that country, but rules related to animal production and processing that the U.K. has put in place prevent us from accessing this market. Those rules are not science-based, nor are they reciprocated, from a Canadian perspective.

There are other cases, like the CETA. The pork industry does not view that agreement positively because of technical barriers to trade. We estimate that the pork sector alone is losing a market opportunity of about \$400 million annually. That is why we urge the committee to be vigilant to ensure that the science-based principles that govern our trade are protected.

All of the long-term projections for global demand for pork paint a picture of growth well into the future. Canada's ability to provide quality pork to the rest of the world will be part of our contribution to the growth of Canada's economy.

Where we could benefit from help from this Parliament is in the efforts to expand our processing capability in Canada, whether that is in helping existing processors to expand their capacity or by encouraging new entrants into the industry from overseas for Canada pork production to grow. We must also grow processing capacity, so efforts to seek foreign direct investment in agri-food facilities are something we invite this committee to explore.

[*Translation*]

We hope that the committee continues to ensure that food security is a key part of our trade and defence positioning as it reviews this and all trade-related files as part of its mandate.

We are happy to answer any questions you may have.

[*English*]

The Chair: Thank you very much.

Mr. Vaillancourt, I see you on the screen. The floor is yours for up to five minutes.

[*Translation*]

Claude Vaillancourt (President, Attac Québec): Good afternoon. We would like to begin by thanking you for this invitation.

Attac Québec, Action citoyenne pour la justice fiscale, sociale et écologique, aims to establish democratic control of financial markets and their institutions.

I'm the president of that association and responsible for the free trade file, which I've been interested in for over 20 years. I've written and coordinated three books on the subject.

We believe that rules-based international trade is fundamental. However, it raises the question of what those rules are and who benefits from them.

The rules that have been put in place since the 1990s haven't really served the interests of the people around the world. Drafted in free trade agreements that were negotiated in secret, without consultation with enough civil society actors, the rules have been designed to benefit large transnational corporations, often to shield them from other rules that they should have followed to pay their taxes, protect the environment and provide decent work. As a result, the track record for the years of free trade, under the rules set out in the trade agreements, isn't stellar. It includes weak economic growth, an increase in inequality, major environmental degradation, job losses caused by competition among workers, and a significant decline in purchasing power for the middle class and society's most disadvantaged. Faced with significant losses of quality of life, many voters turn to the far-right parties that feed off the dissatisfaction caused by free trade agreements. Too many people feel abandoned and helpless.

Donald Trump got elected, particularly in his first term, by winning a majority of votes in regions devastated by the consequences of free trade agreements, an evil he readily identified. Now that Trump has returned to power, he refuses to abide by the established rules that produced those results so that he can enforce his own, even more disastrous rules that leave his trading partners baffled.

In the face of the Trump administration's unpredictable tariffs and, above all, its intimidating negotiating style, Canada has to stick to fundamental values, give nothing in advance and provide a firm counter-example in negotiations. By breaking the rules, Trump gets more in a few weeks than other countries do after years of negotiation. The worst thing to do is to cave in to him in advance. For example, hastily abandoning the digital services tax, which we believe to be essential, has done far more harm than good and hasn't changed the President of the United States' attitude.

Faced with Trump, Canada has to adopt a stance that enables it to fully uphold what it believes in and to not give in to a contagion effect when it comes to the U.S. government's most questionable measures. It has to develop rules that enable it to better protect the environment and take action on climate justice. It has to fully maintain supply management. It has to protect culture and reaffirm its commitment to the principle of cultural diversity. It also has to break with rules that have been harmful, such as the investor-state dispute settlement under the Canada-United States-Mexico Agree-

ment, or CUSMA, and regulatory co-operation, terms that make it possible to question regulations that are often necessary. The Canadian government has to resist any weakening of health and safety rules. It should apply all of this in its ongoing negotiations with Ecuador, Mercosur and Indonesia.

Our neighbour to the south certainly has particularly unpredictable behaviour, so much so that the agreements that seemed to be the strongest, such as CUSMA, are under threat. However, the worst attitude to take would be to give in to intimidation and bind our future to the wishes of an extremist president, whose support from his own population is weak and who will not be in office forever.

I look forward to your questions.

● (1545)

[*English*]

The Chair: Thank you to all of the witnesses for those opening statements.

We will now open the floor to questions from our members.

Mr. Chambers, you have six minutes, please.

Adam Chambers (Simcoe North, CPC): Thank you very much, Madam Chair.

I'd like to welcome all the witnesses here to this first meeting of this very important study and thank them for their opening testimony.

I'd like to start with Mr. Kingston for a couple of minutes, if I might.

I just heard you mention a couple of stats, and I want to make sure I got them right. Did I hear you correctly that 90% of vehicles made in Canada today are exported?

Brian Kingston: Yes. Approximately 90% is where it has been historically.

Adam Chambers: I assume most of those are going to the United States.

Brian Kingston: That's correct.

Adam Chambers: Do any of them go to China?

● (1550)

Brian Kingston: No. That would be minuscule and probably non-existent.

Adam Chambers: Right, and that's for a whole bunch of reasons, but really, they wouldn't even be allowed to go to China. Is that right?

Brian Kingston: No. Due to the tariffs, vehicle standards and divergence in regulations, that would not make sense or be possible.

Adam Chambers: That's right.

I read in today's Globe and Mail an opinion piece authored, I think, by Clean Energy Canada. I'm not sure if you're aware of that organization.

Brian Kingston: I am, yes.

Adam Chambers: They're suggesting that Canada open its doors to electric vehicles coming from Europe, but in reality, I think, they're actually coming through Europe but from China. Is that your understanding?

Brian Kingston: Yes. I've had a glance at that report, and my understanding is that for the vehicles included in it, a number of them were coming from China to Europe, and then it's proposing they come to Canada.

Adam Chambers: Do you know who funds Clean Energy Canada? Who's behind that?

You've disclosed who your members are. Do you know who the members of Clean Energy Canada are?

Brian Kingston: I do not, and I've wondered, because they've been very adamant that Chinese vehicles come into the Canadian market. It's not clear to me. There's no transparency around who funds them.

Adam Chambers: Okay.

Effectively, Canadians really are being asked—or the government is being asked on behalf of Canadians—to allow vehicles from a country that won't allow our vehicles to go there, so that they could displace vehicles that in theory are built here. Is that what your understanding is?

Brian Kingston: That is my understanding of the ask, yes.

Adam Chambers: Okay.

You mentioned the electric vehicle mandate. I have to say that you've been very famous. You've been on TV a number of times. You've been giving interviews.

I saw an interview that you did a couple of weeks ago on CBC, actually, with David Cochrane. I think you mentioned that there are currently Canadian auto manufacturers that have already purchased credits from Tesla under this government scheme. Is that correct?

Brian Kingston: Yes. According to our estimates, there is a deficit of EV sales between now and 2030 of about 550,000. That's compared to the government-mandated targets. To manage that deficit, companies have to contract with automakers that have surplus EV sales, and that would be anywhere from.... As we get toward 2030, the number could be as high as \$3.6 billion, but according to our estimates, over \$1 billion has already been committed to this.

Adam Chambers: A billion dollars from the industry is committed to purchasing credits. Is that what I understand?

Brian Kingston: That is correct.

Adam Chambers: Also, currently, there's only one seller of credits. Is that not correct?

Brian Kingston: There's one company that would have surplus credits and only produces electric vehicles and would be in a position to sell, yes.

Adam Chambers: Okay. Is that \$1 billion number for money that has already gone to Tesla, or is that money that is committed to go?

Brian Kingston: I can't tell you how much already would have gone. It's committed to a multi-year contract, such that you could effectively option these credits as required over the coming years.

On the current gap right now between the mandated sales level by the federal government and the current sales level, we're at 7.7%. We have to get to 60% sales by 2030. There is no way to close that gap without significant credit purchases, and while it's an option, companies will have to go down that road.

Adam Chambers: Okay. Is that \$1 billion just for your members or for the entire sector together?

Brian Kingston: That's an estimate of the entire sector based on the gap.

Adam Chambers: Okay, so that would also include other manufacturers that are not currently in your domestic organization.

Brian Kingston: That's correct.

Adam Chambers: Okay. That's very helpful.

I have heard that hundreds of millions of dollars have already gone to Tesla. Cash has gone to purchase credits by one manufacturer. Would that be your understanding? Would you ballpark how much cash you think has already gone to Tesla shareholders? Do you have an idea?

Brian Kingston: Well, given that we're already in the 2026 model year and the gap is so significant, I think it's safe to say that hundreds of millions would have already been exercised, but I can't give you an exact figure.

Adam Chambers: Right, so for the Canadian government's electric vehicle policy, just so I understand, the result is that Canadian auto manufacturers—the domestics you represent, plus the ones from overseas that came here and invested billions of dollars in property, plants and equipment—have to send cash to a foreign automaker who has no manufacturing footprint in Canada and has no intention of having a manufacturing footprint in Canada. Is that how I understand it?

Brian Kingston: That is correct.

• (1555)

The Chair: There are 20 seconds remaining.

Adam Chambers: Madam Chair, I'll yield my time to the floor. Thank you.

Thank you, Mr. Kingston.

The Chair: Thank you very much.

Mr. Naqvi, please go ahead for six minutes.

Yasir Naqvi (Ottawa Centre, Lib.): Thank you very much, Chair, and thank you to all the witnesses for being here today and, as my colleague mentioned, for helping the committee undertake, as we start this new Parliament, a very important fundamental question around the impact—and I like to think it's a positive impact—of the rules-based trading system and why it's been important for the Canadian economy. I really appreciate the different sectors for being here.

I will start my line of questioning with Mr. Kingston, whom we have known for some time. I may test your skills from the time when you and I were doing our graduate work in international trade policy. You were not famous at that time, but I knew you would be one day, so I'm glad you are here.

The Canadian auto sector is a great example of a rules-based trading system. The existence of automobile manufacturing in Canada is a result of that. Can you help us trace back to a time when we did not manufacture cars in Canada and how that industry came about? Could you maybe touch upon the Auto Pact and the unique features around that, please?

Brian Kingston: The auto industry has been building cars and employing Canadians for 125 years. If you go back to the foundation of the industry, of course, we used to have significant trade barriers, so manufacturers would put a facility here to overcome those barriers and build in this market. Over time, as we got to the Auto Pact in the sixties, it was recognized that this is deeply inefficient. If we actually got rid of tariffs and created an integrated North American market, we could lower the costs of production, build a vehicle for one North American market and move it back and forth across the border.

That's what happened in the sixties when we started to remove those barriers and encourage that supply chain. The result, and we reference this stat regularly, is that a part or a component can cross the Canada-U.S. or U.S.-Mexico border seven or eight times before it's installed in a finished vehicle. That has been the foundation of the success of this sector. It's currently under challenge because of U.S. section 232 tariffs on the industry, but rules-based, open trade is what has enabled this industry to thrive in Canada.

Yasir Naqvi: The Auto Pact, according to my memory, was signed in 1965. Is that right?

Brian Kingston: Yes, that was in 1965.

Yasir Naqvi: One could argue that it was in fact the genesis of the Canada-U.S. Free Trade Agreement, NAFTA, and the CUSMA that we entered into with the U.S. Is that your impression as well?

Brian Kingston: Yes, absolutely. Autos have been at the centre of trade discussions between Canada and the U.S. going back 60 years.

Yasir Naqvi: It probably behooves us all to recognize we are finding ourselves at a point where we've demonstrated the success of a rules-based trading system in breaking down barriers and reducing tariffs. It's helping manufacturing and creating good-paying jobs in both American and Canadian jurisdictions, and now we're going back to erecting those barriers again.

There have been challenges as well, and to me, the dispute resolution mechanism of these rules-based trading systems is another very important feature. Even with the existing free trade that we've had with the U.S., can you talk about some of the key challenges in manufacturing and how those agreements have assisted Canadian auto manufacturers?

Brian Kingston: First of all, dispute settlement mechanisms are critical components of trade agreements, because they give you that avenue when you have a disagreement. We have had challenges with the CUSMA. There's been a dispute with our American partners over what's called the super-core roll-up, which is a unique

component of the rules of origin. Canada and Mexico won that case, but the U.S. did not comply with the ruling. We have had challenges.

We also had a side letter in CUSMA on section 232 tariffs that exempted Canadian production of up to 2.6 million vehicles from any future U.S. tariff actions, and that has not been adhered to. These are critically important parts of agreements, but of course all parties have to agree to implement them, and we've had some challenges recently, which has resulted in the current situation.

Yasir Naqvi: How have these agreements helped Canada attract other manufacturers outside of the typical North American car companies we may consider, especially from Japan and other countries, to set up shop here and create employment in Canada?

• (1600)

Brian Kingston: It's been fundamental to that investment attraction, because Canada is a relatively small market in its own right, with about 1.8 million to 1.9 million new vehicles sold every year. You wouldn't necessarily put a plant in Canada to sell to just Canadians; you do it because you have access through NAFTA, and now CUSMA, to the broader U.S. market and Mexico, which means 20 million annual vehicle sales.

That's been fundamental. Without that access, the case to put a plant in Canada that can produce 300,000, 400,000 or 500,000 vehicles a year becomes a little challenging.

Yasir Naqvi: It's fair to say that free trade agreements have been critical to job growth, competitiveness and, in fact, innovation in the Canadian auto manufacturing sector.

Brian Kingston: They're fundamental. They're the foundation of the industry.

The Chair: Thank you very much.

Mr. Savard-Tremblay.

[Translation]

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

I want to thank all the witnesses for their opening remarks. It's quite interesting since various groups are sharing their realities, their markets, their perspectives and their difficulties with us.

Mr. Vaillancourt, if I understand correctly, you're more interested in the system's architecture. You think it's important to take advantage of the current crisis not only to try redefining things as they were before, but also to try changing the current system in a more profound and sustainable way.

Does that summarize what you were saying a bit?

Claude Vaillancourt: Yes, that's exactly it. Since we're talking about rules, we're asking a few questions: What should be done with those rules? What kind of rules should be chosen? Who should benefit from them?

Simon-Pierre Savard-Tremblay: I'm going to start with a bit of an opportunistic question. Just this morning, the Bloc Québécois introduced a bill on transparency. Its purpose is to ensure that any international agreement is tabled in the House of Commons and is subject to a certain time frame before the vote. That way, there's enough time to know what's in the agreement, and it can't be signed in secret. Numerous agreements have been signed before they can even be debated publicly, so it's important that any agreement be debated, studied in committee and voted on before it is signed. The other thing is the fact that, in committee, we should be able to study not only implementation bills, but also the agreements themselves. That would enable us to change a lot more things.

Do you support that idea?

Claude Vaillancourt: Yes, we absolutely support that idea. We have been criticizing the lack of transparency in trade agreements for years.

First, information on the actual negotiations is shared piece by piece. Second, there's a lack of transparency related to the refusal to consult certain groups, such as the union movement, which rightly complained that it wasn't consulted enough on the free trade agreements. Third, the deadlines are often extremely short when the time comes to ratify a free trade agreement. For example, when the Canadian Parliament ratified the Canada-European Union Comprehensive Economic and Trade Agreement, or CETA, it did so at breakneck speed, without any real debate, as though that was something that had to be accepted.

Civil society organizations have to be given enough time to carefully examine the agreements and have their say, because there may be things that won't suit everyone, and that's exactly what has happened in the past. I think any openness to greater transparency would address what we expect as civil society organizations working on these free trade agreements. This is something very important in a democracy.

Simon-Pierre Savard-Tremblay: We're talking about transparency with Canadians and parliamentarians. In this committee, we've even had to study an agreement without even reading the text, which is absolute nonsense.

Now, a federated entity like Canada has provinces, even if I don't like the term when it comes to Quebec, which is recognized as a distinct nation. Do you think there should also be more involvement from the parliaments that make up Canada as a whole?

Claude Vaillancourt: Yes, absolutely. During the negotiations on the agreement between Canada and the European Union, it was said that Quebec would participate. However, Pierre Marc Johnson, who was the chief negotiator at the time, said that Quebec's participation was more in the hallways than at the negotiation table.

Given the importance of the sectors for which the provinces are responsible, such as health, education and culture, and the fact that they can be negotiated in free trade agreements, I think there should

be more room for the provinces in the negotiations for free trade agreements.

• (1605)

Simon-Pierre Savard-Tremblay: You were talking about the negotiations with the European Union, for example. That is a far cry from what, say, Wallonia currently has, including actual veto power over what the Belgian state can do in this type of negotiation.

Claude Vaillancourt: Absolutely. Wallonia had sort of slowed down the negotiations through a series of objections, which were concerns expressed by a lot of citizen organizations, by unions, by....

Wallonia became the voice of a very clear opposition to this agreement. I think that needs to be said.

I think that Paul Magnette's speech at the time was remarkable, very comprehensive and very well supported.

We're aware of the current instability issues, and we've seen how certain politicians have taken advantage of that instability to impose policies that go against the interests of the people. That's one of the issues.

Simon-Pierre Savard-Tremblay: I have only 20 seconds left. I don't have time to ask a proper question, let alone allow you to expand on your answer, so I'll wait until the next round.

Thank you.

[English]

The Chair: Thank you very much.

Mr. Groleau, you have five minutes, please.

[Translation]

Jason Groleau (Beauce, CPC): Thank you, Madam Chair.

Colleagues and witnesses, thank you for being here to help develop and support the Canadian economy.

Good afternoon, Mr. Roy. Thank you for travelling from the most beautiful region in Canada to come here to Ottawa. I'm obviously talking about Beauce. My question is for you.

There are a number of business opportunities. You spoke earlier about \$400 million in opportunities. You want to export more pork to international markets. We, the Conservatives, obviously want to support you on this. You talked about this earlier, but what markets do you think are still being underexploited by the pork industry and have great potential for exports? Why do you think so?

René Roy: Thank you for your question.

I'll start with the countries in which we have a presence and where we could increase that presence.

Southeast Asia is a region that has very strong potential, that still has a young population and that's increasing its meat consumption, particularly when it comes to red meat. That's a market we have an eye on and are very active in.

Markets such as the European Union have strong potential, particularly for high value added products. Unfortunately, there isn't much access. Although we have a free trade agreement, we don't have access to the European market today.

Jason Groleau: There's obviously an agreement in effect between Canada and the European Union, that is, CETA. There's something wrong, though. Why can't you export your products in the way you want?

René Roy: The issue is mainly technical barriers to trade. There's a theoretical openness to a certain quota that could be exported, but there are certain barriers. For example, the whole issue of deforestation was raised. If deforestation is established in a country, that country can no longer export to the European Union. Those rules, which are absolutely technical and arbitrary, prevent countries that should have access to exports to the European Union from being able to have that access.

Jason Groleau: Do you feel that the federal government adequately consults the pork industry when setting international trade priorities? If not, how could that process be improved?

René Roy: Our challenges arise once the process is established. As mentioned, the process obviously has to be open to the agri-food industry, which has certain specific characteristics. It's very important that we be consulted, but it's mainly in the fine print of the agreements that we come across challenges. In my opening remarks, I mentioned that, under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, or CPTPP, the United Kingdom imposes very specific production or processing requirements that shouldn't exist. It really imposes those requirements to prevent Canadian and North American products from having access to its market, whereas it has access to ours.

• (1610)

Jason Groleau: Thank you. We'll come back to this in the second round.

Mr. Roy, the Prime Minister promised Canadians that he would remove the country's interprovincial barriers by Canada Day of this past July.

Have the barriers been removed in your sector, that is, the pork sector?

René Roy: I'm going to have to be careful with the words I use, because this is a slightly more technical subject.

In our sector, the pork meat sector, all slaughterhouses inspected by the Canadian Food Inspection Agency have the opportunity to trade meat in Canada and internationally. However, those with a licence issued by a provincial inspection agency are mostly limited to doing business in their province.

What we've proposed to the government is harmonization in the event that the markets for provincially inspected slaughterhouses are opened up. Otherwise, consumer confidence could be undermined, since the standards vary substantially from one province to another.

Jason Groleau: Thank you. I'll come back to that.

[English]

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

Mr. Fonseca, you have five minutes, please.

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

I'm going to go a little further back than Parliamentary Secretary Naqvi in terms of where trade all started here in Canada. We really could start at the beginning of Canada, with our fur trade, and jump to 1965, as we heard, with the Auto Pact. We continue to be a trading nation.

Canada is 0.5% of the world's population but makes up 2.5% of the world's trade, so we punch well above our weight. That is because we have always looked out towards trade. We see it as an opportunity for growth and also for our workers and for our businesses. The way that we do it has always been around trade, but fair trade.

The agreements that we have looked to set up.... I had the opportunity to sit on this international trade committee back in 2015 as we were going through the renegotiations of the NAFTA, the new NAFTA or the CUSMA as we call it today; the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, the CPTPP, that we have; as well as the CETA with Europe. Within those agreements—and this speaks also to Monsieur Vaillancourt's point—we always wanted to bring in those elements of a level playing field when it came to labour standards, environmental standards, etc. I know this speaks well to how Mr. Kingston and his association feel.

We saw that we needed much more diversification. That's why we set up those agreements. In 2018, we set a target through Global Affairs Canada to increase our exports to markets other than the United States by 50% by 2025. Well, we achieved that stretched goal by 2024. We hit that target of 50%, thanks in part to groups like the Pork Council. The Pork Council has done an outstanding job. Actually, some of the members of this committee—Madam Chair, the PS, MP Chambers and a number of others—were at the Indo-Pacific meeting yesterday for the heads of mission. Japan's ambassador to Canada, Ambassador Yamanouchi, raved about Canadian pork, asking how they could get more Canadian pork and what we could do for those exports.

Through these agreements that we've had and to achieve what we've been able to achieve, this 50% increase.... Take us through what was put into those agreements that allowed an industry like the pork industry to expand so much and enabled it to export. I heard that 70% of our product here is exported.

René Roy: Yes, indeed, the pork industry, in general, has been really proactive in trade, notably in Japan. I will use Japan to exemplify what you were mentioning.

The fact that we have science-based rules allows us to have a common language. Once we have this common language, we can easily solve challenges, because we are speaking the same language.

A good example is that we have a CFIA office in Japan. The fact that we have people on the ground there helps a lot with making sure that we are able to communicate and also find solutions when there are technical challenges. This success is clear today. Now, in terms of value, Japan is our first export market in the world, in front of the United States. This has never been seen before. This just shows you how successful we can be by implementing science-based rules.

We have heard about the budgetary challenges, and for sure, these kinds of CFIA offices are important for us. They are a stepping stone to promote how we do business with the rest of the world.

• (1615)

[*Translation*]

Peter Fonseca: Thank you.

[*English*]

Do I have some time?

The Chair: You have 30 seconds.

Peter Fonseca: I don't know if there will be 30 seconds here.

Mr. Kingston, as you know, we're getting into the review of CUSMA. What are your thoughts on where the opportunities are and where some of the threats or risks are as we go into this review?

Brian Kingston: The objective has to be achieving certainty. Uncertainty right now is killing the Canadian business community. We don't know what the rules of the game will be. I think the objective has to be to renew the deal and give the economy certainty that this will continue.

The Chair: Thank you very much.

Mr. Savard-Tremblay, you have two and a half minutes, please.

[*Translation*]

Simon-Pierre Savard-Tremblay: Let's get into it, Mr. Vaillancourt.

We were talking about the rules-based order. You were saying that the government needed to ask questions and examine who benefited from those rules, how they were established and their actual results.

If you had to name a few rules that you think deserve to be reviewed thoroughly, even challenged or overturned and replaced, what would they be?

Claude Vaillancourt: After all these years of free trade, I see two fundamental flaws, two things that nobody seems to take into account in free trade agreements and the rules they make.

The first is a much greater level of environmental protection than what we have now. These days, governments have a tendency to drop environmental protection for economic reasons, but there's no real justification for that because the environment should be a top priority. That's the first thing.

The second problem that free trade agreement rules haven't solved is social inequality, which is steadily growing. Free trade

agreements don't cover tax policy at all, but perhaps they should, considering that it directly affects competition between countries and marketplace competitiveness. Social inequality is getting worse with every passing year. We haven't found a solution, and we see this issue as very problematic.

Simon-Pierre Savard-Tremblay: Should we consider a minimum corporate tax rate like the one in the agreement among OECD countries?

Claude Vaillancourt: Yes, but that agreement is totally inadequate, I have to say. A 15% minimum tax rate actually makes some countries reduce their tax rate, so this is not good enough.

Plus, there are all kinds of loopholes. It's an extremely complex agreement, and the intentions are good, but it's not working out in practice. It is better than nothing at this point, though.

Unfortunately, President Trump is trying to get the agreement scrapped. Instead of improving it, it seems headed for the scrap heap. This is very disheartening for people who've been working for social justice for years. It feels like we're backsliding at a time when our civilization should be making significant progress.

Simon-Pierre Savard-Tremblay: Thank you.

[*English*]

The Chair: Thank you very much.

Mr. Mantle, you have five minutes, please.

Jacob Mantle (York—Durham, CPC): Thank you, Madam Chair.

Mr. Kingston, correct me if I'm wrong, but I think I heard you say that one of the outcomes you desire is for no differentiated outcomes for auto trade between Canada and the U.S. Did I hear that correctly?

• (1620)

Brian Kingston: Yes, that's correct. Given the integration, we've always tried to have the same access as the U.S. would have.

Jacob Mantle: Is that the case right now?

Brian Kingston: No. The U.S. has been very active in both putting up tariffs and negotiating bilateral agreements with other markets. That objective is becoming a little more challenging to achieve.

Jacob Mantle: In the situation we have right now, that would be a failure, in your opinion. We don't want to stay where we are right now.

Brian Kingston: No. The one area that is positive, though, is on the China surtax and the fact that Canada matched the U.S. action. That was necessary and must be maintained.

Jacob Mantle: Thanks. I'll get to that in a moment.

Can you tell us a little about the current economic impact to our auto industry of the U.S. tariffs on Canadian autos?

Brian Kingston: It's significant. Right now, through the first and second quarters of 2025, automakers have reported a total of \$12 billion U.S. in tariff costs. That makes it extremely challenging to continue to produce at the levels that automakers traditionally have produced here. If this persists, it could have an impact on jobs and production. It's extremely damaging.

Jacob Mantle: In a worst-case scenario where there's no larger deal, whether that's CUSMA or something else, and there's no sectoral deal with respect to autos, what happens to the industry?

Brian Kingston: The worst-case scenario is that we go back to a pre-Auto Pact environment, where you have to produce in Canada to access the Canadian market. The federal government has set up what's called a performance-based remission framework, which effectively puts that in place.

That is where things would go. You would have a far less efficient industry that is focused solely on Canada, and the same thing would take place in the United States.

Jacob Mantle: Do you think, in that situation, that the auto industry in Canada would be viable?

Brian Kingston: It would be viable, but it's hard to see a scenario where it would be as productive and as large and have as big a footprint.

Jacob Mantle: In that situation, we'd see job losses and a loss of investment in the Canadian sector.

Brian Kingston: That's highly likely, because the whole objective of being here in Canada is that you can sell into that 20-million vehicle market. If we go down the road of a fractured North American market, you'd be here producing for a total customer base of 1.8 million to 1.9 million Canadians, so it's not as efficient.

Jacob Mantle: That's the worst-case scenario.

Brian Kingston: That's the worst-case scenario.

Jacob Mantle: Let's move a bit from the worst case. Let's go to a middle-ground scenario, where we end up with some level of U.S. tariffs on Canadian autos. How would that affect the industry?

Brian Kingston: It would make it very hard to attract new investments and expand the footprint here. We could hold on to what we have, but it would be costly to manufacture in Canada, even at a low tariff rate, just because of the volume of production. Ultimately, this would mean higher prices not just for Canadians, but for Americans. We've seen, when people have gone to purchase a new vehicle, estimates of price increases of \$4,000 to \$12,000.

It would mean less production and fewer jobs.

Jacob Mantle: If we get no deal and we have some level of tariffs on the Canadian auto sector, does that mean we will see job losses in our auto sector?

Brian Kingston: It depends on the tariff level, but it will be hard to produce at the levels we have historically produced at if we are facing tariffs on Canadian production.

Jacob Mantle: If we're producing fewer cars in Ontario, we'll need fewer workers to produce those cars.

Brian Kingston: That's correct.

Jacob Mantle: That sounds like job losses to me.

Brian Kingston: That's the worst-case scenario.

Jacob Mantle: Do you think it's important that the EV mandate be dropped immediately, before we get into any negotiations with the United States?

Brian Kingston: Yes. It absolutely needs to be dropped for a couple of reasons.

First, there are the economic reasons that we've discussed. The industry is under extreme pressure. A federal mandate that puts billions of dollars of cost on Canadian manufacturers makes absolutely no sense.

Second, we need to work with the United States in this transition to electrification. We've won huge investments into Canada. Canada has a role to play in electrification. To have these extremely divergent policies does not make sense.

Jacob Mantle: Thanks.

I have one last question. I understand that billions in U.S. tariff costs have already been paid. Have you received any of that back in remissions?

Brian Kingston: That is a good question. There have been remissions through the supply chain on some of the inputs, for example, such as the steel inputs and so on, so I understand that, yes, remissions have been received there. Automakers are not currently paying tariffs on vehicles they bring in from the U.S., because of the performance-based remission framework.

• (1625)

The Chair: Thank you.

We'll go to Ms. Lapointe, please, for five minutes.

[*Translation*]

Steeve Lavoie (Beauport—Limoilou, Lib.): Hello, Mr. Roy.

My name is Steeve Lavoie. I don't want to offend my colleague, Mr. Groleau, but I'm from the most beautiful part of Quebec, the Lower St. Lawrence, which isn't far from Beauce. I'm the son of a farmer, and I grew up surrounded by hog farmers.

What you said really resonates with me, so I'm going to start by asking you a few quick questions to get the lay of the land.

I get the impression that, for the past 20 or 30 years, it's been hard for pork producers to find a market for their product. Am I mistaken? Has it been more than 30 years?

René Roy: The pork production sector is an open market. In open markets, there are good times and bad times. People don't generally hear about it during the good times.

You asked for short answers, so I'll try to be brief.

Periods of trade disruption affect products like pork, 70% of which is exported.

Steeve Lavoie: So there are cycles. Do you have a strategic plan?

René Roy: Yes.

Steeve Lavoie: Do you have a new strategic plan? The one I found on your website was for 2018 to 2023.

René Roy: Yes, we have a new strategic plan.

Steeve Lavoie: Okay, I'm glad to hear that.

You talked a lot about production and processing capacity, but we also hear about how hard it is to open up new markets.

What are the three biggest obstacles you encounter when you're trying to open up new markets?

Can you help me understand the connection between wanting more production and processing capacity and problems finding markets? I'd like a better understanding of the situation.

René Roy: We're trying to get into the best markets internationally. To do that, we need to have processing capacity to add value. That's one of the issues. We need enough workers, infrastructure and investment.

Canada has enough production capacity to do that, but we also need stable international agreements. Without such agreements, we will keep running into issues like the trade agreement issues we have with the United States right now.

Linda Lapointe (Rivière-des-Mille-Îles, Lib.): I'll get into this discussion, but I have to start by telling my colleagues, Mr. Groleau and Mr. Lavoie, that the most beautiful region is the Lower Laurentians.

We used to have the General Motors factory in Boisbriand, formerly Sainte-Thérèse-Ouest. I'm sure you remember it.

We also have Paccar and Raufoss, which produces aluminum components, such as rims. I'd like to know if this might have an impact on the market. What I've heard is that, so far, these companies are still exporting their products, but I believe they also do business with companies in southern Ontario.

You said a lot earlier about Chinese EVs.

What steps do you think we should take to fight the Chinese EV market?

[*English*]

Brian Kingston: First, we have to maintain the surtax on Chinese EVs. That is critical. That is what will allow this sector to... We're still in the early stages of the transition to electrification. We have to keep those vehicles out of the Canadian market.

Second, we have to align ourselves with the United States on the approach to China. Right now, the battery supply chain is controlled by China. This is all part of the "Made in China 2025" industrial policy. We have an opportunity to be the supplier of choice in the western hemisphere for next-generation battery materials, but we cannot do that if we allow ourselves to have our industry wiped out by a flood of dumped Chinese products.

Those would be the steps that should be taken.

[*Translation*]

Linda Lapointe: If I understand correctly, you think we should keep investing in the battery supply chain to prevent the Chinese supply chain from establishing itself in Canada.

[*English*]

Brian Kingston: Yes, absolutely. This is one of the areas where we have a huge natural advantage. Canada is the only country in the western hemisphere with every mineral that goes into a next-generation battery.

Now, we haven't done a great job of getting those minerals out of the ground, but we know we have them. If we can accelerate efforts to mine and process here as other countries try to reduce dependence on China and the Chinese supply chain, we are perfectly positioned.

• (1630)

[*Translation*]

Linda Lapointe: Thank you.

[*English*]

The Chair: Thank you very much.

We have Mr. McKenzie, please, for five minutes.

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

I'll reflect the thanks that other members of this committee have expressed to the witnesses for their time, both here in Ottawa and online.

Mr. Kingston, to start with, I'm very curious about the position of Canada's partners. The close integration of our industry with the U.S. industry is not one of "us and them", but all of us together. What are the reactions you're hearing from Canada's partners across the border in the industry?

Brian Kingston: Well, yes, there is deep concern with the tariff policy that's being pursued, because it's putting cost on the automotive sector, and the sector has been historically integrated with Canada and Mexico. There are efforts to try to find a way for an off-ramp here, an agreement, so that manufacturers can continue to build on a North American basis. We cannot compete globally if we're fighting amongst ourselves. Unfortunately, that's what's happening right now. I remain optimistic that we'll find a solution, but it's challenging.

David McKenzie: Is it fair to say that our U.S. industry partners are suffering as much as the Canadian industry?

Brian Kingston: Absolutely. In terms of the costs that are being borne, yes, it's painful here in Canada, and it's painful for Mexican manufacturing, but the U.S. industry is bearing these costs. I think that originally the thinking was that this is all part of a strategy by the U.S. to put up tariffs and then negotiate deals—not permanent.

A lot of companies were basically eating the costs of these tariffs and not passing them through the supply chain. Now, it's looking more like these are going to be medium- to long-term tariffs, so companies will have no choice but to raise costs. Ultimately, that means you'll see less demand and lower production. Yes, this is causing damage everywhere.

David McKenzie: It is also causing higher costs for vehicles on both sides of the border in the North American marketplace.

Brian Kingston: There's no other outcome. Costs have to go up if companies are to remain viable and deal with these tariff costs. We've seen estimates of \$4,000 to \$12,000 U.S. in price increases for new vehicles if these policies stay in place.

David McKenzie: I have to believe those price increases are not very far away.

Brian Kingston: No. The hope had been that this would have been dealt with, but here we are in month eight now and the tariffs are still in place, so there will be no other option but to pass the costs on at some point.

David McKenzie: Indeed.

Sir, I represent a riding in western Canada, Calgary Signal Hill. Can you tell me about the participation of western Canadian companies in our auto industry? We have a great deal of manufacturing capacity and capability in that part of the world, but I certainly understand our auto industry is fundamentally headquartered here in Ontario and in Quebec.

Brian Kingston: The manufacturing base is largely historically in Ontario and somewhat in Quebec. Alberta has, first of all, a huge dealership network and, because of all the resource development, a big market for work vehicles and pickup trucks. On top of that, Alberta has a number of the resources I was talking about, such as huge mineral wealth, particularly in rare earths. There are huge opportunities to expand Alberta's participation in the automotive supply chain.

David McKenzie: That is excellent. Thank you very much.

Monsieur Roy, I believe I understood you to suggest that the encouragement of foreign direct investment in the processing industry would be helpful for your industry and your members. Could you expand on that and give us examples of what kind of encouragement the federal government might offer?

René Roy: There is a challenge to putting in place additional capital, especially in this kind of business, where there are partnerships with other companies around the world. Some are of a significant size and could help producers have a healthier market where there are more players, but also, through a good partnership, we would be able to supply additional markets in the world.

David McKenzie: Okay.

Go ahead, Mr. Heckbert.

Stephen Heckbert (Executive Director, Canadian Pork Council): In recent weeks, my chair and I were in Southeast Asia on a trade mission with the Minister of Agriculture, and these markets are tying food security to food availability in a much more direct way. If you look at a market like Indonesia or Singapore or the Philippines, their production capacity isn't sufficient to produce enough food to meet their own market demand, so they require access, frankly, to Canadian pork, among other commodities.

When we talk about foreign direct investment, it's not that the foreign direct investment is required from a capital perspective in Canada. It is about building that linkage to a market like the Philippines, where there may well be a company interested in ensuring access to that product. The Filipino company's investment may well be tied to having access to the Canadian product and therefore having a preferential treatment for the Philippines market. That's really what we're talking about in terms of that kind of foreign direct investment.

We're not really seeking companies overall to come invest in Canada, but it is about targeting specific markets around the world where they would want more of our product in any case. Let's help them find ways of including that as a defence and food security question.

• (1635)

David McKenzie: Thank you. I appreciate that. That, indeed, was a point for clarification. I was anticipating that you were talking about capital being invested in Canada and processing facilities and so on.

The Chair: Thank you very much. You're 50 seconds over, but I thought the answer was really important for us to hear.

Madame Lapointe, go ahead.

[*Translation*]

Linda Lapointe: Thank you, Madam Chair.

Hello, Mr. Roy.

You said earlier that 70% of your production is exported. You said you export to 80 countries and Japan is your biggest buyer. What are the other countries?

You talked about Europe and CETA, as well as southeast Asia, which we have the Comprehensive and Progressive Agreement for Trans-Pacific Partnership with.

Do you run into the same technical regulation issues there as you do with Europe?

René Roy: That's an excellent question.

The answer is no, because the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, the CPTPP, is based on rules and science, so we don't have those issues, which makes our trade relationship much more efficient.

Linda Lapointe: Okay.

You mentioned Japan. What percentage of your exports goes to Japan?

René Roy: That's a good question. If I do some quick math, it's about 20% to 25%.

Linda Lapointe: Okay.

Similarly, there's the Mercosur in South America. What are your thoughts on that? What can we do with South America? Is there anything we can do better?

René Roy: Well, there are major agri-food producers that have different regulations. We're primarily looking for reciprocity. That's extremely important. If we don't have it, other countries will have expectations that we can't comply with. When their products reach our border, we won't let those kinds of products into Canada because the regulations are too different.

Linda Lapointe: Okay, thank you.

I'll let you continue, Mr. Lavoie.

Steeve Lavoie: I'll continue with you, Mr. Roy.

I'd like to get back to some of the questions I asked you earlier about production and processing. I have a two-part question for you. I asked it quickly before, but I'd like to go over some aspects with you again.

Can you briefly tell us what the three largest obstacles are in your industry, along with the best three solutions to overcome them? You talked about processing and adding value, which sounds very interesting to me.

What are the three obstacles and the three solutions?

René Roy: As producers, we have to sell our products to processors, and they need access to international markets. We're increasing our domestic consumption, but not by enough. As a nation with a lot of agricultural land, we can do this.

One of the problems is restrictions on investment.

• (1640)

Steeve Lavoie: Are you talking about private or public investment?

René Roy: The two have to go hand in hand. We can't build an industry without society's support. That's important. It has to be a partnership.

Then, we need predictable, stable trade regulations. That's what we have been talking about today. With respect to our market diversity, we talked about food security. We need access to a number of markets with which we can negotiate stable, robust agreements.

Steeve Lavoie: When you say regulations, you're not talking about Mr. Trump's regulations south of the border, are you? That unpredictability isn't new.

René Roy: No, I'm not talking about that kind of unpredictability.

Steeve Lavoie: Okay, that's good.

Back to investment. What's getting in the way of private investment at this point? Is it a chicken-and-egg situation? Is the private sector waiting for the public sector and vice versa?

What's preventing them from dancing?

René Roy: Regarding the workforce, there are challenges for the production side and the processing side. If we want to redouble our efforts, we need a predictable workforce, which is tricky these days.

The same goes for capital. If we want to be in a position to invest, we need long-term plans. Right now, that's one of the things that's preventing us from growing as much as we could.

[English]

The Chair: Thank you very much.

I'm sorry, sir, but you have 11 seconds left. I don't think you can get much done with that.

Mr. Savard-Tremblay, please go ahead. You have two and a half minutes.

[Translation]

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

I'm the only member from Quebec who hasn't yet boasted about having the most beautiful riding. I will do so now: Saint-Hyacinthe—Bagot—Acton is the most beautiful riding, tied with Mr. Lavoie's riding. That's where I'm from, so the Quebec City region is pretty much tied too, if you ask me. It is near and dear to my heart. All of Quebec is magnificent, in fact. That's one of the reasons it should be a bloody beautiful country, though I'm sure not everyone agrees with what I just said.

That being said, Mr. Vaillancourt, let's talk about the World Trade Organization, the WTO. When we talk about regulations and rules-based trade, that's often the institution people have in mind. The WTO's rules are still in effect. People often say that, when agreements fail, the WTO's rules will endure.

However, the Dispute Settlement Body, the DSB, is still blocked. I remember this committee studied the matter in March 2020. Very little has happened since then. The first Trump administration was in power at the time, and the situation persisted under the Biden administration.

You've said that having rules is all well and good, but not at any price. Many people are saying that, without the WTO, we'd be kind of screwed because the Trump administration would reign supreme.

Shouldn't the WTO, in its original iteration, be modernized?

Claude Vaillancourt: Yes. The WTO had become so weak that, in the end, multilateral agreements were made to replace it. The issue lies in the fact that, when an organization encompasses so many countries, it's extremely difficult to bring negotiations to a successful conclusion. There have been major rounds of negotiations, such as the Doha round. Admittedly, this round failed miserably because the people were unable to reach an agreement. The decision was made to turn to multilateral agreements. Canada signed three major agreements: the Canada—United States—Mexico Agreement, or CUSMA; the Comprehensive Economic and Trade Agreement between Canada and the European Union, or CETA; and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, or CPTPP, which we discussed earlier.

That's how things currently stand. However, some of the WTO's difficulties have also been carried over to these agreements, particularly when it comes to private arbitration tribunals. These tribunals were rejected under CUSMA and they aren't operational under CETA. There hasn't been any European ratification that would enable their implementation. This remains the case in other agreements, often bilateral, that Canada will negotiate. That said, the removal of this investor-state dispute settlement mechanism is still noteworthy and it satisfies a demand made by a number of civil society organizations.

Simon-Pierre Savard-Tremblay: This mechanism has also been the focus of a study. It was removed from the CUSMA, even though it originated in this very agreement, formerly known as the North American Free Trade Agreement, or NAFTA. At least, that agreement put it out there or made it a model. Canada is now determined to sign other agreements that include this mechanism.

Should we put an end to this?

[English]

The Chair: Give a very short answer, please.

[Translation]

Claude Vaillancourt: Yes. These agreements should definitely be terminated.

[English]

The Chair: Mr. Mantle, you're sharing some time with Mr. Groleau.

Jacob Mantle: I am. I'm in a sharing mood.

Mr. Roy, to your knowledge, has the government challenged the EU's discriminatory treatment of Canadian pork products?

René Roy: No.

Jacob Mantle: Has the Canadian government, to your knowledge, challenged the discriminatory treatment of Canadian pork products in the United Kingdom?

• (1645)

René Roy: By not signing it, yes.

Jacob Mantle: Do you know why the government has not challenged the EU on this?

René Roy: We have requested more clarity on the EU side. In fact, the industry is going there in the coming weeks to have more clarity, but it's still opaque, and we would like to have more knowl-

edge about what is happening. We have also advocated for this with the government.

Jacob Mantle: Thank you. Would you be willing to share that request with the committee that you made to the government?

René Roy: Yes.

Jacob Mantle: Thank you for that.

The Chair: You can you submit it to the clerk, and we'll distribute it.

Jacob Mantle: Thank you.

Mr. Kingston, I have one last question for you. Why do you think a unilateral EV tariff is the right way to go with respect to China rather than using our existing trade remedy laws, whether that's an AD, a CVD or a safeguard measure?

Brian Kingston: Typically we would support using those mechanisms, but in this situation Canada had to react extremely quickly to put that tariff in place, because of the pressures that were coming from the United States. It was a unique situation, but we believe it was the right move given the circumstances.

[Translation]

Jason Groleau: Thank you, colleagues.

To bring this full circle, Mr. Roy, surely you agree that many people would like to call Beauce home. Unfortunately, or perhaps fortunately for us, there aren't many of us.

I heard you talk about predictability and more rigid long-term agreements, the need to increase our production capacity and a lack of rigour in the agreement with the European Union. I also know that there's a health issue.

Can you clarify what you mean? What are the issues? It seems that, if the government addressed them, they would be fairly easy to resolve.

René Roy: This is a technical topic, so I'll keep my comments brief and stick to the same level.

The European Union required us to test the meat that we exported overseas for a parasite that we haven't found in our livestock for years. This costs a great deal of money. In the end, we spent so much money to comply with this standard that it became impossible to access the market. This is just one of a number of examples.

Jason Groleau: Have you reported this issue to the government? Have they supported you in this area?

René Roy: We've raised this issue. Unfortunately, so far, we haven't received a satisfactory response with regard to market access.

Jason Groleau: I'll quickly touch on interprovincial transactions.

Again, there are many questions about health and food safety. The Liberal government promised to remove interprovincial barriers, but it has yet to do so. If it kept its promise, would it then be possible to establish a Canadian health standard that would make interprovincial transactions easier in the future?

Would that be possible? Am I dreaming?

René Roy: Yes. That would be possible.

Jason Groleau: How? How should we proceed?

René Roy: We sent a document to the government on this topic. We proposed to streamline these rules and the Canadian Food Inspection Agency's rules. In terms of safety, Quebec, Ontario and all provinces have equivalent standards.

Jason Groleau: The bureaucracy is quite cumbersome when it comes to food safety. Is the Quebec provincial bureaucracy as cumbersome as the Ontario bureaucracy? Is it the same?

Would it be easy to resolve this situation?

René Roy: You're raising the highly relevant topic of red tape. We could be much more efficient if it were simplified.

There are many rules in the agricultural sector, which causes problems. Cutting red tape would make us much more competitive, even in our domestic markets.

Jason Groleau: In Canada, we're indeed bogged down by the red tape created by the Liberal government.

Thank you, Mr. Roy.

[English]

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

We'll move on to Ms. Lapointe and Mr. Naqvi.

[Translation]

Linda Lapointe: Thank you, Madam Chair.

I'll continue with Quebec pork and Canadian pork.

You spoke at length about standardizing health regulations. You touched earlier on the issue of federal and provincial slaughterhouses, which I found intriguing. There was talk of implementing a certain level of standardization. Could this be addressed when it comes to removing tariff barriers between provinces?

How would you go about this?

• (1650)

René Roy: Approximately 94% of our pork is currently processed in federal slaughterhouses. A significant portion of our production goes through inspected federal slaughterhouses.

However, in the case of standardized slaughterhouses, it would be different. This bears noting because it affects consumer confidence. If one province had issues with unequal standards and a food safety issue arose in another province, it could have a significant ripple effect on public confidence. We want to avoid that. In this structure, it's vital to bring standards into line with reasonable standards. However, it's also important not to create excessive red tape.

Linda Lapointe: You also spoke about processing and a potentially significant market for value-added products. Can you provide some examples of value-added products?

René Roy: Fresh products are value-added products. I'm talking about the vacuum-packed products that we send directly to the market. This would be possible in Europe if we didn't need to carry out the parasite testing that I spoke about earlier. Europeans require that the product be frozen, which lowers its quality. This ensures that their products get the best shelf space. This is an example of a value-added product.

That's our approach with Japan. We can produce a fresh product, even in eastern Canada, and ship it to Japan. We have time because the product has a fairly long shelf life.

Linda Lapointe: I was thinking more about processed products, such as cold cuts.

René Roy: This is another example of strong potential.

I would like to point out that one of Quebec's processors managed to access a small share of the European organic products market. That processor managed to break into a very tough market. In the processor's opinion, this market would provide significant opportunities if non-tariff barriers weren't in place.

Linda Lapointe: Thank you.

Mr. Naqvi, I believe that it's your turn.

[English]

Yasir Naqvi: Chair, how much time do I have?

The Chair: You have one minute and 48 seconds.

Yasir Naqvi: First of all, I want to say as a proud Canadian that I think all regions of this country are beautiful. Thank you for sharing all of your regions with all of us.

I'll go back to Mr. Kingston, and Mr. Roy as well.

We are in a very uncertain time. Mr. Kingston, I think you spoke about achieving the certainty that is important for business. Canada is really focused on not only the Canada-U.S. part of things, but also our trade diversification. We still fundamentally believe that a rules-based, liberalized trading system is a good thing for Canadians and for the Canadian economy.

In a very short period of time, from both of your industries' perspectives, as we engage in these conversations with the U.S. and other parts of the world, what kinds of things would you like to see to further strengthen the rules-based trading system, so that it can positively impact not only your particular industries, but most importantly Canadians?

We'll start with Mr. Kingston.

Brian Kingston: From an automotive perspective, trade diversification isn't really an option, just given the nature of the industry. We are totally integrated with the U.S. and it wouldn't make sense, necessarily, to build vehicles here to send to other markets. The U.S. has to be the priority for auto.

The key principle that we need to pursue is the durability of our trade agreement. When the CUSMA was negotiated, this review mechanism was put in place at the request of the U.S. It does create ongoing uncertainty for the industry, because if the U.S. does trigger the withdrawal every single year, for the next 10 years we will have to go through a review.

Anything that can be done to put long-term certainty into these trade deals is very important for the sector.

Yasir Naqvi: Mr. Roy.

The Chair: Answer very briefly, sir.

René Roy: It will be brief. The diversification is really important around the world. Also, a climate that is good for businesses will be really helpful.

● (1655)

The Chair: Thank you all very much to our witnesses. It's very much appreciated.

I'm quite sure that you will be back before the committee several times in the next couple of years as we meet the challenges and are looking for suggestions from both industries. Thank you very much.

I will suspend so that we can go in camera, please. The witnesses may exit.

[Proceedings continue in camera]

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