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• (1535)

[English]

The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)): I'm calling the meeting to order. This is meeting number five of the Standing Committee on International Trade. Welcome to the members and to our witnesses.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Thursday, September 18, the committee is resuming its study of Canada and the forthcoming CUSMA review.

We have with us today from the Automotive Parts Manufacturers' Association, Flavio Volpe, president, by video conference. For the Center for North American Prosperity and Security, we have Jamie Tronnes, executive director. From QSL International Ltd., we have Robert Bellisle, president and chief executive officer, by video conference.

Welcome to you all and thank you for taking the time to speak to the committee today.

We will start with opening remarks, and then I will open the floor for questions.

I will go to Ms. Tronnes for five minutes, please.

Jamie Tronnes (Executive Director, Center for North American Prosperity and Security): Thank you, Madam Chair and members of the committee.

I'm the executive director of the Center for North American Prosperity and Security, CNAPS. We are the U.S.-based office of the Macdonald-Laurier Institute. I'm honoured to be able to appear before you today.

Since Trump's first tweet about tariffs in November, Canada and Mexico have been reeling from tariff threats by President Trump. While we may have been the first to receive the brunt of the initial tariff bluster, it is other countries that are receiving the highest tariff levies. Although Canada's aluminum, copper and steel industries are feeling the pain of high American section 232 tariffs, the vast majority of trade with the United States remains tariff-free for the time being. Canada, for now, has the lowest overall tariffs thanks to the CUSMA.

Nonetheless, the current uncertainty in the trade market is wreaking havoc on investment globally. Canada's government has taken steps to try to reassure investors that Canada remains a strong place to do business. Until a CUSMA review is complete, this will remain uncertain. On this point, I, along with my colleagues at the Macdonald-Laurier Institute, Richard Shimooka and Tim Sargent,

have written a paper entitled "The Grand Bargain: A Path to Prosperity, Security, and Strength for the United States and Canada". In it, we argue that Canada can gain more leverage in a trade deal by expanding the scope to include things that America would like Canada to do. This comprehensive fiscal, social and security strategy also bakes certainty into the trade relationship, as the United States is getting more from Canada than it would otherwise through a trade agreement. However, having a comprehensive agreement makes it harder for any one president or prime minister to try to back out of the agreement as he or she would be giving up all other gains promised by the other country.

For example, tying a defence-spending goal for Canada into a trade agreement would quash decades of concerns in D.C. that Canada has not taken its defence spending seriously enough. Another example would be developing our cross-border energy permitting process. This would ensure that long-term investments are not subject to the changing government whims on permitting, such as what happened with the Keystone XL pipeline.

Both countries can use this opportunity to add certainty and strength to the relationship by solving a number of cross-border irritants with a grand bargain strategy. As other witnesses have spoken, or will speak, on some of these irritants, there are two important issues that Americans are signalling that they would like Canada to deal with.

First is Canada's Online Streaming Act. The act, like the DST Act unfairly targets American companies and is likely to be raised to the highest levels. Donald Trump is already looking to reshore the film sector and is calling for 100% tariffs on foreign-made films and TV productions. It makes little sense that Canada's government places an additional financial burden on the providers whose services Canadians choose to pay for. These same streaming services shoot or produce much of their content in Canada, already providing Canadian jobs and tax revenue.

The second issue is the proposed digital backdoor access requirements contained in Bill C-2. Recently, Vice-President Vance very publicly touted his success at getting the U.K. to drop similar backdoor encryption requirements. This should be seen as a signal from the U.S. administration to Canada.

As for immediate goals on trade, when Prime Minister Carney goes to Washington this week, his goal must be no less than the removal of Canada as a subject of section 232 tariffs. This trade designation implies that Canada is a national security threat to the United States. Prime Minister Carney will have to work hard to disabuse the Trump administration of this idea, which gained traction because of Prime Minister Trudeau's mistake of letting Chinese steel and aluminum be dumped in Canada for far too long. The removal of section 232 tariffs on Canadian steel and aluminum is also necessary for the president to achieve an American manufacturing resurgence. The United States does not have the electricity it needs for its data centres and aluminum smelters. It especially cannot power either future without Canadian natural gas to generate electricity or uranium to power nuclear plants.

Finally, I would like to address that the trade review comes at a difficult time in Canada-U.S. relations. CNAPS, my think tank, is not just the sole Canadian think tank with a physical presence in the United States. I am, since the closure of the Wilson Center's Canada Institute, the only think tank staff member in the United States whose work focuses solely on the Canada-U.S. relationship.

Canada has had years to prepare for this moment of CUSMA negotiations, but it is clear that, as a country, we have taken our right to trade freely with the United States for granted. It is not just for the government to stand up for Canadian trade. Businesses, civil society, think tanks—whole-of-Canada approach is required to make our voices heard in the American space.

• (1540)

Thank you.

The Chair: Thank you very much. It's very much appreciated.

Mr. Volpe, you have the floor for five minutes, please.

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

I heard the emphasis on five minutes. I think we know each other well.

Thank you to the members of this committee for the invitation.

My name is Flavio Volpe, and I'm the president of the Automotive Parts Manufacturers' Association. We represent over 200 Canadian companies that design, engineer and manufacture components for almost every single vehicle built in North America. Collectively we employ about 100,000 Canadians and then support another 400,000 jobs across logistics, tooling technology and advanced materials.

Automotive manufacturing for us especially is not just a source of pride; it's one of the top export sectors in Canada, accounting for about \$82 billion in annual exports. Trade is balanced between the two countries here, and that is a very serious point of pride. Eighty-five per cent of the cars that we make in Canada go to the United

States. Nearly every single vehicle on American roads has some Canadian content in it. That's what integration looks like.

When we talk about the CUSMA review, we're really talking about the foundation of our economic security. CUSMA didn't just replace the NAFTA; it modernized it for an economy built around the vehicles of the future with semiconductors, digital trade and zero emissions innovation. It reinforced the core principle that we've proven over seven decades, that North America wins together or we lose separately.

It's not just rhetoric. The auto sector shows it every day. A car assembled in Ontario crosses the Canada-U.S. border. Its parts cross up to seven times before the vehicle is finished. On average, Canadian vehicles have about 50% U.S. content and about 55% U.S. raw materials. We have lots of Mexican raw materials and lots of Mexican manufactured commoditized goods. We're one production ecosystem, not three competing jurisdictions.

As we prepare for the review, we must protect that integration from the forces of political short-termism. First, many of us remember 2018 and the section 232 national security tariffs that blindsided our industries. Canadian firms paid hundreds of millions of dollars in duties on parts that were overwhelmingly made in North America. Those duties didn't protect anybody; they punished the most integrated supply chain in the world, and they're doing so again today.

We're hearing echos of that rhetoric from Washington daily in the talks of new duties on vehicles and heavy trucks just today, unilateral reviews of the agreements or new investigations on section 232. Let's be clear. You can't have a continental supply chain if one partner keeps threatening the other. Canada must make the case directly and publicly that North American manufacturing is national security. We build the systems that keep our economies and militaries moving, from drive trains and armoured vehicles to energy storage. It's not the place for tariff gains as we all face off against China.

When CUSMA raised the regional value content to 75%, Canadian suppliers invested accordingly. We expanded domestic capacity in stampings, castings, steel, aluminum, battery-grade critical minerals and cathode materials. We've also increased, since 2019, our footprint in the United States to 176 parts plants that employ 48,000 Americans. That's up 10% since 2019.

APMA's own members have made over \$3 billion in new supply chain investments in Canada since 2020. They were made in good faith under the assumption that the rules would be applied consistently.

This review is an opportunity for Canada. It has a generational opening to be a supplier of clean-tech components to the entire continent that come now only from China. We have raw materials. We have minerals. We have talent. We also have a reputation for reliability and security. What we lack is speed.

The Americans moved first with the Inflation Reduction Act. Mexico moved with new policies on domestic energy control. Canada has to move now. It's not a slogan. Industrial policy is the new trade policy. It means investing heavily in getting those critical minerals to market and then being a reliable partner for Americans to help the continent get off of its reliance on China.

In 2018, when we faced the national security tariff threat, our sector stood together with government, labour and consumers in and across the continent. We spoke with one voice. We stayed calm. We won that fight. We need to do that again in 2026.

I meet suppliers from Windsor, Oshawa, Detroit and Querétaro. They don't really see borders; they see production schedules. They don't ask, "Is it Canadian, American or Mexican?" They ask, "Can I get this shipment there by Tuesday?"

• (1545)

The reality is that policy must reflect that, not just for Canadian interests, but for American interests. We have to make sure the Americans understand that American cars or Japanese cars made in Canada are different from cars made anywhere else: They have American content. When you trade with Japan, Korea and Europe and you make the same arguments you do for restrictive, protective tariffs for vehicles from those regions, the vehicles from those regions do not make factory orders in Michigan, and they do not make steel orders in Pennsylvania like we do.

This is a chance to strengthen the relationship, but it's going to require some really deft leadership from the Prime Minister.

Thank you, Madam Chair.

The Chair: Thank you very much.

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

[*Translation*]

Robert Bellisle (President and Chief Executive Officer, QSL International Ltd.): Madam Chair and members of the committee, as president and CEO of QSL, I would like to thank you for the privilege of sharing my perspective on the vital role of marine transportation in the Canadian economy and highlighting how our sector is adapting to the current challenges and circumstances.

[*English*]

The maritime transportation network extending to the Great Lakes forms the logistical and industrial backbone of our economy. Four major gateways structure our trade—eastern and western Canada, the Gulf of Mexico, and the St. Lawrence and Great Lakes.

Did you know that 80% of goods Canadians use travel by ship, while only 5% of our trade with the United States moves by ship? Half of all our imports and exports are shipped, whether they're finished products, raw material or vital resources for our industries. QSL is a maritime company based in Quebec with over 2,000 employees in more than 66 terminals in Canada and the United States. Our strategic position enables us to anticipate and adapt quickly to market changes.

On recent developments and adaptation, we're witnessing significant shifts. The noticeable decline in steel volumes at Canadian ports is reflecting a slowdown in the automotive industry. In the aluminum sector, shipments that previously went to the United States by train are shifting modes and now sailing to Europe. Some of our ports are under pressure, but we are agile and able to adapt to new solutions for our customers.

The wind energy sector has also experienced strong momentum across Ontario, Quebec and the Atlantic provinces with numerous projects announced and under way. Wind components and blades are arriving by vessel from Europe and also Quebec plants, transiting through the St. Lawrence, a vital corridor supporting this growing economy. Essential products for our daily lives, such as grain, sugar and road salt, are standing the test of time.

Finally, infrastructure in core minerals is essential for value creation, productivity and economic sovereignty. Maritime transport stands out for its flexibility. Our efficiency directly impacts Canadian businesses and consumers, both for imports and exports.

Investing in strategic priorities, the United States has recently made substantial investments in port infrastructure, especially along the east coast, to support offshore growth and strengthen supply chains. Ports such as New York, New Jersey, Savannah, Charleston, Virginia, and Baltimore have received billions in public and private funding to expand container capacity, modernize terminals and accommodate wind energy components arriving from Europe.

To remain competitive, our priorities are clear.

We must invest in port infrastructure. Several projects are under study. Supporting the maritime sector and accelerating public investment are crucial for Canada's competitiveness and productivity. Some examples would be Belledune in New Brunswick, Sheet Harbour in Nova Scotia, and Saguenay and Quebec City in Quebec.

Encouraging private investment and streamlining administrative processes help projects move forward with efficiency and unlock new opportunities. For instance, we had requested approval from customs clearance from the Canada Border Services Agency regarding an international container handling project in Quebec in November 2023. If approved, we are ready to invest \$60 million in infrastructure expenditures immediately. This project would have a payback to Canadian taxpayers based on CBSA's investment of less than a year.

It is highly beneficial for the federal government to concentrate investments in strategic maritime infrastructure by focusing resources on key projects and quick wins that deliver immediate impact. We can significantly improve the fluidity of goods, making Canadian businesses more competitive, easing access to new markets and seizing emerging opportunities. This approach not only maximizes economic returns for the country, but also enhances our competitiveness and resilience in a rapidly changing global environment.

In conclusion, by accelerating these kinds of projects, we further open the doors for Canadian businesses and consumers to the world. It will boost productivity, competitiveness and job creation across the country. Concentrating federal investments in strategic maritime infrastructure increases the fluidity of goods, opening access to new markets and maximizing economic benefits for Canada.

Thank you.

● (1550)

The Chair: Thank you very much.

For the information of the committee, we just have these three witnesses this afternoon. We've asked them for a bit more time so that we can make sure that we receive all of the information we possibly need from these three excellent witnesses. Thank you to them for making extra time for us.

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

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

I would like to thank our witnesses for being here today. It's nice to see all of you here.

Mr. Volpe, I want to chat with you for a little bit.

Would your members work for all, or supply all, OEMs and would that include your traditional domestics plus the international automakers here? Is that correct?

Flavio Volpe: That's correct. From the Canadian factories they definitely supply the five OEMs that are making cars here and probably another dozen through the U.S. and down to Mexico. They are also heavily invested in the U.S. with 176 plants wholly owned by Canadian companies and 120 plants wholly owned by Canadian companies in Mexico servicing vehicles throughout the continent.

Adam Chambers: How many employees do you think would be representative of not just your membership, but say all of the auto suppliers?

Flavio Volpe: There are about 100,000 directly in automotive supply here in this country putting hands on tools in factories and about 400,000 in support of those. Those are logistics, raw materials and other white collar support functions for those companies. Then Canadian companies employ about 48,000 in the U.S. and 58,000 in Mexico as well.

Adam Chambers: It's a pretty big footprint as far as employment goes comparative to other industries that are under threat or under attack from the 232 tariffs.

● (1555)

Flavio Volpe: Yes.

Adam Chambers: I note that the government has provided some support for other affected industries. They've come out with some support for lumber. They've come out with some support for steel.

Has there been any kind of direct industrial targeted support as a response to the 232 tariffs?

Flavio Volpe: Yes. We asked directly for a series of measures, most of which either came on directly or in different configurations. Smaller suppliers need liquidity support. The government announced a working capital fund availability through the BDC that a lot of the companies are accessing. It was for the wider vulnerability to the fact that 85% of the cars get exported from Canadian factories down to the U.S. and trying to turn around some of that dynamic to build where you sell, convincing our customers from Ford through Honda in this country to retool for products that Canadians are currently buying, or could be expected to buy.

There was a \$5-billion fund that was not just for our industry, but also for steel and aluminum, a series of tariff-related remissions programs that helped ease the burden while we're being targeted.

Adam Chambers: Your point is your sector is under financial strain, is that right?

Flavio Volpe: There's no question.

Adam Chambers: You referenced some government money, taxpayer money, that has been put aside to support the industry. What about an idea that doesn't require any taxpayer support for the industry and just a change in regulation?

The electric vehicle mandate is going to burden the sector. We heard testimony from one of your peers who represents automakers themselves that \$1 billion was already committed to purchasing credits from Tesla. Would that not financially strain the sector even more at a time when that becomes difficult already to deal with the tariffs?

Flavio Volpe: Sure. I've been relentlessly on the record saying that the EV mandates as they were configured were unachievable and that the only way to get to those levels, or the best way to get to those levels, was to buy credits from companies who were importing electric vehicles into this country who weren't invested here, like Tesla, who took advantage of that loophole that was in the federal purchase incentive the iZEV program that allowed them to import cars from Shanghai with no Canadian content.

Also, there are companies like VinFast, who we admire. The Vietnamese are now in the business, but there's no Canadian content on that. They were very clear about it publicly. Relentlessly with government there is a 60-day review on. ECCC is pretty clear on how we think, but we want to see if they listen.

Adam Chambers: Thank you very much for that. I appreciate your advocacy for what I think is common sense, especially since a lot of this money is being given to or paid for by auto manufacturers and the supply chain, which have invested billions of dollars here to companies that have no footprint here.

I have 20 seconds left, so this is the final question. It's on another trade issue we're also dealing with at the committee.

Would you recommend that government reduce the tariffs on Chinese imported electric vehicles?

Flavio Volpe: No. There's no upside to that. There's no Canadian content in there, and the Chinese are not threatening to invest here, either.

Mexico has just put a 50% tariff on all Chinese vehicles. I think it's important that all three North American countries are on the same page while we gross up our own.

Adam Chambers: Thank you, sir.

Thank you, Madam Chair.

The Chair: Mr. Lavoie, go ahead, please.

[*Translation*]

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

My first question is for Mr. Bellisle.

First of all, Mr. Bellisle, I must point out that we know each other, since we had to work together when I was in my former role as president of the *Chambre de commerce et d'industrie de Québec*. Your company is a major player in the region.

Current context aside, I'd like you to tell us about the importance of the supply chain we have here in Canada and in America. I spoke about it here last week during a meeting with other guests about the negotiations. We want to build a strong and more independent Canada.

You have facilities all over America, so I'd like you to talk to me about the importance of having a strong and autonomous supply chain and to give me concrete examples, if you have any, of things that QSL is doing to show how important the supply chain is for Canada.

• (1600)

Robert Bellisle: Thank you, Mr. Lavoie.

First, it's worth remembering that if the Great Lakes-St. Lawrence corridor were a united economy—in other words, Canada and the United States together—it would be the third-largest economy in the world. As a result, that logistical flow is extremely important. Given the current geopolitical situation, we need to continue to invest in this infrastructure, and the marine component is at the heart of all this. As I explained earlier, 80% of the goods consumed, used or handled are transported by ship, so that supply chain is critical.

During the COVID-19 pandemic, which was not the best time of our collective lives, it was basically the marine transportation sector that kept the country going. It didn't stop a single day during the pandemic, because it was an absolutely essential service for getting goods to Canadians.

We currently have a number of projects at QSL. Earlier, I mentioned the project in Belledune and the offshore wind project in Nova Scotia. What's more, in November 2023, we made a request for a customs clearance centre in Quebec City so that containers could be cleared through customs. The Port of Québec is the last deep-sea port, so this would allow larger vessels to come and unload here in Quebec City. It would also lighten the ships that have to continue to go to Montreal, which is a hub for moving products to the Toronto region or to the American Midwest. The marine sector is therefore at the heart of our country's economic sovereignty.

Steeve Lavoie: Thank you, Mr. Bellisle.

Earlier, you talked about the investments made by the Americans in port facilities on the east coast. If you were to wave a magic wand and become Prime Minister of Canada, what kinds of investments would you make to keep Canada competitive with, obviously, a long-term vision of 10, 20 or 30 years?

Robert Bellisle: As I said in my remarks, there are four gateways to North America: the west coast, the east coast, the Mississippi, which is connected to the Gulf of Mexico, and, naturally, the St. Lawrence and the Great Lakes. However, although investments have been made in western Canada and continue to be made, which is very important, not enough has been invested in infrastructure along the St. Lawrence. We need to increase these investments because, once again, we're talking about the third-largest economy in the world. If we don't invest in it, we won't have made the strategic investments we need for our country.

In short, it would be a matter of investing in that infrastructure and, naturally, in their intermodal capabilities.

Steeve Lavoie: How is the supply chain currently affected by the tariffs? Are you seeing any impacts?

Will they be short, medium or long-term, given the current situation and the upcoming renegotiation of the Canada-United States-Mexico Agreement, or CUSMA?

Robert Bellisle: I think I mentioned earlier that the steel sector was significantly impacted. There are significant declines at ports that were focused on steel products and inputs. If we produce steel for the automotive sector, we need what we call “slabs”, which are semi-finished products. We used to import large quantities of this product.

Naturally, in the aluminum sector, most of Quebec's aluminum smelter production was destined for the United States, and the emphasis is on efforts to find other markets. Again, that's where shipping becomes important. We want to change markets, but no other countries have a land connection with us. We need to export this aluminum to Europe. However, the marine sector is once again becoming extremely important.

The other products, such as grains, cereals and so on, are commodities that remain strong and have not yet been affected by tariffs.

I think it's also important to remember our natural resources and our manufacturing sector, which are the backbone of our country.

• (1605)

[English]

The Chair: Thank you very much.

Next is Monsieur Savard-Tremblay, please, for six minutes.

[Translation]

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

Mr. Volpe, I was pleased to see that the Automotive Parts Manufacturers' Association did not call for the end or reduction of tariffs on Chinese electric vehicles, given all the security and data collection dangers that can arise. I congratulate you on that.

That said, my question will be somewhat related to this subject.

First of all, to your knowledge, can Mexico be used as a conduit for parts or Chinese cars?

It would be surprising if that were the case for cars as such, but we might wonder about parts.

[English]

Flavio Volpe: They have been. That's part of the reason why Canada and especially the White House—both the former and current White House—have focused on closing the doors for Mexico.

We watched the Mexican automotive market go from about 5% of imports from China two years ago to over 20%. Half of those are Chinese-branded vehicles. The others are Chinese-manufactured vehicles for westerners.

Almost 50% of the demand for industrial space for new industrial parks and investment is coming from Chinese parts manufacturers, which we view as a displacing investment of western-based and market-based suppliers in Mexico.

[Translation]

Simon-Pierre Savard-Tremblay: You mention movement. You're telling us that, at present, there is no such route for Mexico and China.

Is it because of the increased tariffs?

[English]

Flavio Volpe: There are a bunch of different reasons.

First, the Mexican government promised the former American government that they would cut off support for foreign direct investment. The current Mexican government has promised, both to the new White House as well as through newly introduced legislation, to enforce more strongly country of origin regulations, with an eye to transshipping from China.

I don't want to speak in the affirmative because they have to enforce it. The intention in the legislation is there.

[Translation]

Simon-Pierre Savard-Tremblay: That said, there was a tightening of the rules of origin on vehicle assembly in the Canada-United States-Mexico Agreement, compared to the previous version, which was NAFTA. Has that ever partially alleviated the problem?

The rules of origin talked about minimum North American content.

[English]

Flavio Volpe: It helped. It definitely helped.

We went from a 62.5% North American content requirement in NAFTA on 29 parts categories to 75% on probably double the number of categories. Then, on the parts side, we went from a 60% local content requirement to somewhere between 65% and 75%, depending on the parts.

In the interim, the Chinese have also gotten a lot stronger in terms of the breadth and types of parts that they're competitive on. Vehicles have modernized. Vehicles with more electronics are a bigger opportunity for Chinese dominance in that space.

Yes, there's less non-local content. In some cases, there's about the same Chinese content because they've expanded their play within the 25% they're allowed on cars and 25% to 35% they're allowed on parts.

[Translation]

Simon-Pierre Savard-Tremblay: Are the rules of origin for the auto sector in the 2020 version of CUSMA satisfactory? Are there any changes that could be considered as part of the upcoming review?

[English]

Flavio Volpe: First of all, yes, they were more satisfactory to parts suppliers, Canadian parts suppliers as well as American and Mexican-based parts suppliers. It provided a better opportunity for us to sell into North American vehicle assembly.

Every vehicle assembly company will tell you that it's impossible to make a car without Chinese content. If your car has a battery, the cells are more than likely Chinese, whether that's a conventional hybrid, a plug-in hybrid or an EV. Canada has an opportunity to play there.

With those EVs' higher voltage platform, there's a lot more electronic gadgetry, I would say, in vehicles. That's a big Chinese strength. We know that. Could we do more? Certainly the Americans would like to squeeze that more. They would like to squeeze that number. I don't think it's a secret that they promoted 75% to 85% last time.

In spite of the fact that I personally would love to see more Canadian, American and Mexican content in, we have to be careful that the rest of our market regulation matches that. If we say we want to go to 100% EVs by 2035, as the U.S. administration at least has on the books and as Canada had on the books until we paused, the only current solution for that is Chinese, so they don't reconcile with each other.

• (1610)

The Chair: You have 20 seconds.

[*Translation*]

Simon-Pierre Savard-Tremblay: In 20 seconds, I can only say thank you. I'll continue my questions during my next turn.

[*English*]

Flavio Volpe: Thank you for your interest.

The Chair: Mr. Groleau, please go ahead for five minutes.

[*Translation*]

Jason Groleau (Beauce, CPC): Good morning, everyone. Thank you for being here.

Mr. Bellisle, I want to congratulate you on your fine company, which is of vital importance to the economy, as we all know.

You talked about the importance of investing in infrastructure. I would like you to expand on your idea. Important projects are being looked at right now, particularly with respect to critical minerals. I'd like to hear your thoughts on that.

Do we have the infrastructure to develop these projects and transport these minerals?

Robert Bellisle: Thank you very much.

We have the potential to develop projects, but we currently don't have the infrastructure we need to reach our full potential in critical resource development. That's why I said that we need to invest significantly in infrastructure, especially port infrastructure, because critical minerals are, most of the time, transferred onto ships. Naturally, we will have to adapt to geographic constraints. Some ports are deepwater ports, but others are not. Taking these constraints into account, we have to make sure we have all the infrastructure needed to meet the logistical challenges associated with the exploitation of these materials.

Jason Groleau: Do you think it's urgent to invest in programs to build this infrastructure?

Robert Bellisle: It's more than urgent. In the current geopolitical context, decisions are made quickly, sometimes in a matter of hours, sometimes in a matter of days or weeks, but certainly in a matter of months or less. Some decisions, such as tariff decisions, completely change trade flows. However, it takes years to change regulations or for companies to move projects forward, so we have to strike a balance between the pace of change in the geopolitical world and the pace at which we are able to invest in infrastructure.

I gave the example earlier of our request to have customs officers in Quebec City. The Port of Québec is the fifth-largest port in Canada. We've been working on this issue for almost two years. I believe that governments have shown a good willingness to change things and to press the gas pedal, and we applaud that, but I think it's urgent. We can't just try to do it. It has to be done.

Jason Groleau: Do you think things are moving fast enough at the moment?

Robert Bellisle: I think there is certainly a will to move things forward, but because of the speed of change in the world right now, we must collectively find a way to move faster if we want to get through this. I believe we have the necessary potential. Canada is a country rich in natural resources. It must exploit them to be competitive on a global scale and thus create prosperity for its citizens.

Jason Groleau: I completely agree with you, Mr. Bellisle.

Do you use the Canadian Border Services Agency's assessment and review management, or CARM, system on a regular basis?

Robert Bellisle: No.

Jason Groleau: You don't have it. Okay.

Thank you, Mr. Bellisle.

Ms. Tronnes, earlier you said that the Carney government should focus on removing the 232 tariffs.

Can you tell me what the consequences of these tariffs are right now, and what the urgency is for action? Why did you bring that up?

• (1615)

[*English*]

Jamie Tronnes: The impact of the section 232 tariffs is quite severe. It's affecting industries far and wide, not just here in Canada—obviously, getting our products to the U.S. is important—but it's also affecting products in America and finishing things off. Our supply chains, as Mr. Volpe has also talked about, are very intertwined. Without the ability for us to get our products out into the world tariff-free, it makes it very difficult for American manufacturers, or even Mexican manufacturers, who are trying to move through the supply chain to get that done.

There will not be section 232 tariffs on all parts of the car, but there will be on extra parts of a car that have made the inclusion list. We're seeing section 232 tariffs apply to things like electrical transformers. In a country like the United States, which is in a war to try to meet the AI demand for energy, the fact that they would put section 232 tariffs on electrical transformers, on aluminum power lines and copper that they need to build out the electrical grid right now, which is a priority for the government, is a little crazy.

It really does affect Canadian capacity to get things moving. It affects our ability to sell things to the United States, but more importantly, it affects us nationally in that to be subject to section 232 tariffs means that we are, in some way, an enemy of the United States, which I believe we are not. We have our traditional allies. We may be in a bit of a spat at the moment, but that doesn't mean we are a national security threat to the United States just for giving them aluminum, steel and copper.

Jason Groleau: Thank you.

The Chair: Thank you very much.

Mr. Fonseca, please go ahead for five minutes.

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

Thank you to the witnesses for coming before our international trade committee as we study this CUSMA review. Listening to all of you, I want to thank you for being champions and ambassadors for an integrated North American system. We heard Mr. Bellisle speak about leveraging the third-largest economy in the world. I also heard the same tones coming from Ms. Tronnes. I also think, Mr. Volpe, you said North America wins together, and you are so right.

As we communicate our message to the United States, how do we demonstrate to them best that an integrated North American system also means American jobs and "America first"? Mr. Volpe, I think you spoke to a 10% increase in jobs since the first agreement that we had after we renegotiated NAFTA.

For all of you, how do we best approach this so we can penetrate with the right message so that it will be heard in the White House, through the business community and through labour and the workers, etc., in the United States?

I'll start with Mr. Volpe.

Flavio Volpe: Thank you, Peter.

The challenge is whether the White House is listening. What we were able to do to get an exemption for auto parts is to explain to the Americans how heavily invested we are in 23 U.S. states and 176 factories. That number has gone up because this president initiated the original USMCA. Also, in that USMCA, about 10% more U.S. content is in a Canadian car in 2024 than in 2019. That's different from how they trade with Japan, which is a great trading partner of ours and theirs. American components don't go across the Pacific and come back as cars. We managed to convince them through that advocacy, I think—Canada didn't trade anything—that Canadian auto parts could enter the U.S. with a tariff exemption.

Very specifically, our joint focus on competing with China is important for the White House to hear but also see demonstrated. The

Chinese are, for example, using graphite. If you want to make a positive terminal on a battery, you need graphite. Of the world's graphite, 95% comes from China, and 85% of the processing of that comes from China as well. We need to demonstrate to them that we have graphite.

It's the same thing for lithium. It's not just that we have it, but that our country, our government at both levels is committed now to permitting the extraction, processing and delivery of the things that gets them off China. I think the Americans are beyond warm rhetoric. They need to see times and dates. We also need to do that for ourselves. Frankly, we don't have a pull market in Canada to be our own market. We need the safety and the volume of a U.S. market. It's a tough grind. It's a lot of chipping rocks, but you have to do that at the end of the day.

• (1620)

Peter Fonseca: Thank you, Mr. Volpe.

I'm going to you, Ms. Tronnes, because you had mentioned leveraging what Canada has in terms of what the U.S. values most, be it energy, defence or critical minerals. We just heard about one of those critical minerals that would be able to be delivered through our supply chain from Canada into the U.S. and into Mexico.

Can you expand on what you were discussing and tell us in terms of this grand bargain or how we can better communicate that to the United States?

Jamie Tronnes: Absolutely.

Canada has so much that the U.S. needs. We have all 34 critical minerals. We have rare metals. In fact, we even have critical gases, which we often forget about. Helium is a big component of making semiconductors, for example.

Canada is well placed...whether it's potash or uranium. Saskatchewan itself has a plethora of things that the United States needs. When I talk to Americans down in D.C. and talk about all of the opportunity in Canada for extractives, for mining, for critical minerals, they just can't believe it. They are wondering, "Why are we getting all this stuff from China? Why aren't we getting it from Canada?"

I have to say that it takes a long time to open a mind. The permitting takes a long time. These are things that I feel the government has kind of realized. We're hearing that from...permitting. We have the Major Projects Office that's open now. That is a great step forward to getting some of our products out of the ground, but we need to move as fast as we can. We're in a race, and it doesn't feel very much like we're moving fast.

In terms of the grand bargain, one of the things we talk about is bringing those things into a comprehensive fiscal trade agreement. Imagine saying to an investor in a mine, "Look, we've already secured a deal with the United States that they will already build a processing facility," or "We have 10 investors from company X because we know that America is going to buy all of our tungsten," or "We know that there's already a processing facility being built for this specific mine. All we need you to do is build it." That really creates certainty in the market. That creates investment and draws for investment. Those are the kinds of things that we could put into a trade bargain.

You asked earlier about some of the messaging that we use. My colleagues and I have analyzed our trade deficits. Sixty-six per cent of our trade deficit with the United States is manufacturing and primary and secondary inputs. These are inputs towards manufacturing in the United States that Americans really need in order to get things done. It gives us a huge amount of leverage. It is a good talking point to remind them that we're not giving them finished products. We're giving them things so that they can finish the products and then sell them and make money.

The Chair: Thank you very much.

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

[Translation]

Simon-Pierre Savard-Tremblay: Ms. Tronnes, I would now like us to talk in a little more detail about strategic coordination with the United States, as compared to China.

We know that, in many respects, the United States doesn't trust Canada, perceiving it somewhat as a sieve, and at times, as a partner that is not very serious from a strategic standpoint.

How do you think we could strengthen that coordination and allay some of the fears of the Americans?

We know that your organization warned us that Beijing was taking advantage of this divergence.

How could we ensure that the Beijing regime does not exploit the political and economic differences between Canada and the United States?

[English]

Jamie Tronnes: That is happening for us in Canada. We have raised this point in Washington, D.C. and elsewhere that China is trying to create a wedge between Canada and the United States. They are interfering in this moment to try to crack open wedges in the relationship, and that is a major problem. I also feel like they are not getting as much ground out of it as they probably think they are.

I feel that the Americans, for the first time, are paying attention to some of the things that we're doing, and we are trying to show them some of the things that we are doing, but there's always more to be done. The fact that we've had to have the foreign interference committee and the Marie Hogue commission, and the fact that this had to happen means there is a problem. All the documented problems that came out of those commissions are things that Americans want to know about. They want to know if Canada is going to take foreign interference seriously. They want to know that we're going to take it seriously at a political level, at a security level and at a transnational security level, especially when it comes to international crime and international drug trafficking.

• (1625)

[Translation]

Simon-Pierre Savard-Tremblay: In your opinion, is the answer yes or no?

[English]

Jamie Tronnes: We just have to do the work. We have to crack down.

[Translation]

Simon-Pierre Savard-Tremblay: So it's more no than yes.

[English]

The Chair: Thank you.

We have Mr. McKenzie for five minutes, please.

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

Ms. Tronnes, I would like to pick up on critical minerals. Canada is extremely wealthy in critical minerals that are needed around the world but certainly in advanced manufacturing here in Canada and the United States.

Can you comment on the place that our production capabilities are taking in negotiations and in the strategy with Canada and the U.S.?

Jamie Tronnes: Certainly I'm not in the room when it comes to the negotiations but, from what I understand, the fact that we have that card to play is something that a lot of other countries simply don't have. The problem for us is that we don't have it ready; it's still in the ground. A lot of our critical minerals and a lot of our metals are not readily able to get to market. That is the problem for the United States in that they want them now.

The DOD has invested, through title III of the DPA in some of our critical mineral mines. We could and probably are reminding the Americans of the fact that they already have skin in the game and that the government has already invested in getting some of our minerals to market, which is a good thing for everyone.

David McKenzie: It's my sense that there hasn't really been a lot of utilization of that important lever that our critical mineral reserves and resources represent.

Do you feel, to date at least, that our federal government has not made use of that leverage?

Jamie Tronnes: I really couldn't tell you whether they have or have not behind closed doors. The problem right now is that they don't have anything to promise, because there's nothing that's been dug out of the ground. The permitting process takes 17 years on average to open a new mine.

We certainly could promise that to the Americans, but unless we show them and show our own country that we're able to get moving and to get these projects out of the ground as fast as possible, we don't have that leverage in our hands. It's still in the ground. It's still theoretical at this point, and that's the problem.

David McKenzie: Our federal government now has an express lane for nation-building projects, so surely there will be some critical mineral projects on that list.

Jamie Tronnes: I sure hope so.

David McKenzie: You mentioned trade irritants earlier. I wonder if there was anything specific there that comes to mind that you think we should be aware of.

Jamie Tronnes: There are so many trade irritants.

When I say trade irritants, I mean things that have bothered the United States for a long time. We know what some of the issues have been. There's softwood lumber, which is the dispute that's gone on for decades. It may be something like supply management. It could be looking at various other supports that we have for our industries that the Americans don't have. Agriculture in particular is going to be sensitive, probably because the Americans may be looking to bail out some of their own farmers, given with what's going on with soybeans down south.

As for other irritants, a long-standing one has been our defence spending. We can expect that the golden dome is going to come up, not just because Trump talks about it all the time, which he does, but because we haven't been pulling our weight in reaching our 2% goal. The Americans want to see some action on that.

David McKenzie: Thank you very much.

I wanted to ask you about CARM, which is the CBSA assessment and revenue management system. Mr. Bellisle indicated that it's not a general part of his world.

I wonder if you could comment on the efficacy of that system.

Jamie Tronnes: I really can't. It's also not a part of my world, I'm afraid. I'm sorry.

David McKenzie: I have a document from the Canadian International Freight Forwarders Association where they raise "significant concerns towards the ongoing system reliability and consistency issues" that they see in respect of that.

Can you comment on that any further?

Jamie Tronnes: Unfortunately, I can't.

David McKenzie: Could either Mr. Volpe or Mr. Bellisle comment on the concern that's being raised by this organization?

• (1630)

Flavio Volpe: I'll take a shot at that. I'm happy to.

That organization represents companies that auto part suppliers use to ship and receive goods. CARM is ambitious, but it's current-

ly plagued with a lack of reliability, which is not helpful at the moment.

David McKenzie: I understand there can be up to a major outage per week in the accessibility of the system. My understanding is that this means goods stop at the border and can't proceed until the system is restored.

Is that your understanding as well?

Flavio Volpe: I don't have the anecdotal evidence that you're citing, but I've certainly heard similar comments.

Companies have been looking for workarounds, but when you're working around something, you're taking resources from something and putting it on something else that you didn't budget for.

The Chair: Ms. Lapointe, please go ahead for five minutes.

[*Translation*]

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

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

I have questions for all the witnesses, but I'll start with you, Mr. Volpe.

I've read that Canada needs a national automaker. You think we should have a fully Canadian vehicle.

I recently had the opportunity to attend an event at the German embassy in Ottawa, where we were presented with the prototype of an electric vehicle built entirely with Canadian auto parts.

Obviously, this prototype is very expensive, but could it have been a project that would have avoided the situation we're currently experiencing with the United States and Mexico?

[*English*]

Flavio Volpe: Thank you for the question.

I think I recognize the person you're quoting and the person who coordinated the car.

Obviously, that was Project Arrow, which was put together by the APMA in partnership with Ontario Tech University to demonstrate that if we're going to build the cars of the future, we can source every single component from Canada. We couldn't get touch screens from Canada when we built it in 2023. I've been assured by three other companies that we can.

My commentary on a Canada car is separate from Project Arrow. Project Arrow demonstrates what we're capable of doing from a technological point of view.

My launching into a steering committee and feasibility study on whether we should have a national car company is looking at what Mexico has done, with the same threat from Donald Trump, to launch Olinia, which is President Sheinbaum's project. It's asking if we can direct some of that industrial activity ourselves.

I have said that when we do this feasibility study, we need to define what we want to do here. We don't want to build a national car company. I'm not suggesting a publicly owned car company that will compete with the Chinese with the same business model.

Do we have mobile capital, technology, people and enough dreamers in this country who say that it's a shot worth taking? We're going to do a deep dive, but we're also going to be very humble. If experts in every single discipline say that it's not a risk worth taking with public sector partners, we won't.

[Translation]

Linda Lapointe: Thank you.

That's a very interesting perspective. We have to keep an open mind and think about solutions, given everything that's going on in the world and the imbalance we've been experiencing since last January.

Mr. Bellisle, earlier you asked that customs clearance be allowed in Montreal to lighten boats so that they can travel to Montreal and, eventually, to the Great Lakes. From there, they can even travel as far as the Mississippi.

What exactly did you mean by "clearance" and "lighten"?

Robert Bellisle: We're asking that vessels be allowed to clear goods at the Port of Québec so that they can go to the Port of Montreal.

In Quebec City, the water depth is 15 metres, which allows certain types of ships to pass through. Along the St. Lawrence River, the water depth is 10.5 to 11 metres. If a fully loaded ship requires 12.5 metres of water, it must be lightened in order to enter Montreal.

Currently, ships leaving Europe and going directly to Montreal have to be loaded at 80% or 85% of their capacity. If ships could stop in Quebec City, they could increase their load by 15% for importers or exporters. Imagine the gains in energy, greenhouse gas reductions and competitiveness. Costs have already been absorbed. The sailors and the fuel are already on board. The ship literally passes by my office and goes as far as Montreal with a load 15% below its full capacity.

If these ships could be received at the Port of Québec, they could be allowed to transport more goods and lighten up in Quebec City so that they could continue their journey to Montreal. That would make the supply chain much more competitive.

• (1635)

Linda Lapointe: Intermodal transportation also requires other infrastructure. There is port infrastructure, but there also needs to be other infrastructure so that goods can enter or leave the port by land.

Robert Bellisle: That's the beauty of this project. Usually, such projects are delayed by difficulties related to infrastructure con-

struction and everything to do with the seabed. However, in the case of this project, the infrastructure is already present at the Port of Québec. The Canadian National Railway is there, the highways are there, the port is there. You just need to reconfigure the superstructure and have customs clearance, so customs officers. The investment required to do that is minimal compared to the billions of dollars invested in New York, for example, to lift the bridge and dredge the Hudson River. That would be a significant competitive gain for our entire supply chain.

Linda Lapointe: Thank you very much.

[English]

The Chair: Thank you very much.

Mr. Jeneroux has the floor, please, for five minutes.

Matt Jeneroux (Edmonton Riverbend, CPC): Thanks, Madam Chair.

I thought I might get cut off with the time, but that's great. I appreciate the time.

I want to start with you, Madam Tronnes.

You're a University of Alberta grad, right?

Jamie Tronnes: Yes.

Matt Jeneroux: Perfect.

Madam Chair, I think we should pass a motion that there's always a University of Alberta grad present at this committee. There are now two, so—

The Chair: I'll just let the committee know that Mr. Volpe has indicated he'll have to leave at 4:45.

Matt Jeneroux: I'm sorry, Mr. Volpe; I'll have no questions for you today, although we missed out on the baseball and Expos reference that you usually bring to the committee.

Flavio Volpe: I can do it.

Matt Jeneroux: We'll do it next time. I'm not going to eat up my time with that.

I do want to get back to you, Madam Tronnes.

You mentioned what the United States is paying attention to right now. Let's go back two or three years. I remember when we went down there. We sat in the office of a congressman or senator and got beat up for the first third of the meeting just on defence spending and then we moved on to issues that Canadians wanted to talk about.

Are you indicating that there's a lot more knowledge or awareness from the elected officials down there of the issues we're facing when it comes to, say, interprovincial and cross-border trade?

Jamie Tronnes: Yes, I think the mixed blessing of Donald Trump putting us in the crosshairs meant that people in the United States were really paying attention to what was going on in Canada for the first time. It wasn't just that people would ask me what a premier was, but actually why didn't we have interprovincial trade. People were starting to watch our news and understand a bit more about the country, which was fascinating to me.

One of the other things that Americans are looking at is the game of baseball where the Nationals are the former Expos. Is that what Volpe would say, talking about how we're out of the playoffs?

There is a lot more understanding of our issues. There's a lot more understanding of our failures as well, of where Canadians need to pull up our socks and do our part for our allies. That doesn't just mean on things like defence, but also national security, border security. As Mr. Trump has made painfully aware, he doesn't believe our border is secure and we have to do something about that. It's also when it comes to Five Eyes, what are we bringing to the table? Is it time for Canada to start thinking about bringing some human intelligence capabilities to the table? We can't always be the one who shows up at a potluck thinking it's a buffet. We have to bring something.

Matt Jeneroux: That's a good line.

It started coming forward for me even before the Trump administration when we saw a joint letter last year, maybe going back two years now, on the push-back on the DST and the Online Streaming Act. As much as this particularly lays at the feet of the relationship between the current president and our government, I'm curious about whether you see it as something that has slowly been building for years to the point where now there's the focus on Canada?

• (1640)

Jamie Tronnes: I think so. This is why I took the opportunity in my opening remarks to talk about digital and the upcoming Online Streaming Act enforcement, as well as the encryption backdoor, because what we're seeing from the administration, if you're paying attention to the digital file, is a vice-president who's very publicly taking credit for getting another country to squash their encryption legislation.

Canada has one of those coming up in Bill C-2, and what happened with the DST is potentially going the same way with the Online Streaming Act. That is one of the reasons I chose to highlight those two issues, because I think they are front and centre in the mind of the administration and they're some of the next irritants that are up for discussion.

Matt Jeneroux: I think it's probably good for the analysts to note as we go forward that things like the Online Streaming Act are things that should also be a fact of this report and we report that to Parliament.

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

Yasir Naqvi (Ottawa Centre, Lib.): Mr. Fonseca has a question and then I'll take over from there.

Peter Fonseca: Thank you, PS Naqvi.

I know for sure that Mr. Volpe was around from 2017 to 2020 when we were negotiating the first NAFTA. Now as we go into this

CUSMA review.... Earlier, when we did negotiate, we negotiated as team Canada. I know in this place everybody was team Canada. We took that holistic approach to everywhere we went.

We're hearing a lot of rhetoric here in the House of Commons and in politics where we're hearing negativity about our businesses, about our workers, about our labour force, etc. Is that helpful to us delivering a message as a united front when we go down to Washington?

I would ask that of our witnesses.

The Chair: Mr. Volpe, you can go first since you'll be leaving shortly.

Flavio Volpe: I think it's important that we speak with one voice, but we shouldn't stifle criticism. There are things that we could always do better and I think those voices are important.

I do think at a time when we're in the highest stakes on sectoral tariffs and when we're talking about a target on industrial Canada, that it's not helpful when we're debating on the value of regional industrial strengths being weighed against other ones. We need to put it aside and play like the 1994 Montreal Expos, who had the best record in the major leagues and should have won the World Series that year.

Peter Fonseca: Thank you.

Ms. Tronnes, when you talk about defence spending, it is this government that upped the ante. We're going to the 2% this year, five years ahead of schedule, long before other parties and others talked about getting to this point. I think that's a positive that we can lead with. What are your thoughts?

Jamie Tronnes: I agree 100%. It's music to my ears, and I think it's music to the Americans' ears, but they've been listening to us say those same words for decades. That's the reality of it. We have to continue to put our actual actions where our promises have been for the last 15 years or so and actually get to the defence spending that we have promised. I wholeheartedly agree that the government is trying to do that, from what I see. We'll see when the budget comes out this fall whether or not we have what we came for.

Peter Fonseca: Thank you.

Thank you, PS Naqvi.

The Chair: You have two minutes and 20 seconds remaining.

Yasir Naqvi: Thank you very much.

I will start with Mr. Volpe, because I know he has a minute or so left. In fact, I have the same question for all three of you.

In your opening remarks, you all lamented a bit that here we find ourselves in this trade war with our closest neighbour even though we have done so well, I think we all would agree, to each other's mutual benefit. We're doing this study to give recommendations to government for the upcoming CUSMA review. What are the top three things you would recommend that the Government of Canada should be stressing in this particular review that benefits Canada, Canadians and in fact North America wide.

Mr. Volpe will start.

• (1645)

Flavio Volpe: Thank you.

Number one, the rules of origin are good, and they worked for American investments as well as Canadian investments. They provide a certainty, and I think the structure of the USMCA is always more helpful for business to map out investments than the bilateral nonsense of national security tariffs.

Number two, capital movement inside North America in automotive looks for 10- and 20-year opportunities and also looks at China as the biggest threat on return. Inasmuch as we can create those rules to help keep the Chinese subsidy and influence out while moving money around the continent, the better.

Number three, one thing that really works in the Canada-U.S. relationship is that we both value human capital the same way. We pay the same, train the same, and we trust each others' brain trust. That's increasingly the same with Mexico. We should consider that as the core resource amongst the three countries, and the fact that there is peace and interchangeability in that is something we should build on.

The Chair: I'm sorry, but there is no time left.

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

[*Translation*]

Simon-Pierre Savard-Tremblay: Ms. Tronnes, let's pick up where we left off.

In an article published on your website on September 4, Stephen Nagy states that Beijing seeks to portray Canada as the weak link in the North American alliance.

Why?

[*English*]

Jamie Tronnes: It's because we have been in many respects the weak link on the North American alliance. Mr. Nagy's words speak for themselves, and you can check it out on our website, cnaps.org.

Yes, Canada has been exploited and invaded in some respects particularly even at the political level by agents of the PRC. It's a big problem. I think everyone in this room knows that it's a problem, so I'm not going to pretend that it's not. Is Canada doing something about it? It feels like Canada is starting to do something about it. I'm sure the government can speak for itself about the actions it has taken and will be taking, especially in response to the Marie Hogue commission and other national security endeavours that it's trying to undergo.

[*Translation*]

Simon-Pierre Savard-Tremblay: The same article talks about the risk of a strategic disruption of the coordination between Ottawa and Washington, particularly in the Indo-Pacific region.

Do you agree? I imagine you do, since your organization published the article in question.

On a practical level, what impact will that have and why the Indo-Pacific region specifically?

[*English*]

Jamie Tronnes: You also have to think about this from the perspective of the Americans. They are very concerned with China. That is the primary lens from which they view a lot of what they're looking at. There is a very strong concern about an upcoming confrontation in Taiwan, but there's also a strong idea of competition throughout the Asia-Pacific region. Canada could be doing more in that region. We have lots of strengths over there. We are a power not just on the east but on the west. It is important for us to really be able to again make sure that we're able to intervene not just militarily, but in terms of having intelligence, in terms of being able to prove that we're an ally, and that we'll be there if America asks us to be there.

The Chair: Go ahead, Mr. McKenzie, please, for five minutes.

David McKenzie: Thank you, Madam Chair.

Mr. Bellisle, I would like to ask you about your experience, if any, with respect to energy shipments. In terms of your experience in steel and in shipping, have you had any exposure to energy shipments such as crude oil, natural gas or liquefied natural gas?

Robert Bellisle: I don't on the shipment itself, but I'll back up a step in my career.

I was a CEO in Trinidad and Tobago. Basically the entire country is dependent on the exploitation of natural gas, and I think those infrastructures are critical. In Canada, we need to look at setting up those infrastructures and getting our natural gas out of the ground and into our manufacturing, our industrialization and into foreign trade. We have countries such as Germany wanting to work with our Canadian companies to develop green energy, hydrogen, etc. The Port of Belledune, for example, with its strategy of green energy, is uniquely positioned to do that.

I think that those are areas of focus that we have to look at on infrastructure.

• (1650)

David McKenzie: Sir, would you have any interest in liquefied natural gas? There's certainly been some discussion about prospects for that in Quebec, whether the gas is produced in Quebec or whether it might be produced in other parts of Canada.

I'm from the riding of Calgary Signal Hill, where we produce a great deal of conventional energy. Would you be interested in opportunities like that if they were to be advanced in Quebec?

Robert Bellisle: Absolutely. There are two things here. One, your premier is in Quebec as we speak, and she spoke at the Montreal Chamber of Commerce. I applaud that our provincial links seem to be strengthening overall, and I applaud her being there to speak to the business community there. Two, we are working with the Port of Belledune and the Port of Baie-Comeau to look at opportunities for transiting green energy.

David McKenzie: Would you be interested in conventional energy as well?

Robert Bellisle: There are two parts to that. One, as I mentioned, get it back to the industrial and manufacturing side. We need to understand that Canada rates 17th in the world right now on the manufacturing index. In 15th position is Ireland. I have nothing against the Irish whatsoever, but they're a country with five million people with essentially no natural resources, and they rank better than us in manufacturing.

Two, natural gas and critical materials have to get transformed to create richness, so we need to open that up. That means working between our provinces to make sure that we can manufacture here, export our product and monetize our natural resources.

Yes, we would look at being a part of that. Our customers, of course, are also in those segments.

David McKenzie: I presume that any increased manufacturing capacity and shipment is exactly where you would come into that equation.

Robert Bellisle: That is correct, sir.

David McKenzie: I appreciate your interest in that and your commitment and participation in expanding those facilities and the critical infrastructure that we're going to need to make those things happen.

Thank you very much.

Ms. Tronnes, I would like to ask about rules of origin. It seems to me to be quite a quagmire, quite frankly.

Do you feel that we have a clear strategy through our government here in Canada to understand what trade irritants there are around rules of origin, particularly with our important trading partner the United States?

Jamie Tronnes: Rules of origin are a significant issue. Mr. Volpe was correct to name them as something that we need to absolutely be on. I think that there are other ways we can look at them in terms of the trade agreement. We could make them part of a joint enforcement, and we could allow for inspection of rules of origin compliance across the three countries as part of CUSMA. I think that would go a long way in terms of satisfying the curiosity of the Americans, but also, for our Canadian friends in the auto sector as well and in other sectors, they make sure that our friends to the very far south in Mexico are also doing their part on rules of origin.

Earlier there was a question about what kind of promises we need to make and what three things we would recommend. I would agree with Mr. Volpe when he answered that rules of origin, en-

forcement and compliance are important, but you need to build certainty, move fast and keep your promises. I think keeping your promises is important not just for Canada, but also for the United States and Mexico.

The Chair: Thank you very much.

I'm sorry, Mr. McKenzie. Your time is up.

Mr. Lavoie has the floor, please, for five minutes.

[*Translation*]

Steeve Lavoie: Thank you, Madam Chair.

I'll continue with Mr. Bellisle.

Mr. Bellisle, you made some interesting comments earlier regarding the supply chain. You spoke of investments.

What would happen if Canada didn't invest to keep up with what the United States and others are doing?

How do you see that? What would the future look like without these investments?

Robert Bellisle: It is essential to invest in infrastructure. It's the heart of our economies.

The IT sector has become a lot more appealing in the last few years than traditional economies. When countries change course to improve their prosperity, they use industrial chains to do so. Without infrastructure, there is no industrial chain. It's that simple.

We need to invest in industrial chains, but for that, things need to be able to flow smoothly at a logistical level. As I mentioned, 80% of everything that's produced and everything that's consumed travels by ship. Without the proper infrastructure, we can't compete. It's like trying to play hockey without skates.

• (1655)

Steeve Lavoie: I like that. It's a concrete example.

What infrastructure should we develop, or reinvest in? Give us an example for the average person watching at home.

Robert Bellisle: I'll give you an example that affects our daily life. Ships sail to Montreal with reduced loads, because of the draft restrictions on the river. The Société des alcools du Québec is one of the Port of Montreal's biggest clients. We all love a glass of wine on Friday evening. Wine bottles are unloaded in Montreal, and then transported to a distribution centre in Quebec City.

If we could unload ships here, we could reduce costs and the carbon footprint, which would naturally lower prices for consumers. By improving logistical chains, we could reduce the carbon footprint, which is important for not just environmental sustainability, but also costs, while increasing the competitiveness of our businesses to the benefit of consumers.

Steeve Lavoie: What are the three biggest challenges facing global and North American supply chains today, and what will the three biggest challenges be in the coming years?

Robert Bellisle: To understand what's happening with logistical chains, you just have to look at the water-level issues in the Panama Canal, the blockade in the Suez Canal or the risks of piracy on the open seas, just to name a few. A very important first step is to ensure the flow of trade. That's why we need to keep investing in infrastructure. We saw all the disruptions caused by the ship that hit a bridge in Baltimore.

The second major thing, especially for Canada, is reducing the administrative burden. I mentioned Ireland earlier. It now ranks 15th in the world in manufacturing. How did they do it? Well, they went from 20th in the world in administrative burden to 3rd or 5th. Canada ranks 20th at best in administrative burden.

That means we need to reduce the administrative burden to move projects forward. I mentioned the Quebec City project, but there's also one in Sorel. We are seeing efforts to make progress in Nova Scotia and New Brunswick. Obviously, the main issue concerns the administrative burden. We're talking years of delays. Meanwhile, the impact of tariffs can be felt in days, weeks and months.

Steeve Lavoie: Are you speaking with your American counterparts? What do they think of the tariff war?

Robert Bellisle: It's quite interesting. This week, Quebec City is hosting the American Association of Port Authorities convention. As we know, the premiers and governors are meeting at the same time.

What's interesting is that it's almost unanimous. People are talking about the global economy and the importance of maintaining trade flows. All the states that have a good understanding of the maritime elements understand how important these flows are. Provincial governments are starting to realize that they need to talk to one another a lot more and drop interprovincial barriers. It's odd to tell another country to drop its trade barriers when we have barriers between our own provinces. As another witness mentioned earlier, it's time to stop talking about it and make it happen.

[English]

The Chair: Thank you very much.

Mr. Chambers, you have five minutes, please.

Adam Chambers: Thank you, Madam Chair.

Ms. Tronnes, I want to follow up on a couple of points.

Isn't it true that President Biden's administration warned the Canadian government not to proceed with things such as the digital services tax and the online streaming tax?

Jamie Tronnes: That's correct.

• (1700)

Adam Chambers: There are a number of trade irritants or perceived trade irritants no matter who occupies the White House. Is that a fair assessment?

Jamie Tronnes: Yes, I would say that's a fair assessment.

Adam Chambers: Do you think it's worth the Canadian government, the general public and members of Parliament being self-reflective about how we got here instead of just blaming one individual? Isn't it worth questioning how it is possible that both major parties in the U.S. have had significant challenges with Canada over the last decade?

Jamie Tronnes: To that point, the reason the Macdonald-Laurier Institute decided to do what no other Canadian think tank has done and set up an office in the United States was that we realized back in 2023 the relationship had major problems—problems that Canadians weren't seeing and problems that even some Americans weren't seeing. A lot of it had to do with the fact that Canadians just weren't listening. We were going in, flying down, coming in and out and having meetings. Just because we watch American news, we tend to feel that we understand the country. It is a foreign country. Likewise, Canada is a foreign country to Americans. We are all learning that now.

We recognize that well before Trump was in power, the relationship had challenges and Canadians needed to listen. That was the whole reason we set up the Center for North American Prosperity and Security.

Adam Chambers: Thank you.

Do you think it's helpful for Canadians to go to America and tell Americans what's good for them?

Jamie Tronnes: I think that would depend on which Canadian and who you were talking to. That might be a tricky question.

Adam Chambers: I'm asking partially because we've heard from a lot of people on both sides of the aisle. We've had some conversations. I've had conversations with both Democrats and Republicans.

Do you think the notion that there will be tariff-free access to the U.S. is fading away before our eyes? There are not that many U.S. politicians who are full-throatedly defending free trade in the United States. I can think of only one senator, Senator Paul. He's quite lonely.

Jamie Tronnes: I can tell you I have many conversations on Capitol Hill. Behind closed doors, there are a lot of allies. There are a lot of congressmen and there are senators who are extremely concerned and who are hearing it from their constituents. As we get closer to the midterms, it will get more difficult for them to resist some of the problems and the pressures. Particularly, we are already seeing it from the farmers in the soybean agriculture sector. The Trump administration likes to do things quietly behind closed doors. They don't like it when you pop your head up and start criticizing them, so a lot of our allies are doing it quietly, but they're not doing it because it's what's right for Canada. They are doing it because it's what's right for their constituents and their manufacturing sector and because tariffs are going to be expensive.

However, just a few months ago here in Ottawa I had a conversation with Robert Lighthizer, of all people, the grandfather of tariffs. He said the first rule of tariffs is you should not tariff your inputs and that, in his mind, the idea of the tariff regime with the United States doesn't work if the CUSMA goes away. There are so many inputs into the American manufacturing sector across the board that it just wouldn't work. Now he's on the outside of the administration—he's retired now—so I don't know how far his voice would carry on that, but it is worth remembering that this is something that is negotiable.

I would love very much for the tariffs to be a thing of the past, but the president has been very clear that “tariffs” is the most beautiful word in the dictionary, and he has a goal of getting tariff revenue.

The Chair: You're 25 seconds over.

Adam Chambers: I'm 25 seconds over. Well, Madam Chair, thank you for your indulgence.

• (1705)

The Chair: I was going to allow—

Adam Chambers: You're very generous.

You know, chairs of committees that I've been on previously, who shall remain nameless, were a little more abrupt than this.

The Chair: Is that right?

Well, when we're receiving great information, regardless of who's asking the question, I think it's important to let that information get to the table. That's what we're doing.

Adam Chambers: Thank you, Madam Chair.

The Chair: You're very welcome.

Mr. Bellisle, I understand that you have to leave.

Robert Bellisle: Yes. I apologize, but as mentioned, the AAPA is happening, and I'm actually hosting. I mentioned to the committee that I unfortunately have to leave at five o'clock to get to it.

The Chair: Thank you so very much for your information. Who knows? We may have you back in 2026, if not before.

Robert Bellisle: Thank you, and thank you to the committee for your great work.

The Chair: Ms. Tronnes, are you okay for a little bit more, so that we can get a few more questions in?

I have Mr. Fonseca next, and then I have Mr. Savard-Tremblay.

Peter Fonseca: Thank you, Madam Chair.

I have always known MP Chambers as somebody who is very diligent with his time, very strict in keeping to the letter of the law, or whatever the time is, but it's great to see that he's very relaxed here in asking all of his questions. They are great questions. We've been able to get some fantastic testimony from our witnesses, as Ms. Tronnes has provided.

Ms. Tronnes, you just spoke about your conversations with Mr. Lighthizer. Those are very positive. Those are good to hear. He is, as you say, the godfather of tariffs. Is that what you called him? Yes.

Thank you for setting up in the United States. I want to follow up on that.

Should Canada be using the private sector, the think-tank diplomacy, more aggressively in the U.S. to be able to influence American opinion leaders, in your opinion?

Jamie Tronnes: Yes, I agree 100%. It is very lonely where I am now. I see the same for Canadian analysts from the academic sector. There are very few of us in the U.S. in general, not just in D.C., but in the U.S., and that's a big problem for Canada.

I'll put it into perspective. I'm a staff of one. I'm in D.C. by myself for Canada. I have five Mexican counterpart institutes. That does not include the Latin American centres of study at almost every other major think tank in the U.S. There is no Canadian centre of study at any of the think tanks in the U.S. If we fall under anything, it might be something Arctic adjacent, but it's very hard to find that.

I also have a hard time finding Canadian lobbyists down there and not necessarily industry associations representing Canada. When I ask and when I'm asked by businesses which of the Canadian associations should be supported, I just say, “Yes.” Support all of them. We need more Canada in the U.S. We need more voices.

Canadians are not used to having to compete for attention in the United States, so we don't know how much it costs. It is expensive to have a voice, think tanks and academic programs, and for people to study and care about your country in the world's capital, where every single problem goes through it, but it's worth it when it comes to a moment like this.

Peter Fonseca: I have one final question.

What strategic move could most effectively ensure that Canada remains indispensable to the United States?

I know that's a big question.

Jamie Tronnes: Yes, that's a really big question.

Well, McDavid has just been signed, so we can't trade him back, not that we would.

I really think we need to cement our position with the United States. I know that this is a time when we're talking about diversifying our export market, and I don't think America cares if we do or we don't, as long as they can continue to get products from us. They're happy for us to also make money elsewhere. They don't take it personally, and neither should we.

I think it's important for us, however, to remain indispensable, be the power that they can rely on and to keep our promises when it comes to things like permitting reform, maintaining our military spending and all of the other things that we say we'll do.

We can only strengthen this alliance at this point. We've kind of hurt it a little bit, but it can only go up from here.

Peter Fonseca: Thank you.

The Chair: Mr. Savard-Tremblay, do you have any questions?

• (1710)

[*Translation*]

Simon-Pierre Savard-Tremblay: If I understand correctly, Ms. Tronnes is the only one left.

Is that right?

[*English*]

The Chair: You're next on the list.

[*Translation*]

Simon-Pierre Savard-Tremblay: Then I'll just finish up on the previous subject.

Ms. Tronnes, let's say annual reviews were built into CUSMA, as has been suggested. I don't know how plausible that is, but it was suggested. It's possible.

Would that give Beijing more opportunities to exploit internal divisions?

You might not see the impacts on our side. The Americans might be more affected, or it might be felt on both sides of the border.

[*English*]

Jamie Tronnes: Any time you have an opportunity to make a hole in an alliance between two countries, that gives any nefarious actor an opportunity, so that would not be a good thing. Also, it would probably make a lot of work for me, and I don't like that.

[*Translation*]

Simon-Pierre Savard-Tremblay: That's all for me.

[*English*]

The Chair: Mr. McKenzie.

David McKenzie: I'd like to ask one last question, Madam Chair.

I mentioned earlier that I'm from the riding of Calgary Signal Hill.

The energy exports from the Western Canada Sedimentary Basin, a great deal of which underlies Alberta, are significant, we send millions of barrels of crude oil to the United States.

Do you see in Washington and in the corridors of power of the U.S. an understanding that it is the case and an appreciation for the integration for the North American energy circumstances?

Jamie Tronnes: I had the honour of chatting with the deputy secretary of energy recently about this. They are very well aware of how dependent they are on Canada for natural gas—oil, yes, but also natural gas.

There is a promise that Secretary Wright made to double American natural gas exports in five years. To do that, they'll have to double Canadian imports in five years because the Permian Basin is not tapped out, but it's reached peak shale, and so it's going to get more expensive for them to get the energy out.

Quite frankly, the pipeline infrastructure that we have is almost at capacity already, and that's a big problem. The United States has 100 gigawatts of natural gas-fired power plants that will be coming online also within the next five years, and their pipeline capacity is almost full.

There's going to be a pipeline building frenzy whether they like it or not, and some of that steel and aluminum may have to come from Canada. Certainly their horsepower engines to get the product to market will have to come from Canada. There's a lot of opportunity for Canadian companies and energy companies to prosper in the United States.

They are very well aware that the focus on AI dependence means a focus on Canadian dependence, whether they know it or not. It's absolutely the fact.

David McKenzie: Indeed, in addition to the opportunity for Canadian expertise to be exported to the U.S., a company like Enbridge already has significant interests in the United States in terms of owning and constructing pipelines. Surely, at the same time, there must be a concurrent need for additional energy infrastructure in Canada that allows us to export further volumes in addition to what we already export.

Jamie Tronnes: That's 100% true.

This demand for natural gas isn't just going to come from the United States—let's be clear. China is also trying to get as much energy as possible, as is all of Asia. People are obsessed with trying to get these data centres powered, and natural gas is the quickest way to get a data centre online because it's the fastest way to build an electrical generation plant. If we don't start increasing our capacity to get our product to market, we're not going to meet the demand as it comes. It takes a long time to build a pipeline, but it doesn't take very long to build the actual plant itself.

David McKenzie: Thank you very much.

The Chair: Madam Lapointe.

[*Translation*]

Linda Lapointe: Thank you, Madam Chair.

Ms. Tronnes, after hearing everything you had to say, I'll take this opportunity to ask you a few questions.

It was mentioned earlier that the Americans are our allies, our neighbours. Obviously, we're really close. You said that Americans don't mind if we establish other markets, that it's okay.

Considering everything we have to offer, what markets do you think we should focus on?

• (1715)

[*English*]

Jamie Tronnes: I think Canada has 16 free trade agreements, if I'm not mistaken. That means there are many more to make. Absolutely, we should be making use of our free trade agreements as they exist. We should be entering into more free trade agreements with other countries.

John Denton, who is the secretary general of, I believe, the International Chamber of Commerce, has been talking and meeting with a lot of folks about free trade agreements and trying to increase the amount of free trade around the world.

I think it's worthwhile to consider ideas—just spitballing—about making an international free trade zone. If you have a free trade agreement and you're into free trade agreements, why not coalesce them to make a larger leverage bloc?

There are all kinds of other solutions that Canada could look at. Certainly, the way to get more trade is to create more incentives for trade and to create more certainty about the trade environment. Agreements do that.

[*Translation*]

Linda Lapointe: Thank you very much.

We talked a lot about natural resources. We're lucky in Canada to have critical minerals and aluminum. We process the aluminum in Quebec, but we don't do a lot of secondary processing.

What should we do if we want to export those products? What should we focus on?

[*English*]

Jamie Tronnes: I think that's a great question for the aluminum business folks. I'm not that deep into the weeds on where we should go.

I would hope that if we build the product, the market will certainly come and eat it up. I hope so.

[*Translation*]

Linda Lapointe: Thank you for being here. We greatly appreciate it.

[*English*]

The Chair: Is everybody good with their questions?

Ms. Tronnes, thank you so much for staying on for almost the full two hours. More importantly, thank you for what you're doing for us in the U.S. Having a solid voice like yours and letting them know how important we are to them.... They shouldn't forget that either. Thank you very much for being here.

I move for adjournment of the meeting.

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