



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

45th PARLIAMENT, 1st SESSION

Standing Committee on International Trade

EVIDENCE

NUMBER 006

Thursday, October 9, 2025

Chair: Judy A. Sgro



Standing Committee on International Trade

Thursday, October 9, 2025

• (1530)

[English]

The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)): Welcome to all of the members. This is meeting number six of the Standing Committee on International Trade.

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

We have with us today, from the Canadian Centre for Policy Alternatives, Stuart Trew, senior researcher. From the Chamber of Shipping, we have Bonnie Gee, president, by video conference. From the Grain Growers of Canada, we have Kyle Larkin, executive director.

Welcome to all of you. Thank you for finding the time to come to speak to the committee today.

We will start with five minutes for each one.

Mr. Trew, please start for up to five minutes.

Stuart Trew (Senior Researcher, Canadian Centre for Policy Alternatives): It's a pleasure to do so. Thanks very much for the invitation to appear before this committee.

I am a researcher with the Canadian Centre for Policy Alternatives. We've been around since 1980, pursuing social, economic and environmental justice policies that would push us in those directions. I direct the trade and investment research project there, which was established in 1999, right around the time of the battle in Seattle, which pushed back against some of these global trade rules that we're talking about today.

I'm going to make a few broad points that I hope have relevance to both of the committee's studies right now: the one with respect to the CUSMA review and the one with respect to the rules-based international order.

We're very preoccupied, as I know everyone at this committee is, with the trade wars we're seeing right now from the United States and the deindustrialization that we're seeing in this country, which is very much on purpose. It's part of what Trump is trying to do to this country. We're very concerned about that.

With respect to the rules-based order, I'll make a few points.

The order established by the WTO and the web of trade agreements we've had in place since the early 1990s have been contested pretty much from the beginning. I don't think it was ever settled. It

never congealed. It's been a site of contestation from the beginning—for good reason—whether in the streets through public protests in Hong Kong, São Paulo and Cancún, or else in academic discourse and in government policy rooms. The belief that these rules reflected a universal truth about the limits of governing in a free market economy was, I think, hubristic from the beginning. We're starting to see the effects of that, and we're starting to see people realizing that at this point.

We took a relatively flexible system for regulating global commerce in the GATT—a system that acknowledged, for example, how imbalances in production may become an economic and political problem or burden for countries, and that allowed states to negotiate temporary safeguards, like import quotas or tariffs—and we built a rigid set of overlapping treaties that locked countries into policies that, if followed strictly, pretty much stunted industrial development and enshrined corporate rights to the detriment of other international priorities and rights, like creating good jobs, preserving high environmental and public health standards, having high wages, upholding human rights and indigenous peoples' rights, and so on. All these other international obligations took a back seat to never-ending growth and the fantasy of perfect market competition within and between nations. The system was built to fail, and we should not mourn its passing.

Obviously, we need rules to avoid beggar-thy-neighbour policies that help domestic jobs and domestic investors by harming other people's jobs and other people's investments. I would say that's the MAGA model, the Trump model.

There's something the government can do here through reforms to our own trade remedies policy, as other witnesses have pointed out to this committee recently.

Unifor, Canada's largest private sector union, has called on Canada to deploy other measures, like the Foreign Extraterritorial Measures Act, to penalize companies that use the excuse of tariffs to move their capital into the United States, as we're seeing with companies like Diageo or Futura Tool and Die right now.

At the same time, Canada should play its part in the world as a fair dealer. We shouldn't just go around breaking rules willy-nilly. We should abide by commitments we have made related to tariffs and market access. In other areas, like procurement, excessive intellectual property rights or excessive limits to how we regulate or set industrial strategy, we need to be prepared to bend and, in some cases, break some of the more unreasonable rules, as other countries are doing. Let's be honest.

My second point is that preserving the old rules of free trade is contradictory to Canada's efforts to forge a transformative industrial strategy. Buy Canadian policies, in particular on large construction and infrastructure projects, are a no-brainer, with minimal, if any, impact on trading relations. Everybody else is doing it. European nations don't lose sleep when they give contracts to European companies, and I don't think we should either. I think they'll understand if we start to do this in a more systematic way.

We've also seen the European Union now following Canada and Mexico in putting steel tariffs in place to protect its own industry. There is some shifting of these strict rules. None of this is WTO-compliant, just as Canada's retaliatory tariffs on Trump in the early days—which I think were a good idea—were not WTO-compliant, but they were necessary to protect Canadian jobs. They were necessary to protect our economic security, to use Trump's language.

The third and final point I'll make is that rules-based trade should help workers, as well as companies. We have successes to build on, like the rapid response labour mechanism in the Canada-U.S.-Mexico Agreement. This is producing results for workers in Mexico, but it needs to be shielded and expanded to cover Canadian and U.S. workplaces as well, so that we can start to discuss extending the system in other countries. We can't do that unless we're also committing to these same rules that we're applying in Mexico.

● (1535)

In light of the new Canada-Mexico action plan, I think it would be beneficial to strengthen co-operation with Mexico in areas like human rights as well, by supporting the protection mechanism for human rights defenders and journalists, which is under the jurisdiction of the Mexican government. This benefits Canadian businesses by giving them greater assurances that their Mexican operations are not going to be involved, perhaps involuntarily, in human rights violations.

Finally, I would say that Canada needs to withdraw from the investor-state dispute settlement regime, which neither promotes nor truly protects investment in other countries or in Canada. International investment arbitration is the opposite of rules-based trade in many respects. Its practitioners are constantly expanding the rules on their own in arbitration, and they're constantly expanding corporate protections beyond the wishes of negotiating parties, with no demonstrable benefit in terms of added investment, especially sustainable investment. It's anti-democratic, and it undermines legal reforms in those countries that would better provide security and business stability.

Those are my comments for now. I appreciate this opportunity. Thank you.

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

We'll go on to Mr. Larkin, please.

Kyle Larkin (Executive Director, Grain Growers of Canada): Thank you, Chair.

Thank you to the members of the committee for inviting us.

My name is Kyle Larkin and I'm the executive director of Grain Growers of Canada, also known as GGC. We are the national voice for over 70,000 producers through our 14 national, provincial and regional grower groups. As the farmer-driven association for the grain sector, GGC champions federal policies that support the competitiveness and profitability of grain growers across Canada.

With over 70% of the grain grown in Canada exported, rules-based trade is critical to the livelihoods of family-run grain farms across the country. In fact, we export our grain and grain products to over 160 countries around the world, creating \$45 billion in export value annually.

Unfortunately, the rules-based trading order and Canadian exports are being challenged today like never before. Trade uncertainty, tariffs and non-tariff barriers are on the rise, directly impacting grain producers across the country, who rely on international trade for their individual farm revenues.

Most concerning is the trade uncertainty that we are currently experiencing with our two largest trading partners. The United States, which accounted for over \$17 billion of grain and grain product exports in 2023, has become an unreliable trading partner, with changes in their international trade policy on an almost daily basis. Fortunately, all grain and grain product exports continue to be tariff-free under the Canada-United States-Mexico Agreement. However, tariffs on steel and aluminum will have an impact on farm equipment pricing, and overall trade uncertainty has depressed markets for crops that family farms rely on.

Our second largest trading partner, China, which accounted for over \$9 billion of grain and grain product exports in 2023, has directly targeted grain farmers in the current trade spat between our two countries. The 100% duties introduced earlier this year on canola oil, canola meal and peas, and the recently introduced 75.8% duties on canola seed, have had a detrimental impact on farm gate revenues. China has also begun a new anti-dumping investigation into pea starch, furthering the effects on producers across the country.

What can Canada do in this changing international trade landscape? We must first champion the rules-based trading order at home through our own domestic policies and decisions. As Michael Harvey from the Canadian Agri-Food Trade Alliance mentioned to this committee about two weeks ago, “Protectionist measures, both domestically and internationally, should be rejected, as they undermine the principles of free, fair and open trade.”

Second, with over \$45 billion in grain and grain product exports to over 160 countries around the world, Canada continues to be an important supplier of food. However, we have taken this position for granted for too long, with global competitors quickly catching up and competing for market share. To ensure Canada remains one of the top agriculture and agri-food exporters in the world, we must champion the rules-based trading order globally, strengthen our market access engagement and invest in trade-enabling infrastructure to meet the demands of the 21st century.

Lastly, and most importantly, Canada must reset its key trading relationships. Trade uncertainty with our two largest trading partners is having a devastating impact on the livelihoods of family-run grain farms across Canada. The benefits of CUSMA to Canada, the United States and Mexico need to be continuously promoted and defended. Ongoing and increased engagement with China is critical in resolving trade irritants.

Canada must continue to instill, promote and defend the rules-based trading order, both domestically and internationally. Without it, our exports will shrink, impacting both grain farmers and Canada's national economy.

Thank you very much, and I'd be happy to take any questions.

• (1540)

The Chair: Thank you, Mr. Larkin.

We'll move on to Ms. Gee, please, for up to five minutes.

Bonnie Gee (President, Chamber of Shipping): Madam Chair and honourable members of the committee, thank you for the opportunity to present our perspectives on rules-based international trade and investment systems.

The Chamber of Shipping is proud to represent international shipowners and operators who move more than 100 billion dollars' worth of goods through Canadian ports to and from over 150 overseas markets each year. From grain grown in the Prairies to minerals mined in the north and tech products built in Ontario and B.C., shipping connects Canadian producers to global markets.

Canada depends on a rules-based international framework to ensure that ship operators comply with international standards established through the United Nations International Maritime Organization, or IMO, where Canada is viewed as a respected and influential maritime nation. The IMO negotiates conventions that set global standards for safety at sea, environmental protection and maritime security. Flag states where ships are registered enforce IMO regulations through inspections of ships conducted by a global network of surveyors and port state control officers designated in countries where ships are operating.

Canada is a signatory to the Paris Memorandum of Understanding on Port State Control, which consists of 28 participating mar-

itime administrations that cover the waters of European coastal states and the North Atlantic basin from North America to Europe. Canada is also a signatory to the Tokyo MOU, which consists of 22 member authorities in the Asia-Pacific region. The intention behind these MOUs is to eliminate the operation of substandard ships through concentrated inspection campaigns and a harmonized system.

Canada's implementation of international conventions and guidelines is generally consistent with global standards, but when legislation or regulations deviate from the standards, there is often an increased cost for shipping lines doing business in Canada, which may impact the competitiveness of Canadian businesses. The international conventions and standards are meant to provide shipowners certainty in their investments in new builds and their contractual arrangements.

Commercial shipping transactions are also executed under internationally recognized standard form agreements developed by the Baltic and International Maritime Council. These contracts are designed to streamline maritime operations, reduce legal risks and ensure fairness and clarity to the parties involved.

In the absence of international frameworks for shipping, there would be a plethora of conflicting national regulations, resulting in commercial distortion and administrative confusion for the industry, causing uncertainty, inconsistency and inefficiency for global trade.

The Office of the U.S. Trade Representative's decision to impose new port entry fees on Chinese-built, -owned or -operated vessels under a section 301 trade action will take effect on October 14. This will have an impact on vessels serving the North American trade and will likely result in increased freight rates and increased costs to U.S. businesses and consumers. Two container lines that trade regularly into the U.S. and Canadian ports could face up \$2.1 billion in additional costs in 2026. If Canada were to take a similar approach on Chinese-linked vessels, the harm to Canadian businesses could be greater.

Furthermore, the United States' recent decision not to support the International Maritime Organization's net-zero framework, which is expected to be ratified in the coming weeks, carries significant implications. The net-zero framework sets annual GHG intensity reduction targets for ship fuels through 2035, and penalties for exceeding GHG limits will apply. As Canada intends to ratify the net-zero framework, the U.S. threat to impose retaliatory tariffs on countries endorsing this framework is deeply concerning, as it may disrupt international trade flows and create further uncertainty for carriers operating in U.S. markets. This stance also risks undermining the competitiveness of Canadian businesses that rely on integrated supply chains and stable maritime governance.

The global shipping industry has exhibited a high degree of operational agility in response to recent trade policy shifts and geopolitical disruptions. In the face of new regulatory measures and security threats to strategic maritime corridors, shipping operators have rapidly adjusted routing strategies, reallocated fleet assets and diversified port engagements to mitigate risk and maintain supply chain continuity. These adaptive responses are supported by advanced logistics technologies, integrated intermodal infrastructure and robust contingency planning frameworks. The industry's capacity to respond swiftly and effectively to external shocks underscores its strategic importance in global trade and its resilience in navigating increasingly complex and volatile international environments.

Canada's prosperity has long depended on the stability, transparency, predictability and openness afforded by the rules-based global trading system. However, this is a pivotal moment, and Canada should prioritize economic sectors that face the most severe shocks while refining trade policies in a measured, decisive and transparent manner to secure our own strategic economic interests and to ensure our sovereignty, prosperity and resilience.

• (1545)

The shipping industry is highly adaptive and will continue to respond effectively to regulatory and market changes, driven by its inherently competitive and dynamic nature. We are prepared to support Canada and its trade diversification strategy.

Thank you.

The Chair: Thank you all very much.

We'll go on to Mr. McKenzie for six minutes.

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

Thank you to the three individuals who have come before the committee today, bringing their background, information and much intelligent commentary that we need to take into consideration.

Mr. Larkin, you mentioned prioritizing trade-enabling infrastructure. This strikes me as something that, perhaps not entirely but largely, is going to be within our control in our country, when so many things these days are not.

Can you give us some further detail about that?

Kyle Larkin: That's a great question. Thank you very much for that.

Only a few weeks ago, the Government of Canada came out with its major projects list and listed about 10 or 12 different projects on it. The ports of Montreal and Churchill made the list, but Canada's largest port—not only for grain and grain products but for Canada's economy at large—is the port of Vancouver. The port of Vancouver, simply put, wasn't included on that list. I don't know why; we have over \$35 million of grain and grain products that go through there every day, and over 50% of the grain grown in Canada goes through the port of Vancouver. It's critically important for the sector. We rely on infrastructure there that was built in the early to mid-1900s. I can tell you that countries around the world are investing billions of dollars in their trade-enabling infrastructure, and the port of Vancouver should be at the top of that list.

David McKenzie: Absolutely.

I think you may have made some comments previously on the Second Narrows bridge. I presume that ties into that same capacity in the port of Vancouver.

Kyle Larkin: The Second Narrows rail bridge is at the top of our list when it comes to the port of Vancouver. It's a bridge that was built in the sixties, and it needs to go up and down every time a ship passes underneath it. Because of the Trans Mountain pipeline extension and its terminal, which is at the end of the bay, that bridge is going up and down like never before. It's the only connection point between the south shore and the north shore of the port of Vancouver. That bridge was built in the 1960s. If it were ever to fail, we would be in a pretty critical situation and at least half of the operations at the port would be inoperable for weeks, if not months.

David McKenzie: That seems like a perfectly boxed and gift-wrapped nation-building project for our government to consider.

Kyle Larkin: Yes, it is 100%.

David McKenzie: Thank you. I appreciate that.

I think you've spoken as well about regulatory burdens that have an impact; however, I don't know if that's more in the shipping itself or on the production side. Can you comment on some of the things that we can do something about, notwithstanding what may be happening with our trading partners around the world?

Kyle Larkin: Yes. On the regulatory side of things, regulatory co-operation with the United States would be at the top of the list when I think of regulatory challenges that we have. It's about being able to integrate our regulatory systems not only with the U.S. but also with Mexico, especially on sanitary and phytosanitary measures, which are extremely important.

When we look at the CUSMA review or possible renegotiation, that would be near the top of the list so that we make sure we continue to work on that regulatory co-operation. I'm happy to see that the government has taken that online a little bit more, but there needs to be a lot more work done there with both countries.

David McKenzie: One thing that has been identified in the holistic relationship between Canada and the U.S. is that it contains much trade, and some of that is very technical. Trade irritants are things that our American partners have identified as problematic.

Are there irritants in the shipping world that you can tell us about and that we could address?

Kyle Larkin: That's a good question.

I wouldn't say there are necessarily irritants in the grain and grain products space. I'm happy to say that grain farmers, be they in Alberta, Saskatchewan, Oklahoma or Nebraska, are all trying to do the same thing. They're trying to grow crops. They're trying to make a livelihood. They're mostly run by mothers, fathers, sons and daughters, and what they're looking for is an equal partner in government, be it the American government or the Canadian government. What they're looking for is trade to continue between our two countries.

I always tell the story that oats grown in Manitoba are primarily shipped down to five or six states in the U.S. and produced into Cheerios; those Cheerios are then shipped back up here to Canada for families to enjoy across the country. That's really the integrated nature of our agriculture space. That story is told not just in the grain space; it's told in the pork space and the cattle space. You name the agriculture product, and that's usually how it works.

• (1550)

David McKenzie: We have a lot of public conversation these days about auto parts going back and forth across our border as vehicles are assembled. Is it the same in agri-food and finished agricultural products produced for Canadians?

Kyle Larkin: Absolutely. You can look at the canola space as well. We ship a significant amount of canola down to the U.S. A lot of it goes to California and gets produced into biofuel; some of that gets shipped back up here to Canada for individual Canadians or for farmers to use in their equipment.

David McKenzie: Mr. Larkin, I grew up in Saskatchewan, and my parents both grew up on the family farm in Manitoba, so I understand greatly what you're talking about.

When we look beyond our borders, what markets would be priorities for grain farmers and exporters in Canada?

Kyle Larkin: I go back to the port of Vancouver. The reason the port of Vancouver is our most important port and the reason it's growing year to year is that the Indo-Pacific region is the fastest-growing region in the world. It's not just me saying that; it's every country around the world knowing that to be a fact.

When we think of our next customers, we're looking at the Indo-Pacific, 100%. We look at India, Indonesia, Vietnam, Philippines—almost every country in the Indo-Pacific is of critical importance for us. We're keeping a close eye on the ASEAN negotiations. Hopefully those get done as soon as possible. The Indonesia-Canada free trade agreement was a good boost to our trade there. It's one of the fastest-growing markets in the region. The Indo-Pacific is top of the list.

David McKenzie: I would presume you're looking for a normalization of relations with India and increased trade there, as well as supplying food to that nation.

Kyle Larkin: Absolutely. India is critical for a lot of grain products, but it is especially important for pulses—peas, lentils, etc. India is one of the largest markets for pulses.

There are challenges here and there on tariff or non-tariff barriers that come up every now and then. There's obviously a political challenge there that sometimes comes up, based on how the political dynamics are between Canada and India. Our hope there is the same as with China and the U.S. That relationship needs to be reset so we can get our trade back online.

The Chair: Thank you very much.

Thank you, Mr. McKenzie.

Ms. Lapointe, go ahead, please.

[*Translation*]

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

Good afternoon and welcome to the witnesses.

I have some questions for you, Mr. Larkin, particularly with regard to grain.

You piqued my curiosity with your story about Cheerios cereal: The grain used to manufacture it is sent across the border, where it is processed into a finished product that is then sent back to our country.

What percentage of the grain we produce here in Canada is processed in the United States into products that are then sent here to Canada?

[*English*]

Kyle Larkin: I don't have a specific stat for you on how much product has come back into Canada from the U.S., but I can tell you that over \$17 billion of grain and grain products go to the U.S. Some of that is used for their own domestic market, but a lot of that gets manufactured into something else that then gets exported back up here into Canada.

[*Translation*]

Linda Lapointe: Don't you think the grain we want to consume could be processed here?

[*English*]

Kyle Larkin: It's a good question. It's really a question of supply chains and labour forces. There are obviously a lot of technicalities at play there. The U.S., because of its size, has a much larger grain and grain product market than we do. They obviously produce more grain than we do, so they have domestic market forces that allow some of their value-added processing to take place.

There's always an opportunity for that to grow in Canada, and it is growing. When you look around the greater Toronto area, for example, there are growing plants, mills and bakeries that consume a lot of our wheat products from across the country, most of which is coming from the Prairies.

If you look at the Prairies, you have many success stories of value-added products, like pulses creating pea starch and pea protein. Canola is probably the biggest success story, with the amount of canola crushing we've been able to develop across the Prairies over the past few years. Now we're opening up biofuel refineries in Canada so that we can really create a circular economy where we grow the canola, crush the canola and turn it into biofuel, and then that biofuel is used by a farmer or by a Canadian. It's a slow-growing success story.

[Translation]

Linda Lapointe: That's interesting.

You're talking about value-added products. Have things changed since January, as a result of all the tariffs imposed by the President of the United States on a variety of products? This decision has hit the Canadian public hard. In response, people began to check the origin of the products they were buying to see if they came from Canada. Has that had an impact?

• (1555)

[English]

Kyle Larkin: Not necessarily...only because of the integrated supply chains between Canada and the U.S. At the end of the day, most, if not all, grain or grain products that Canadians buy at the grocery store are made with Canadian grain. If you go to the grocery store right now and buy a box of cereal or even just a bag of flour, it will have been produced from Canadian wheat.

We have a success story already of using our grain and grain products within Canada, but the other success story is that we produce more than we need here in Canada. That's why we export 45 billion dollars' worth internationally.

[Translation]

Linda Lapointe: You also piqued my curiosity earlier when you said that there were no tariffs on grain we export to the United States, but that you were going to be affected by the rising price of equipment, mainly because of the tariffs on steel. To what extent will this affect you?

[English]

Kyle Larkin: That's a great question. I did mention how the steel and aluminum tariffs could impact farmers on the equipment side of things. At the end of the day, the most popular brand in Canada and the U.S. for equipment—combines, tractors, etc.—is John Deere. For those who have been on the prairies, you would have seen their green equipment. John Deere equipment is primarily manufactured in the U.S., and they use a lot of American steel and aluminum, but they also use a lot of Canadian steel and aluminum. Because of the tariffs back and forth between our two countries, we're already seeing an increase in pricing on that equipment for American consumers. We're likely going to see it for our Canadian farmers as well in the foreseeable future, only because of the tariffs that are between our two countries.

[Translation]

Linda Lapointe: Okay, but it only affects equipment, and it's equipment that you don't have to change every year, since it has a certain lifespan.

[English]

Kyle Larkin: It depends on the farmer. Some farmers change their equipment every year; some farmers change their equipment every four years, and some every 20 years. At the end of the day, we're likely to see a price increase on equipment, and on some that already costs in the millions of dollars. You'd be lucky to find a combine or a tractor that's under \$1 million brand new. When they're purchasing equipment, a lot of it has been manufactured in the U.S. It's not just John Deere; it's CASE and other equipment companies as well. They're likely to see a price increase at a time when farmers are seeing a decrease in the prices they're getting for their crops. They're very much in a tight-margin situation where I'm seeing lots of grain farmers actually losing out on revenue this year.

[Translation]

Linda Lapointe: Thank you, Mr. Larkin.

Ms. Gee, you talked about diversifying our free trade agreements. We have a lot of them. Which ones do you think hold the most promise for the shipping industry?

[English]

Bonnie Gee: We operate in global markets, so we rely on free trade agreements around the world. Certainly the CUSMA one has less of an impact for international carriers, as they tend to use railways to deliver those goods. Certainly there are agreements with the Asian nations, which would be very important for us.

[Translation]

Linda Lapointe: Thank you.

[English]

The Chair: Thank you very much.

We have Madame DeBellefeuille, please.

[Translation]

Claude DeBellefeuille (Beauharnois—Salaberry—Soulanges—Huntingdon, BQ): Thank you, Madam Chair. I'm honoured to be asking questions with you in the chair.

Thank you to the witnesses.

Mr. Trew, my questions will be for you.

It's good to hear from you. This is not a discourse we're used to hearing. You bring a different perspective on international trade.

You regularly talk to us about adopting stricter measures to ensure that companies are doing their due diligence. In your opening remarks, you said that you would like the ombud for responsible enterprise to have more powers to take action with rogue companies or ones that need to be brought into line.

Can you give us a little more detail on the powers that the ombud for responsible enterprise might have?

Stuart Trew: Thank you for the question.

• (1600)

[English]

I'm not a specialist in the CORE. I do know that the position is empty now. We need to fill that position. We currently don't have an ombudsman looking into the activities of Canadian companies abroad. A number of organizations have been pushing for that for a while, to strengthen that and to give it more investigative powers, the ability to force testimony from companies and so on. It's been quite a voluntary process so far. That is very much part of the rules-based trading order that I think would actually improve things, not just for people, but for companies themselves to provide some kind of certainty.

First and foremost, we need to get that position filled, and then we need to start talking about giving the CORE more responsibilities, more investigative powers and more ability to hold companies accountable for their actions abroad. I believe this has come up at this committee a couple of times.

[Translation]

Claude DeBellefeuille: I imagine it's urgent. We know that the position is unfilled. Not only does the ombud not have enough powers, but there's no concern about filling the position quickly.

Between January 1, 2024, and June 25, 2025, out of 34 shipments intercepted in Canada due to suspected forced labour, only one was found to contain goods produced in whole or in part by forced labour, and it was from the Xinjiang region. However, during the same period, several thousand shipments were intercepted for that reason in the United States.

Currently, measures are in place to prevent products made with forced labour from entering our supply chains, but they seem to be weak.

In your opinion, is the Canadian control system sufficient to prevent products made with forced labour from coming in?

Stuart Trew: Thank you again for the question.

[English]

Evidently not. I don't know if it's mainly a resource problem. We don't have the resources that the United States has to intercept and investigate these issues of forced labour in supply chains. It's certainly going to come up in the CUSMA review. At some point, the United States will probably be pushing Canada and Mexico to do more to stop imports from some regions, especially China but also perhaps other regions. We will be asked to pick up more of the slack, so it is an important question about how we do that. I think we could have more transparent information maybe, more shared databases with the United States in terms of importers and giving

that information to people outside of government, perhaps, and outside the business sector, which could help in the investigations and bring cases forward.

I was mentioning in my presentation the rapid response labour mechanism in Mexico, and this is how that operates. It has been so successful because it's based on investigations that are started by workers themselves in the factories and then followed through on through the institutions established through the Canada-United States-Mexico Agreement.

I can envision that as quite a positive thing for workers and human rights in terms of the CUSMA review.

[Translation]

Claude DeBellefeuille: Do you think we could instead proceed through legislation, that is to say create a law that would force companies to prove that they don't use forced labour to produce their goods? Should Canada be moving in that direction and putting legislation in place?

[English]

Stuart Trew: Yes, absolutely, I think this thing should be legislated. I do understand, though, that it is difficult to determine in supply chains everywhere. Supply chains are quite complicated and vast, and they cross multiple countries, so it can be difficult even for companies to find that out. Sometimes they don't necessarily know if there are human rights violations in their supply chains. Therefore, this thing should be legislated, absolutely, but there may be some role for government in facilitating the evidence gathering, which would help companies to then abide by that legislation. I think that's absolutely reasonable.

[Translation]

Claude DeBellefeuille: Do you think Canada is lax when it comes to forced labour? Do you think it is not making all the necessary efforts, particularly in terms of verification, to prevent these goods from entering Canada? We can see that there is a big difference compared to the United States. Why is Canada tolerating this?

Stuart Trew: That's a good question, but I don't know the answer.

[English]

Absolutely, it's clear that we need to be doing more to do this, not just in China but also in many other countries. We have versions of forced labour in Canada, too. There have been UN studies done, and whether they're in the agricultural sector or elsewhere, there are problems here that we need to address as well. Yes, absolutely, with respect to imports, our biggest trading partner expects us to be doing more, and we certainly could be doing more.

The Chair: Thank you very much.

We'll move on to Mr. Chambers, please, for five minutes.

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

Mr. Larkin, welcome back to committee. Thank you for being here. I want to thank our other witnesses, as well, for joining us.

I'll start with Mr. Larkin for a couple of questions.

How hard is it to enter a new market? When the government signs a free trade deal, how hard is it to start selling our goods there?

• (1605)

Kyle Larkin: It's hard.

Adam Chambers: It's very hard.

Kyle Larkin: Let me tell you a bit more about that.

Canada is very good at signing free trade agreements. We're one of the top countries in the world with free trade agreements around the world. We have trade agreements in almost every continent. Where we're challenged, though, is with regard to our trade implementation. The trade agreement we have with the EU is probably the largest example, but every trade agreement we have probably has an example. With regard to the way we implement trade agreements, we are severely lacking.

One of the things we're pushing for is for extra powers and extra resources for the market access secretariat. Its role within Global Affairs Canada is to implement trade agreements, yet it is underfunded and simply requires more resources. What we need to get better at is market implementation. The European Union free trade agreement is the best example, because almost half of the member states of the European Union still haven't ratified the CETA. We signed a great free trade agreement, but it's not necessarily implemented.

Adam Chambers: That's right, so you would say that that's only part of the puzzle. Signing the deal is one thing, and the implementation is another. Would you say that we should be careful about signing the deal and thinking the job is done? That's a risk. Would it not be?

Kyle Larkin: The first step, obviously, is getting the deal signed. The Canada-Indonesia agreement is a good first step. Now we have to go the extra mile, which is actually implementing that agreement so that it benefits not only our grain sector but our national economy at large.

Adam Chambers: Right.

We have some challenges with China at the moment. We also had these challenges a couple of years ago, when there were some missteps with the relationship. Do you have any estimates about what that has cost your members or the sector generally, so far?

Kyle Larkin: Back in 2019, two of our major grain-handling companies had their licences revoked by the Chinese government from the Chinese market due to the Huawei situation and the two Michaels situation. That cost the sector about \$1.5 billion to \$2.4 billion.

Adam Chambers: Right. That really was a result of a diplomatic challenge in the relationship. It ultimately cost farmers sales and jobs. We're in another situation now where canola is being hit. I think we had some testimony at the agriculture committee recently saying that we're into the billions of dollars now with canola. Is that your understanding as well?

Kyle Larkin: Exactly. The Canola Growers Association was at that agriculture committee and referenced the number of 1.6 billion dollars' worth of losses for farmers due to the current tariff situation from China.

Adam Chambers: This is my final question for you.

You mentioned the port of Vancouver. I understood that some of the efficiency stats or metrics at the port of Vancouver are difficult. They don't have the greatest outcomes when it comes to shipping. It's puzzling to me why they might not have been on a list to receive infrastructure dollars.

Do you think infrastructure investment at the port of Vancouver would help improve those statistics and metrics?

Kyle Larkin: Yes, absolutely. I mean, the choke points at the port of Vancouver are numerous. The Second Narrows rail bridge is one at the top of the list, but I could give you a list of 15 to 20 different projects that need to be invested in at the port of Vancouver today.

Adam Chambers: Thank you very much.

I'd just like to ask Ms. Gee a question.

Thank you very much for your attendance. I'm new to this committee. I just thought I'd ask.... You mentioned the net-zero shipping framework. How much is that going to cost your members to implement?

Bonnie Gee: Well, we're already struggling to find alternative fuels that can support the needs of the global shipping industry. Many of the new builds are built with a dual fuel capacity right now. It's just a matter of finding fuels. We're fortunate that in Vancouver here we do have the capability to bunker vessels with LNG. Certainly, there are a number of new builds currently on hold, waiting to see what sort of fuel is available.

There have been targets set for GHG intensity levels. Should they exceed those intensity levels, we're looking at about \$100 to \$380 per tonne.

Adam Chambers: Thank you very much.

I apologize. I think we're a couple of seconds over. Thank you.

• (1610)

The Chair: Thank you very much.

Mr. Fonseca, go ahead, please.

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

Mr. Larkin, for all of the challenges that you brought up about trade—and there are many—I would have to say that the Grain Growers of Canada could really be the poster child for diversification. You've been doing this for decades, in 160 countries around the world. You understand very well how to do it. I'm sure that many of our sectors could take many lessons from the grain growers and how they're able to diversify their market.

I want to get to the CUSMA. We went through the renegotiation of NAFTA and the modernization of NAFTA that brought us the CUSMA over the last five years. What has that meant to the grain growers in terms of your exports to the United States and to Mexico?

Kyle Larkin: That's a great question.

When I look at the list of trade agreements that Canada enjoys currently, CUSMA is by far the most important trade agreement to the grain sector here in Canada. Seventeen billion dollars' worth to the U.S. is irreplaceable, just as nine billion dollars' worth to China is irreplaceable. Market diversification is extremely important, but at the end of the day, the amount that we export to the U.S. and China and the amount that they demand is irreplaceable. We cannot find a replacement market for either of them.

CUSMA has aided our exports both to the U.S. and to Mexico. Mexico is our fourth-largest trading partner for grain and grain products. There's a great opportunity there to export more, but the U.S. is always going to be our largest customer. They have the dollars and the population for it. Simply put, they have the demand for it.

Peter Fonseca: From these learnings, over the next five years, what recommendations would you have for our committee in terms of the CUSMA review, and what would you see as improvements to the CUSMA as we get into this review?

Kyle Larkin: The first thing I want to say is that the good thing is that CUSMA has been operating well for Canada's grain sector, so, first and foremost, we need to defend what we already have.

Second of all, though, there are ways to improve it. First, the trade dispute mechanism needs to be upheld. It is extremely important. We understand that our American friends might not like it the most, but we need that, as the smaller partner within this agreement.

Second are sanitary and phytosanitary regulations and standards. We need to get our regulatory frameworks aligned with those of the U.S. and to ensure that the Pest Management Regulatory Agency here in Canada or the Canadian Food Inspection Agency—two major agencies that create a lot of the regulatory systems that govern grain products here in Canada—are aligned with the U.S. and that they don't go down a path that makes us unaligned with the U.S., which we've seen in recent years.

Peter Fonseca: I understand those regulations and looking at harmonization. How about the transportation logistics within the continent? How are they working?

Kyle Larkin: Thankfully, they're working well. We have numerous rail connections between Canada and the U.S. The main mode of transportation for grain and grain products between our two countries is rail. Now we have a railway company, CPKC, that con-

nects Canada directly to Mexico. The rail connections among our three countries are extremely important and have been operating fairly well over the past few years.

Peter Fonseca: Thank you.

Now I'm going to go to Ms. Gee.

Ms. Gee, from a shipping industry perspective, what's the single most important priority for Canada in the CUSMA review?

Bonnie Gee: In the CUSMA review, all I can speak about is the impact. As we increase volumes through some of our more constrained, larger ports on the west coast, we don't have the digital infrastructure that we need to optimize the movement of commodities across our supply chain. What happens often, in the end, is that we have vessels waiting for cargo that has not yet arrived, and then we find that these vessels don't have a sufficient number of anchorages, so they're left drifting offshore and waiting until they have the ability to come in, sit at an anchorage and wait for their cargo. For me, when we talk about infrastructure, I would like to see additional anchorages or more capability to optimize the information and the fluidity of the cargo, to the west coast in particular.

Peter Fonseca: Thank you.

The Chair: Thank you very much.

Madame DeBellefeuille, go ahead for two and a half minutes, please.

• (1615)

[*Translation*]

Claude DeBellefeuille: Thank you, Madam Chair.

My question is for you, Mr. Trew.

As you know, right now, the committee is only looking at the implementation of treaties, not necessarily the treaties themselves.

Do you think we're at a point where free trade agreements should first be debated and passed in the House of Commons and then studied in parliamentary committee?

Stuart Trew: Thank you for your question.

[*English*]

That's something we've always called for at the Canadian Centre for Policy Alternatives. There should be a greater role for members of this committee and members of Parliament in the drafting process and, perhaps, a closer role throughout the negotiations. I know that's been the case, to some extent, in the NAFTA renegotiations. I believe there was a role, for example, for provincial governments, and for Parliament to some extent.

However, it doesn't make sense to me that Parliament has a yes/no vote on these agreements that are negotiated and that deal with so many areas of public policy, well beyond trade. There should be some role in advance to make sure it has parliamentary approval.

[Translation]

Claude DeBellefeuille: The Bloc Québécois shares your opinion and has introduced a bill to that effect. It is important that the free trade agreements that are negotiated be subject to debate and transparency.

We will soon begin analyzing the Canada-United States-Mexico Agreement, or CUSMA. In your testimony, you talked about the need to protect workers as well as a rapid response mechanism in Mexico.

Could you provide us with more details on this mechanism in connection with CUSMA?

[English]

Stuart Trew: This is a priority for our organization. It's a priority for Mexican labour unions and for United States labour unions as well.

The rapid response labour mechanism in the Canada-U.S.-Mexico Agreement has seen a number of successes. It's been used at least 40 times, as I understand it. Through investigations of facilities directly brought on by workers in those facilities, with help from the United States and Canada, it has resulted in employees being reinstated and votes being redone—for certification of unions, for example, because we know there are a lot of corrupt unions in Mexico that will try to undermine the rights that employees have to free collective agreement and bargaining and freedom of speech. It has been a success, and groups in Mexico are hoping that it is extended in the review.

We understand from the United States Trade Representative—not directly from them, but in hearing from people they are talking to—that they are also interested in keeping this process as part of the Canada-U.S.-Mexico Agreement, and perhaps making it better in terms of being faster and more accountable.

We're worried the talks are going to split into three—U.S.-Canada and U.S.-Mexico—at which point we lose some control over that in terms of the Canadian government and the Mexican governments working together to improve that mechanism. We would like to see Canada insisting on that, starting the conversation now with the Mexican government. Hopefully we can keep it as a three-way to increase Canada's leverage in those talks.

There is very much agreement in the United States that this is something we could keep, and I would like to see Canada adopting it as its own policy and putting it in agreements, like the one we have with Indonesia, but they didn't. We don't have a rapid response mechanism in Indonesia, where forced labour and child labour are rampant, as we know, in supply chains.

The Chair: Thank you very much.

We go now to Ms. Gladu for five minutes.

Marilyn Gladu (Sarnia—Lambton—Bkejwanong, CPC): Thank you, Chair.

Thank you to the witnesses for appearing today.

My questions will be through the lens of trying to increase Canada's exports and the diversification of the exports, and I'm going to start with Mr. Larkin.

The government has already done so much to punish the grain industry in terms of fertilizer tariffs, fertilizer limitations, the clean fuel standard, etc., and now we have things outside of our control, like the Chinese tariffs. What do you see as being the biggest barriers to increasing Canada's exports and continuing to diversify them?

Kyle Larkin: There are many barriers, but thank you for the question.

We spoke earlier about trade-enabling infrastructure. I think that's one of the largest barriers that we face, these major choke points, not only at the port of Vancouver but all across our rail lines as well. Over 90% of the grain grown in the Prairies is moved and exported by rail, so we have to ensure that our rail systems are aligned and working well. Then we have to make sure that our ports, including the port of Vancouver but also ports out east, are operating at their full capacity.

We have competitors around the world that are investing billions of dollars in their individual ports. I'll reference one port. I won't name the country and I won't name the port, but there is a port somewhere in the Indo-Pacific that is owned by a private company, by one individual. That port is more sophisticated and more innovative than all of our ports here in Canada combined. That port is owned by one individual, so that just showcases how far behind we are in our trade-enabling infrastructure and how we have to invest in it today and well into the future.

● (1620)

Marilyn Gladu: Thank you for that.

I do see that we have pinch points in our ports across the country, both in Vancouver and at the port of Montreal.

Ms. Gee, can you speak to what we need to do from a ports perspective, not just the large ones that exist but maybe potential other ports across Canada, to increase our ability to export internationally?

Bonnie Gee: I can speak to the Canada Marine Act and the way that ports are governed. Currently, ports can't collaborate or work together. We find that they compete, and they don't necessarily optimize how they can share resources or share land capacity that they might have. We feel there needs to be a review of the Canada Marine Act and modernizing the ports. There was an initiative under way several years ago. We haven't actually finalized that process.

Marilyn Gladu: I think that's true. There's the port of Sarnia, and there's Thunder Bay. There are a number of ports on the Bay of Quinte that have access to the St. Lawrence Seaway. It would be a really good idea to expand and increase their capacity in order to expand our exports.

I have another question for Mr. Larkin. This has to do with the trade agreements we have and the harmonizing of specifications. It appears to me, with agreements like CETA, our agreement with the U.K. and some of the other ones, that we are willing to accept their products even though they don't meet Canadian specifications, but they are unwilling to accept our products.

Can you give us some examples of where you think we should be prioritizing the work to harmonize those specifications?

Kyle Larkin: That's a great question.

I'll give you a concrete example. One of the largest consumers of durum wheat in the world is Italy, because they consume a lot of pasta, which is manufactured with durum wheat. The challenge there is that they don't want to use Canadian durum wheat, which is top-grade and the highest quality in the world. They would rather use their own durum wheat, even when they run out of their own durum wheat. There's a major issue there of their putting up non-tariff barriers that disallow Canadian durum wheat from entering the Italian market, and that impacts farm revenues at the end of the day. That's one concrete example where non-tariff barriers impact farmers. There are numerous examples, not just in Europe but around the world, of non-tariff barriers impacting the trade that we could potentially do with these markets.

Marilyn Gladu: I agree.

One other thing that was on my mind has to do with CUSMA and the trade that we're doing there. I'm wondering if there are any issues in that agreement related to this harmonization of specifications, where we're taking materials from the U.S. in the agricultural food industry but they're not reciprocal.

Kyle Larkin: I'll give you a concrete example, not from the U.S. but from our other CUSMA trading partner, Mexico. We want to export more cereals like wheat and barley to Mexico, but they have certain sanitary and phytosanitary standards that do not co-operate with what the U.S. and Canada do; therefore, they're requiring all of those exports to be fumigated, which makes exports to their market extremely inefficient. That really impacts the amount that we can export to Mexico on a monthly or an annual basis. That's one small example of where there's no regulatory alignment between two trading partners within CUSMA.

With the U.S., we're fairly aligned, only because of how integrated the supply chains are between Canada and the U.S. but, at the end of the day, regulatory co-operation can always be enforced and always be strived for.

The Chair: Thank you very much.

Mr. Lavoie, you have five minutes.

[*Translation*]

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

Mr. Larkin, since the beginning of the meeting, you've talked a lot about the Port of Vancouver and a bit about the Port of Montreal. My riding, Beauport—Limoilou, is located in the Quebec City region, where a lot of grain is transported. You talked a lot about grain. In a way, the Quebec City region is the entryway to the St. Lawrence River. It's the main gateway to North America, as I like to say. Can it play an additional role in diversifying our market toward Europe?

Last week, a witness told us that only 5% of exports by ship went to the United States. Therefore, we're thinking more about market diversification on the European side.

Can the regions of Quebec City and eastern Canada, including Montreal, play an additional role in diversifying markets, such as European ones?

• (1625)

[*English*]

Kyle Larkin: I was at the port of Quebec City in July. I saw the grain terminal and the infrastructure there first-hand. I was happy to see that Parrish & Heimbecker recently purchased a grain terminal there. They have big plans to grow that grain terminal because of the demand they see in markets out east. It's not just Europe; it's northern Africa, and it's also going down south to South America.

There are some great opportunities for growth. I'll give the great example of Morocco, which is one of the largest consumers and manufacturers of couscous in the world. How do you manufacture couscous? Again, you need durum wheat. Canada is one of the largest manufacturers and suppliers of durum wheat around the world. We can certainly produce more, and we can export more, but, again, our infrastructure needs that attention, not just in Vancouver. The port of Quebec City is another great example.

[*Translation*]

Steeve Lavoie: Thank you, Mr. Larkin.

Ms. Gee, I'd like to continue talking to you about marine transportation. As I just mentioned, I represent the riding of Beauport—Limoilou. Obviously, the Port of Québec is an important player in marine transportation in Canada.

I'm thinking about the supply chain and what's happening in the United States. Canada is currently looking at market diversification. You talked about that, as well as predictability.

Where in Canada's supply chain should investments be considered to realize our vision for the future? If you have any concrete examples to give us, it would be useful to hear them.

[*English*]

Bonnie Gee: Everyone talks about infrastructure but, from my perspective, I always think about maritime domain awareness, and I was very pleased to see the Coast Guard being moved from Fisheries and Oceans to the Department of National Defence. Certainly on the west coast, we deal with a number of indigenous groups, and they all have an interest in the waterways in which we operate.

In terms of what we need, I think we need good baseline data. When we talk about major new projects, we'll be faced with baselines and cumulative effects that we'll have to manage for any increased traffic. I think we need more data on the shipping side of things. There's a significant amount of ocean science, but we all need to make sure that we agree on what the baselines are. We also need more digital infrastructure.

[Translation]

Steeve Lavoie: You're saying that, in terms of marine transportation logistics in Canada, we need to invest more in digital structures than in physical structures. Is that correct?

[English]

Bonnie Gee: That's correct.

Certainly, when we deal with the federal government, we're dealing with multiple departments that don't co-operate. There's a lot of repetition and redundancy in reporting to the federal government. We're not maximizing the efficiency and the opportunities within the government to have a single window where we can best manage vessel arrivals and clearances.

[Translation]

Steeve Lavoie: Mr. Trew, since I have a bit of time left, I'm going to ask you a question.

In your introduction, you said that compromises had to be made in the negotiations. What kind of compromise seems reasonable to you in order to get good deals for Canada in the negotiation of future agreements?

Stuart Trew: Thank you for your question.

[English]

As I was trying to explain in here, flexibility is what we need to be thinking about.

The World Trade Organization is there. The disputes, as we know, are not going anywhere. They go to the end of the dispute process, and then they get appealed into the void.

Previous witnesses before this committee have said that the old rules order is in a lot of trouble. The United States has pretty much put the final nail in that coffin.

The compromise is that we have to accept that... I understand there are issues around durum access, for example, in Italy, but for the Italians, it is a reasonable policy that they want to use Italian durum wheat first. We talked about breakfast cereals here; it is a reasonable policy. It's maybe not ideal, or optimal, as they say in market terms, but these are political realities that we have to deal with. People have democratic, political realities. They want to develop their own industry. They can't be having someone from, say, the trade law department of your government saying constantly, "Well, we can't do that, because it says you can't do that here in this agreement," which nobody is really enforcing anymore because the rules are in flux.

If we're going to survive this period, we obviously have to work with like-minded governments. There's a rise of authoritarianism around the world, and we can't be working toward that direction, but we can work with like-minded governments on compromise around trade policy—negotiated outcomes, maybe, more so than rigid dispute settlements that result in the rules being followed to a T, with everyone trying to benefit as much as they can and work through how they're going to produce jobs here and basically govern in the way they see fit.

• (1630)

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

[Translation]

Steeve Lavoie: Thank you.

[English]

The Chair: Thank you to all our witnesses. I will suspend for a minute or two so we can change panels and get reconnected.

Thank you all very much for your valuable information, and happy Thanksgiving, by the way.

• (1630)

(Pause)

• (1635)

The Chair: I'm calling our meeting back to order.

As an individual, we have David Collins, professor of international economic law, by video conference.

From the Canadian Cattle Association, we have Tyler Fulton, president, and Dennis Laycraft, executive vice-president.

From the Canadian Steel Producers Association, we have François Desmarais, vice-president, trade and industry affairs.

Thank you all very much for finding time to come and speak to the committee today. It's a very important time, and we appreciate your commitment to coming to the committee.

Mr. Collins, I invite you to make an opening statement of up to five minutes, please.

David Collins (Professor, International Economic Law, City St George's, University of London, As an Individual): That's great. Thank you very much.

My name is David Collins. I'm a professor of international economic law at City St George's, University of London. I'm from Canada, and I have been in the U.K. about 20 years. My main perspective on world trade and investment law, which are my areas of speciality, tends to be from the U.K., but I've always kept an eye on Canada and on global affairs generally in terms of trade and investment.

I'd like to start by saying that I often find myself being asked about the economic impacts of trade wars, trade tariffs and so on. I feel confident that I can comment on that, but I'm a lawyer, so I'm more interested in the international legal implications and the question as to whether what we're witnessing in terms of the onslaught of protectionism—tariffs in particular—is legal under international law.

The short answer is that it is not. Much of what we have seen, specifically coming out of the U.S. but not only the U.S.—we've seen this from China, the EU, India and other places—probably violates the bedrock of the world trading system that was formulated in the 1940s under GATT, which would later become the World Trade Organization, and that spread into all these regional trade agreements. Most notable, from Canada's perspective, is the USMCA or CUSMA, as well as these mega-regionals like the CPTPP and so on.

We're obviously in a very fraught time in world trade. Tariffs globally have never been this high. They're the highest they've been since the end of the Second World War, and we're seeing a lot of moves toward protectionism, again from the U.S. in the forms of tariffs, but also things like export controls and these really sticky non-tariff barriers, such as non-recognition of quality assessment procedures and so on, which I think the EU is particularly known for.

One of the side problems with the U.S. tariffs is that they have caused a glut of a number of commodities—such as steel, aluminum and others—around the world, and the surplus, which is typically coming from China, has been dumped into other countries. This is causing these countries around the world in tandem to impose trade barriers, most noticeably what the EU has done only in the last 48 hours by announcing all these tariffs.

These are a violation of the principles of the GATT. The main justification cited for these measures.... Again, we tend to associate this with the U.S., especially in Canada. We look at the U.S. as the largest trading partner, and we see what's coming out of Washington. This tends to be justified on the basis of national security, and under domestic U.S. law, it's the section 232 tariffs.

If you translate that into international law, this is article XXI of the GATT. This was drafted a long time ago, in the 1940s, and the language of the GATT is notoriously self-judging. That means that a member state of the World Trade Organization can designate whether it feels that it is having an essential security threat as a consequence of its free trade commitments under the GATT, and there is a similar provision under the GATS, which is the services agreement.

The problem with that provision is that, especially in the last five years or so, it has really been exploited. Countries around the world—particularly the U.S., but also others—have been using this as a justification to impose trade barriers for all kinds of things. You might make an argument plausibly for steel, aluminum and so on, but there are all kinds of commodities now. In theory, the way it is framed leaves it beyond the scrutiny of the international tribunal, specifically the World Trade Organization panels.

We do have a case under the WTO that tells us that these decisions can be scrutinized for essential security, but it's a very light-touch scrutiny, and panels tend to allow countries to follow through with this. Even if they didn't, there's not much in the way of enforcement provisions under the WTO.

In the time I have left—because I have a feeling I'm probably taking longer than I think I am—

• (1640)

The Chair: You have 30 seconds.

David Collins: —I want to quickly mention investment, which is, of course, the other big element of the world economic system.

There has been a noticeable increase in foreign investment barriers around the world. These tend to appear in domestic legislation. The Investment Canada Act was one of the forerunners of this. The EU has it. The U.K. has it, and the U.S. has it. There's a concern that these are also being used extensively, and the investment treaties have the same essential security provisions generally, which are, again, self-judging.

Countries are using national security to effectively engage in protectionism, and this is creating a cascade effect around the world and causing a lowering of living standards everywhere, including in Canada—perhaps especially in Canada because of its reliance on the U.S. so much.

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

We'll move on to Mr. Fulton, please.

Tyler Fulton (President, Canadian Cattle Association): Thank you, Madam Chair and members of the committee. On behalf of the Canadian Cattle Association, thank you for the opportunity to speak to the committee on the critical need for rules-based trade.

As mentioned, I'm president of the Canadian Cattle Association. I have a beef operation just outside of Birtle, Manitoba.

Through our nine provincial members, CCA represents more than 60,000 beef producers across the country. As many of you already know, trade is a key part of our business. Approximately 50% of what we produce is exported to markets around the world. Because of progressive trade deals with countries that also value rules-based trade, we're able to add about 40% of value to each animal.

The Canadian Cattle Association has always stood up for free and fair trade, working with the Government of Canada and other stakeholders, including the WTO, which is the international body to promote rules-based trade. Over 98% of global trade falls under WTO rules or between WTO partners. CCA has always supported the work our government does to ensure a strong WTO. Rules-based trade has provided the stability necessary for business to trade around the world.

Today's context looks different from 20 years ago, but the role of the WTO remains. We need Canada and like-minded countries to continue to defend international rules-based trade.

It starts by standing up for Canadian businesses that have been discriminated against, such as what our sector is currently facing in China. Since 2021, Canadian beef has been shut out of China due to unjustified trade action. We have mentioned at a previous committee appearance that we support the government starting discussions at the WTO to remedy our long-standing market access challenges. It's critical for Canada, an export-driven economy, to defend Canadian interests and stand up to countries that are not following the rules-based trade. Working with allies that share the same standards for science- and rules-based trade is key for us to diversify trade.

The U.S.A. is our largest export market by far, and we look forward to the opportunity to appear before your committee to speak more specifically on CUSMA.

In the context of today's study, it's pertinent to share this. Earlier this year, the U.S. administration put out a report on non-tariff barriers impacting their exporters. The barriers impacting the U.S. beef producers with third countries are the same barriers that Canadian producers face. We will be stronger economically if we work with the U.S.A. to address these barriers and ensure that trading partners are upholding science-based trade as the foundation of trade.

It is in this context that I flag to the committee a significant concern regarding potential trade with Mercosur. The government announced earlier this fall that Canada would be advancing the resumption of the Canada-Mercosur free trade agreement negotiations. Canadian beef producers are on high alert regarding any potential agreement that would allow further access from four of the top eight global beef-exporting countries into our Canadian market. We cannot support any deal that includes beef access to Mercosur. Not only would it displace Canadian beef in our domestic market, but it would bring new challenges for us with our number one trading partner, which has been very clear about how it feels about trade with Mercosur.

We ask parliamentarians to stand up for Canadian beef and our trade opportunities, and focus on trade diversification discussions with countries that hold the same international rules that Canada follows.

There is a lot of global demand for beef. When we travel internationally, particularly in Asia, we hear of the demand specifically for high-quality, grain-finished beef, which is exactly what we have to offer here in Canada. It's because Canada follows science-based trading rules that our Canadian beef is sought after as a reliable, high-quality ingredient.

I'll end my comments on this note. As an industry, Canadian beef producers are excited about the potential trade diversification growth. Many opportunities are coming through our progressive trade agreements like CPTPP, where, outside the U.K., evidence-based trade is the standard.

- (1645)

To achieve Canada's trade diversification goals, we need to work together, as government and industry, to ensure that rules-based trade maintains the standard.

I look forward to your questions.

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

We move to Mr. Desmarais, please, for up to five minutes.

François Desmarais (Vice-President, Trade and Industry Affairs, Canadian Steel Producers Association): Madam Chair and honourable members of the Standing Committee on International Trade, on behalf of the Canadian Steel Producers Association, thank you for inviting me today. It's always a privilege to appear in front of you and to have the opportunity to present the views of our industry on various matters, such as this important one on Canada's engagement in a rules-based international trade and investment system.

Over the years, many of you heard us repeat that the situation is dire for the Canadian steel industry, and today is no different. In many regards, it's getting worse. The international steel trade market has dramatically embarked on a unique path for the past 20 years, marked by unfair practices, dumping, circumvention and protectionism. These heavy trends have been accelerating in recent months.

Since March, we've been facing crippling tariffs imposed by the U.S. administration on our steel crossing the border into our largest market, and these tariffs were later raised to 50% this past June. We are also seeing our Canadian manufacturers and customers being impacted if they dare to use Canadian steel to manufacture their goods and sell them in the U.S., because of the extension of the tariff to derivative products. This has practically shut down our access to the U.S. market.

To put things in perspective, last year we exported six million metric tons of our primary forms of steel to the U.S., which is worth about \$10 billion Canadian. As every single month passes by, we export less. We're at 50% of the monthly volume we used to be at, and it's diminishing rapidly.

Make no mistake: U.S. actions, under section 232 for steel and steel derivatives, are not driven by the behaviour of our Canadian producers. They are driven by the global industrial overcapacity in the steel sector, mainly coming from China, which doesn't play by the rules. The Americans have taken unilateral action because no international trade organization has been effectively equipped to address overcapacity, especially in the steel sector.

We are facing unfair trade practices in Canada too.

[Translation]

The Canadian steel industry is the canary in the coal mine. Our industry is the largest user of the trade remedy system. Of the 55 trade actions enforced by the Canada Border Services Agency, 39 are related to steel products or products that contain steel. It amounts to 70% of all countervailing duties. Obviously, we have a problem. In addition, 60% of all steel dumping cases in the country are related to China.

• (1650)

[English]

How do we fix global overcapacity, then? The U.S. have been using their sections 232 and 301 to protect their domestic industry for years, and not just for the steel industry. As for the Europeans, they announced this past Tuesday that they will impose a tariff rate quota on all imports of steel, including from free trade partners, and replace the safeguards they've been using for many years. The EU policy is, in many regards, similar to what Canada adopted this summer. One of the significant differences, though, is that they will limit imports from their free trade partners to 47% of the levels of last year, while Canada has the limit at 100%.

Furthermore, our tool kit needs improvement too. As an example, our anti-circumvention legislation needs modernization. We need to do better at addressing unfair trade practices coming from the non-market economy, as well as adapting section 53 of the Customs Tariff act to put in check new egregious trade manoeuvres.

Madam Chair and members of the committee, thank you again for hosting the CSPA today. I look forward to answering your questions.

The Chair: We thank all of you very much.

I now open the floor to questions from the members.

Mr. Chambers, please go ahead for six minutes.

Adam Chambers: Thank you, Madam Chair.

Welcome to all of our wonderful witnesses, and those joining us online as well.

Mr. Fulton, I have a couple of questions for you. You mentioned non-tariff barriers. My understanding is that U.K. beef exports to Canada have recently surged quite high—I think well over 170%, as I understand it. Is that correct?

Tyler Fulton: I'm not certain of the percentages, but yes, absolutely, that's been the trend over the course of the last three years.

Adam Chambers: How have beef exports from Canada been to the U.K.?

Tyler Fulton: They are unchanged, at zero.

Adam Chambers: We obviously have an issue. We have a trade agreement, and we're supposed to abide by the rules, but there are also these non-tariff barriers, as we discussed, that prevent Canadian producers from accessing that market. Yet, reciprocal access is not actually occurring. That's in fact happening today.

Tyler Fulton: That's exactly right, yes.

Adam Chambers: Is that the risk that you're highlighting, or the concern that you have with agreements with Mercosur or others,

that we can sign a trade agreement but we could be in the same situation, where we have stuff coming in but we can't have our stuff going out?

Tyler Fulton: I think that's a valid concern, 100%. The focus of our concern is the possibility of Canada becoming a bit of a dumping ground for a South American product that may be a backdoor access into the U.S. I want to be extremely clear about this. Our American counterparts have made it explicitly clear that they're watching, with a very watchful eye, for that origin product coming through back channels into the United States. That poses a very significant risk to the trade that we currently benefit from with the U.S. We can't put that at risk.

Further to that, there's another issue that quite simply is of a comparable level, and that is that we don't have confidence in things like the disease surveillance systems that are in place in South America. They have a track record of having dubious reporting and surveillance mechanisms that quite simply do not meet the standard that we've become accustomed to.

Adam Chambers: Thank you very much.

Just so I understand, beef could come in from another country, not just to displace Canadian beef here but also to find its way into the U.S., which would challenge our relationship with the Americans, the largest trading partners of your producers.

• (1655)

Tyler Fulton: Yes, that's exactly right. Currently, the U.S. represents \$6 billion of \$7 billion in exports of beef. Of course, over and above that there's the live cattle trade. That's what is at risk if we start seeing a significant flow of beef into Canada. This is notwithstanding the disease-related risk, which quite simply is not measurable.

Adam Chambers: Thank you very much. I appreciate your testimony in highlighting those risks for us as we consider other potential agreements and discussions that the government might have.

I have under a minute left.

Mr. Collins, do you have an opinion on whether the section 232 tariffs are in fact legal? Do you have a view that it's Congress's legal right to impose something that looks like a sales tax? Is that something you would have an opinion on?

David Collins: Well, I have to say that I'm not an expert in U.S. law, although I am admitted to the New York bar. My expertise, to the extent that I have it, is in international law. However, from what I've read, my sense is that they're probably not legal under U.S. law, and it looks like the courts in the U.S. are probably going to rule that they are indeed illegal. These are powers that fall into the hands of Congress, not the President. That's my sense, but I wouldn't claim to be an expert in U.S. law.

Adam Chambers: I'll take that as great advice. Thank you very much for your testimony.

Thanks, Madam Chair.

The Chair: You have 53 seconds remaining.

Adam Chambers: Oh, that's perfect. I have extra time.

Mr. Collins, I'll just stay with you. You mentioned the international scene and the changing impacts of investment. What would you say are the risks to Canada from what you're seeing today in terms of the changing dynamic in the world?

David Collins: The main risks from the perspective of Canada are to Canadian investors going abroad and seeking to invest in foreign markets, particularly the EU, which seems to be taking quite a stringent approach to these national security issues. That's going to differ by member state, and this is very much a member state power. My concern would be for Canadian companies seeking to invest overseas in countries that are being really strict about their investments.

To take another example, China has a new foreign investment statute. Over the years, China has somewhat liberalized its foreign investment regime. Their restricted list has gotten smaller and smaller, but it's still quite significant. They could easily impose joint venture obligations—or worse, technology transfer obligations—and they could end up stealing intellectual property.

Going the other way, of course, the other risk is that companies coming into Canada might find that the Investment Canada Act is too strict and actually bars companies that want to maintain their presence in Canada, contribute to the Canadian economy and increase competition, perhaps in sectors like telecoms and so on. From the perspective of the Canadian consumer, we would want to have more foreign investment in Canada, more liberalized, to increase competition and consumer choice.

It's a fine balance to get national security right, to protect Canada's national security, but also to allow foreign companies that can increase the competitive environment and make the Canadian markets more dynamic.

Adam Chambers: Thank you very much.

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

Mr. Naqvi, go ahead for six minutes, please.

Yasir Naqvi (Ottawa Centre, Lib.): Thank you, Chair.

Let me start by thanking the three witnesses for their very thoughtful deliberation. I think it's very helpful to us as we're looking into the benefits of a rules-based trading system to Canada.

I was listening to all of you quite intently. Correct me if I'm wrong, but I heard that you are supportive of a rules-based trading system. You feel that it has helped Canada and Canadian businesses like the cattle sector and the steel sector immensely.

We find ourselves in a very precarious time, when rules are being changed and rules are being violated, starting with our biggest trading partner. Of course, we are trying to manage that circumstance in a way that is most beneficial to Canadian businesses and farmers.

I have a question that I'll ask all three of you. I have only a few minutes, so please be mindful of each other's time.

Can you give us advice as to what we as parliamentarians and the Canadian government should be doing in this moment in order to maintain the Canadian advantage and the rules-based trading system as we navigate through these really challenging times?

Perhaps I can start with Mr. Fulton and then go to Mr. Desmarais, followed by Mr. Collins.

• (1700)

Tyler Fulton: For agricultural commodities in particular, I think investments in things like the Indo-Pacific trade office, which allows a jumping-off point for ag commodities from Canada, are a great starting point. That's where we see the opportunities.

In the beef sector, we found that many of the Indo-Pacific nations have a strong desire for our product. Quite simply, it's about deals like the CEPA deal that was recently signed to provide access to the Indonesian market, which represents more than 300 million people. That is where we need to be. In the long run, we can be a massive economic driver in the Canadian economy if we continue to hold the standard of the trade agreements, similar to the original CPTPP agreement, which provided us preferred tariff-free access to Japan and Vietnam, for example.

Yasir Naqvi: Go ahead, Mr. Desmarais.

François Desmarais: Most of our members would definitely appreciate a rules-based order when it comes to trade. You will have a hard time finding a supporter of the WTO within our group. We have been quite disappointed in the WTO in the last 20 years, especially since they welcomed China on board in 2001. It was done with the promise that China would liberalize its economy, but clearly that has not materialized. We don't see China as becoming a market economy any time soon, and a lot of the decisions that have been made by the WTO throughout the years have negatively impacted our own protection of our market here. I'm thinking about particular market situations, for instance, or cross-cumulation decisions that have been made.

That being said, what Canada can do—and what seems to be important for us to protect or at least show the way when it comes to respecting rules and known principles—is to improve our trade remedy system, for instance. Our anti-circumvention legislation needs to be modernized, for one. We need to better align our trade remedy system with the U.S. I think the U.S. has the gold standard in terms of trade remedies, and by following their lead and modelling the tools we have a little bit more, we would send a clear signal that we believe in a fair trading system.

Yasir Naqvi: Thank you.

Mr. Collins, could you answer the same question?

David Collins: Very briefly, I think I have an interesting insight as an outsider looking at Canada from another country. I can tell you, quite optimistically, that Canada has an excellent reputation as a champion of world trade. A lot of countries look up to Canada, and it's doing a great job upholding the world trading system.

My advice would be that Canada needs to continue to engage at these forums, like the World Trade Organization, show leadership at the CPTPP and continue to negotiate free trade agreements as it has been doing.

My one piece of advice for what Canada could do better is that a number of countries I've spoken to around the world often suggest that Canada goes too far and tends to include things in trade negotiations that are not really trade-related. It turns these international trade treaties into general instruments of policy—things like climate change, accessibility and inclusivity. I'm concerned that perhaps there's a little bit of mission creep in some of these trade negotiations when Canada is involved, and I think that makes these agreements much harder.

Stick to the core mission of liberalizing trade, lowering barriers to trade and investment and promoting open markets, and be less concerned about these public policy issues that are actually not trade-related.

• (1705)

The Chair: Thank you.

Madame DeBellefeuille, go ahead for six minutes, please.

[Translation]

Claude DeBellefeuille: Thank you very much, Madam Chair.

Mr. Fulton, I found your presentation very interesting. We know that beef producers produce quality beef. We also know that in Quebec and the other provinces, the traceability system is very rigorous. It takes into account parameters related to the environmental footprint and animal welfare, among other things.

It offends me when I hear Mr. Collins say that we're putting so-called philosophical elements in our free trade agreements. I think to myself that we can't compete with other countries if we agree to sign agreements with beef producers who disregard all the environmental and traceability standards. It creates a non-reciprocal agreement. Your business can't be competitive if we import beef from a country that has no standards to comply with. Obviously, beef from that other country will be cheaper.

Can you tell us about the importance of reciprocal agreements in free trade agreements?

[English]

Tyler Fulton: Thank you very much for your question.

I think your assessment is accurate. Reciprocal trade can only happen when there is a common standard, and, quite simply, we don't have that confidence, for example, with Mercosur. The countries connected with that trade negotiation, for example, do not have the same labour standard.

The labour advantage in Brazil, for example, would be about threefold to fourfold in cost relative to our per head cost of process-

ing that animal. There's a reason for that: They're not meeting the same standards as we do here in Canada. You can also take another approach from a sustainability or environmental standpoint, but I think that would be how I would respond.

[Translation]

Claude DeBellefeuille: Thank you. I share your opinion.

Contrary to what Mr. Collins said, I think it's important to maintain our quality standards and to encourage the countries we want to do business with to raise theirs, somewhat like Europe is doing. It's very difficult to penetrate the European market, because the quality standards there are much higher than elsewhere.

The government really wants to open up other markets in other countries. What surprised us was the rather abrupt end of negotiations with the United Kingdom in 2024. We don't really understand what's going on right now. Progress seems very slow.

Are you aware of the developments? Have you been consulted by the federal government on the fact that the negotiations for our free trade agreement with the United Kingdom have really slowed down and that it is working against beef producers right now?

[English]

Tyler Fulton: You're well informed. It is not favourable for the U.K. to have been admitted to the CPTPP. It very much lowers the standard of that agreement from what it was previously.

The non-tariff barriers that prevent access to the U.K. for our beef producers have been raised time and time again. There have been no improvements on that. When the agreement was signed, those issues were very obvious and front of mind. It was ineffective for us to sign any agreement with the U.K. without addressing those barriers.

[Translation]

Claude DeBellefeuille: Thank you.

Do I have any time left, Madam Chair?

[English]

The Chair: You have one minute and 20 seconds.

[Translation]

Claude DeBellefeuille: Okay.

My question is for Mr. Desmarais.

You talked a lot about the overproduction of Chinese steel. Could you be very specific about the damage that China is doing to our industry and the impact on consumers?

• (1710)

François Desmarais: China is the source of all the problems in the global steel industry. More than half of the steel production capacity is in China.

It's true that China consumes a lot of steel, but its consumption is decreasing without it adjusting its production accordingly. It continues to build steel mills and even invest in industrial capabilities in some neighbouring countries. As a result, it continues to produce at a level above demand and floods all global markets with its surplus steel.

Groups of countries like the European Union are trying to protect themselves from Chinese dumping. Right now, we're dealing with a trade remedy system that is completely inundated with Chinese products. It's not just steel, by the way, because there are other products.

We're also seeing that China is becoming increasingly sophisticated in its industrial approach. This is the case not only for primary steel, but also for by-products or products containing steel.

It comes as no surprise to many that a large number of our industry's customers in Canada no longer exist. Take mattress manufacturers, for example, whose products used to contain steel. Now, instead of exporting raw steel, the Chinese simply ship products containing steel.

As a result, there is a multiplier effect in other sectors. Moreover, if the U.S. steel tariff measures also have a huge impact on derivative products, it is partly because of their added value. The repercussions are being felt here at home as well.

[*English*]

The Chair: Thank you very much.

Mr. Gunn, you have five minutes, please.

Aaron Gunn (North Island—Powell River, CPC): Thank you, Madam Chair.

Thank you to the witnesses for being here.

Mr. Desmarais, in your view, is the average quality of steel produced here in Canada the same, better or worse than the steel we import from China?

François Desmarais: There's no question there: I believe our steel is way better. Also, we have higher standards when it comes to environmental issues or even labour standards. Even in that regard, it's better quality.

Aaron Gunn: I echo that. There have been issues in B.C. In Victoria, there's the Johnson Street Bridge. There are now concerns with the steel used in the Pattullo Bridge. This is all against the backdrop of the current Liberal government pursuing a policy of "building Canada strong", as they like to say.

Were you disappointed at all to see the \$1-billion deal to send shipbuilding jobs to China with a below-market interest rate loan to create thousands of shipbuilding jobs in China and use Chinese steel instead of building the ships here in Canada, using Canadian steel?

François Desmarais: Thank you for the question. It's a very good one. It shows how difficult it is to address China and its trade policy.

I think it would be absolutely impossible for anyone to believe that we can compete with China on many aspects. Just on steel

alone, they're highly subsidizing their steel industry. They also have poor labour and environmental standards. Trying to compete with them on steel directly is impossible, as it is for any other type of product or sector where they use steel because, at the base, the commodity they're using is highly subsidized and impossible to compete with.

Aaron Gunn: Can you go into a bit more detail on how the Chinese steel is subsidized?

The same thing happened in shipbuilding: 20 years ago, they were at 5% of world capacity, and now they're at 50%.

Could you maybe compare the environmental and labour standards employed by Chinese steel companies versus our Canadian steel companies here at home?

François Desmarais: I'm not necessarily going to go into the details you're asking me to, but clearly we all know that the average Chinese employee is not earning the same wages that we pay in Canada. That's one.

With regard to energy, we know that they are subsidizing a lot of the energy consumed in the steel sector. Steelmaking uses a lot of energy, and in China they're highly subsidizing the energy they're using.

They're also investing massively in R and D at rates or loan parameters that we cannot match either.

Aaron Gunn: Is the steel that we produce here in Canada of the quality that could have been used in shipbuilding?

François Desmarais: We have capacity in shipbuilding in Canada. As for the specifics of the steel that was used, I cannot assess if we do, but we do have shipbuilding capacity when it comes to steel in Canada.

• (1715)

Aaron Gunn: Is the steel industry here in Canada subject to the industrial carbon tax?

François Desmarais: It is.

Aaron Gunn: Do you have a rough estimate of how much money the steel industry pays in carbon taxes each year?

François Desmarais: I do not have those figures.

This is commercially sensitive, and each of our members will probably keep those numbers close to their chest.

Aaron Gunn: Is it safe to say that the individual companies in the industry at large would be more competitive internationally if they didn't have to pay an industrial carbon tax and those lower prices could be passed on to Canadian consumers?

François Desmarais: It's a very good question. Part of your question refers to competing and opening new markets. Whether we have a carbon tax in Canada or not, we don't see this as a possibility for us, because there's way too much steel in the world, so we simply cannot compete on the international level on that front.

Aaron Gunn: That goes back to the subsidization and the dumping of Chinese steel around the world. Is that correct?

François Desmarais: That's correct, yes.

Aaron Gunn: I have one other question for you.

In regard to the tariffs that are currently being put on Canadian steel going to the U.S., is the same level of tariffs being placed on American steel that would be entering Canada today?

François Desmarais: No, we have a different regime in place, different countermeasures being put in place. It's a different level.

My understanding is that there's some evaluation being done right now on countermeasures being applied on U.S. steel. Those are being contemplated by the Canadian government.

Aaron Gunn: Okay.

The Chair: Thank you very much.

Aaron Gunn: Thank you, Madam Chair.

The Chair: Mr. Lavoie, you can go ahead for five minutes, please.

[*Translation*]

Steeve Lavoie: Thank you, Madam Chair.

My first question is for Mr. Collins.

You talked a lot about protectionist tariffs. Some rather extraordinary things are happening right now because of everything happening in the United States. Everyone is looking to diversify their markets around the world. We're all looking for the same thing.

Last week or two weeks ago, we heard Mr. Herman, who spent some 50 years of his career negotiating trade agreements, say that this was unheard of. We are therefore entering an unprecedented era.

Would you agree that we are entering a new global era when it comes to trade and that the rules we've known so far are going to change?

If you agree with that statement, what do you think the situation should look like in 10 years to achieve a situation where all industries in Canada find their place, whether through diversification or the introduction of new rules?

I'd like to hear your vision of what the global market should look like 10 years from now, in this new era.

[*English*]

David Collins: Thank you very much. That's a great question.

I would like to give you an optimistic answer and say that everything will be fine in 10 years and that we'll be back to a happy multilateral community under the aegis of the World Trade Organization, but I think that's unlikely. I think we're entering an era of a new normal. The heyday of free trade of the latter part of the 20th century and the early part of the 21st century is probably over. It has certainly declined.

I suspect that what we will see emerging in the next five to 10 years is probably a cleavage of the world, realistically, into two halves. This has been studied. There's a good deal of international

relations scholarship on this, as well as international legal scholarship. It will be a U.S. world and a China world. It will be the U.S. world with its allies and the Chinese world with its allies. I think we know where Canada is. It's going to be in the American camp. This is why maintaining a strong relationship with the U.S. is so important. There will be a western camp—the U.S., the EU, the U.K., portions of Asia, Australia, Japan and so on—and then the rest of the world, with China and Russia. For India, we don't know. India is straddling the line, but we'll see where India ends up.

One concern I have with the paradigm I just suggested to you is that it looks as though most of the developing world—that is, Africa, South America, South Asia—is probably going to be in the Chinese camp. That's due to the enormous success of the belt and road regime, which has been taking place under our noses over the last five years, as well as the retreat of the U.S. in the last couple of years from the world stage, which has enabled China to muscle its way in.

Again, we know where Canada is going to be in that paradigm; I don't think that's much of a question, but it will be interesting to see what the rules frameworks are and where the WTO will be. I suspect the CPTPP will be one of the dominant regimes for the U.S.-Canada pact. RCEP, or the Regional Comprehensive Economic Partnership, which includes China and other Asian countries, is probably going to be what the other group looks like.

I would just hope that our western one stays true to the principles of free markets, not just free markets and liberalization, but.... Picking up on something I was alluding to earlier, to the extent that we have these standards—we've talked about labour standards and environmental standards—my hope is that they would be science-based. I want a rational, science-based regime. I think we're seeing that in the language of the CPTPP. I don't want to see the precautionary principle that the EU has been pushing, in which everything is dangerous until they've checked it out, so they just ban everything. That really seems to be the mentality of the EU. Science-based and free markets....

I think we know who our allies are. It's going to be with the U.S., so we need to straighten out that relationship.

• (1720)

The Chair: Thank you very much.

We will go on to Madame DeBellefeuille, for two and a half minutes, please.

[*Translation*]

Claude DeBellefeuille: Thank you very much, Madam Chair.

Mr. Desmarais, you spoke at length about Chinese dumping. In short, we could say that you liked seeing Canada impose a surtax on Chinese steel and that you see the European Union's position on a country of origin verification system quite positively.

Do you think these measures are sufficient? Should additional measures be put in place?

François Desmarais: That's a very good question.

It's been over a year now since we called for the imposition of tariffs on Chinese steel entering the country. This measure has been in effect for nearly a year, since last November. So far, we see that Chinese steel imports have nearly halved this year, a significant and welcome decrease.

To its credit, the Government of Canada took an innovative and forward-looking step by imposing a surtax on imported steel based on where it comes from, based on the casting and melting principle. We're looking at better traceability, really targeting Chinese steel. That's great, but we continue to receive large volumes of Chinese steel.

The EU has adopted the Canadian traceability model. The Americans also have this traceability system. However, more needs to be done, particularly when it comes to derivatives or steel-containing products. That's where China is likely to turn in the near future. If it sees that its primary products can't penetrate the market, it will simply use its steel in finished products that it will then send to us.

Claude DeBellefeuille: So efforts should be made in terms of labelling to know what a processed product is made of and to detect the presence of Chinese steel in secondary processing products.

François Desmarais: Exactly.

In the past six months, the Americans have identified nearly 1,000 products containing steel or aluminum that are subject to the U.S. section 232 surtax.

However, we know that we receive a large quantity of these products from China. Indeed, the total value of products on that list that we received from China last year was \$4 billion, so we know that a lot of Chinese steel enters Canada in these products. As a result, we should find a way to imitate the Americans to better target Chinese steel in derivative products.

Claude DeBellefeuille: Okay. You've given us—

[English]

The Chair: I'm sorry, Madame DeBellefeuille.

Thank you very much.

Mr. McKenzie is next for five minutes, please.

David McKenzie: Thank you very much, Madam Chair.

Mr. Collins, it was an interesting week. Earlier this week, our Prime Minister went out for lunch. He visited President Trump in the White House. On the one hand, it was good that he was in that room. On the other hand, I don't believe we saw any progress on the promises our Prime Minister has made in respect of new negotiations, deals and opportunities.

I'm wondering whether you could comment on your perspective as to what transpired this week, but also what you may be hearing or seeing as the viewpoint being taken in the U.K.

• (1725)

David Collins: It is an interesting question. I think the meeting between the Prime Minister and the President looked to go quite well on the surface, and Mr. Carney is doing a great job in handling Mr. Trump. They seem to have developed a good relationship, and

that's very important with a President who values personal relationships.

I'm concerned about the comments that were made by Mr. Lutton with regard to the Canadian auto sector. That is really troubling. It seems as though, perhaps, steel and aluminum will be resolved, but it's the automotive industry of Canada that I am genuinely worried about. It doesn't look like the Americans want to have any assembly being done in Canada, so that's very much a cause for concern.

I have to be honest with you. It may come as a surprise to Canadians, but the U.K. is not actually terribly interested in what's going on in North America. It really is not on the radar here. In this country, the concern is the bilateral relationship between the U.K. and the U.S. Of course, the most important relationship for the U.K. is with the EU, especially under the Labour government here and Prime Minister Starmer, who wants to, evidently, bring the U.K. back in the ambit of the EU.

I think that, generally speaking, every country in the world watches all of the interactions taking place in the White House, because they feel like they're next. It's like sitting in the waiting room of the dentist. You hear the sounds coming from the other room, and you're nervous because you're going to be the next person in the Oval Office.

To the extent that President Trump has been welcoming, has changed his tone and is much more respectful to the new Prime Minister of Canada, I think that's a good sign. It shows there's at least some willingness for negotiation. Of course, in this country there was an agreement signed between the U.K. and the U.S., but it wasn't a full free trade agreement.

What I think we're going to see.... Obviously, the USMCA has a number of years yet before it expires, but I wouldn't be surprised if there were some mini-deals, perhaps sectoral deals, that won't actually, technically be treaties under the Vienna Convention. However, this seems to be the new way of doing things, through memoranda of understanding, which may be sector-specific. I would like to think we'll see some of those trickle out in the coming months, like the ones the U.S. has done with Japan and some other countries, so I'm cautiously optimistic about most things, except for the auto sector. That is troubling.

David McKenzie: Thank you very much for your comprehensive answer, Mr. Collins.

What things do you see that Canada has by way of leverage, and how do we address our relationship with the U.S. to gain some overall restoration, frankly, of the extensive trading relationship we had in the past? What leverage do we have?

David Collins: There are a couple of things. Obviously, the big ones are the natural resources and the crude from Alberta. Those are the really big ones. There are some other, small ones. On the digital services tax, I thought it was a great move to get rid of that. I personally advocated for that. I'd written papers on that front. It seems like that gun has been fired now, so I don't think that leverage can be used again, unless perhaps Canada were to threaten to bring it back. That would be another thing. I don't know that it would set the right tone.

The other leverage is perhaps softer. It's the soft relations of Canadian tourists informally boycotting the United States. That's something that Canada has justifiably threatened to do.

We've heard Premier Doug Ford talk about the liquor issues, and he was talking about natural resources. Again, I'm not sure that's within his ambit. The natural resources are the big one, but the other thing is that it behooves Canadians, as the team is doing, to point out to the Americans that there really isn't an American auto sector and a Canadian auto sector. There's a North American auto sector. The sectors are so deeply integrated that attempting to uncouple the supply chain from Canada will ultimately be disastrous for the United States. It will ultimately be a self-defeating process.

It is a nostalgic pipe dream to think that you can bring back the manufacturing heyday of the 1950s and the 1960s in the United States. Some of the intelligent, bright people are probably whispering in President Trump's ear and explaining that to him.

I think the approach that Canada has taken is pretty good—

The Chair: Thank you very much, Mr. Collins. I'm so sorry to cut you off.

We're just trying to make sure that everybody gets time here.

David Collins: It's no problem.

The Chair: Mr. Fonseca, go ahead.

• (1730)

Peter Fonseca: Thank you, Madam Chair. I'll go straight to Mr. Collins.

Mr. Collins, I know you've been a proponent here of the WTO, but the vast majority of witnesses who have come to our committee have been very critical of the WTO. They find that it is ineffective. It is not working in any way, shape or form for them. When it comes to the rising protectionism that we see in the United States, we have an opportunity now through the CUSMA review. How would we approach that opportunity to address the section 232 tariffs, which blindsided us, in a way? With the section 232 tariffs, the damage is already done. Once a sector is hit by them, we see how they affect that business, and sometimes it's not repairable.

Can you address that, and how to approach the CUSMA review for a dispute resolution system that would work for us to be able to grow our market here?

David Collins: First, on the WTO, I completely understand that. I'm not here to disagree with people who say that the WTO hasn't been working. It has a lot of problems. However, it's better to have it—and it can be reformed—than not having it at all.

The WTO is doing a lot more than people realize. There's a lot of committee work going on that's establishing international standards. There is a lot going on on the digital trade front. There's the trade facilitation agreement. There's an investment facilitation agreement. We tend to think of the WTO and these glamorous tariffs on autos and so on. We know the dispute settlement system is not functioning as it was meant to, but there's still the panel procedure. There's the multi-party interim appeal arrangement, which Canada is a part of. It is partially functioning, but not as well as it should. I don't think we should be dismissive of it, as we tend to be.

On the second point, about CUSMA, your question related specifically to dispute settlement in CUSMA. On the dispute settlement system, the neutral international tribunals are composed of panellists appointed by both sides. Procedurally, I'm not terribly concerned about that. I know we eliminated the investor-state dispute settlement in the redraft of the CUSMA. Perhaps that was a mistake, but I'm not convinced it was a massive mistake. I think the dispute settlement procedures are totally fine. Procedurally, I don't think there are issues there. There may be some here and there about transparency.

On what Canada needs to do to deal with the section 232 tariffs, I think we know what the answer is. What the Americans are always complaining about are the dairy issues. They don't like Canada's supply-managed dairy system. No country in the world... I go all over the world and hear, "Oh, you're from Canada. Why is your dairy sector so heavily controlled?" I know that's politically sensitive in Canada. Maybe you don't want to hear this because you all know it, but that is a big issue for Canada's trading partners. It really needs some resolution.

The Chair: You have a minute and 40 seconds remaining.

[*Translation*]

Linda Lapointe: Thank you very much, Madam Chair.

Everything the witnesses said was very interesting, whether it was beef production, the steel industry or what Mr. Collins said.

My question is for you, Mr. Desmarais. What effect could "buy Canadian" have on our domestic steel production?

François Desmarais: That's a good question.

For several years, our industry has been calling for a buy Canadian policy, particularly for steel products. We're very pleased to see that the policy is taking shape. From what we've seen of the policy, the parameters are favourable to our industry. We believe it will have a positive impact on our members. It's important to understand that this is only one of the measures announced for our industry, but we welcome it.

Linda Lapointe: Thank you, Mr. Desmarais.

My next question is for you, Mr. Collins.

Previously, you were critical of the partnership agreements in terms of inclusivity. As a woman, I know that it is harder to enter international trade when you are part of a minority.

I'd like to hear your opinion on that.

[*English*]

David Collins: Yes, I think it's a very important issue, but it's an issue that should be dealt with under Canadian legislation in the domestic Canadian system. It's very dangerous to start imposing non-trade values on countries that have a different culture and a different approach. A lot of countries resent this, and they see Canada leveraging trade agreements and turning them into these broader instruments of governance. If Canada is interested in promoting inclusivity internationally, which it's totally right to do—I think it's a

valuable cause—don't use trade to do it. It's the mixing of the issues that is problematic.

I was in Peru speaking to some Peruvians, in particular about climate change. The comments were, “Why are the Canadians always going on about carbon and climate change?” Developing countries have other priorities, and I think that's undermining Canada's status. That's my take on that. It's not that they're not important issues; they're just maybe not appropriate for that context.

● (1735)

The Chair: Thank you so much to all of our witnesses. This was extremely valuable information and very much appreciated.

Happy Thanksgiving to the members and to our witnesses.

The meeting is adjourned.

Published under the authority of the Speaker of
the House of Commons

SPEAKER'S PERMISSION

The proceedings of the House of Commons and its committees are hereby made available to provide greater public access. The parliamentary privilege of the House of Commons to control the publication and broadcast of the proceedings of the House of Commons and its committees is nonetheless reserved. All copyrights therein are also reserved.

Reproduction of the proceedings of the House of Commons and its committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the Copyright Act. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the Copyright Act.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

Also available on the House of Commons website at the following address: <https://www.ourcommons.ca>

Publié en conformité de l'autorité
du Président de la Chambre des communes

PERMISSION DU PRÉSIDENT

Les délibérations de la Chambre des communes et de ses comités sont mises à la disposition du public pour mieux le renseigner. La Chambre conserve néanmoins son privilège parlementaire de contrôler la publication et la diffusion des délibérations et elle possède tous les droits d'auteur sur celles-ci.

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la Loi sur le droit d'auteur. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre des communes.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la Loi sur le droit d'auteur.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

Aussi disponible sur le site Web de la Chambre des communes à l'adresse suivante :
<https://www.noscommunes.ca>