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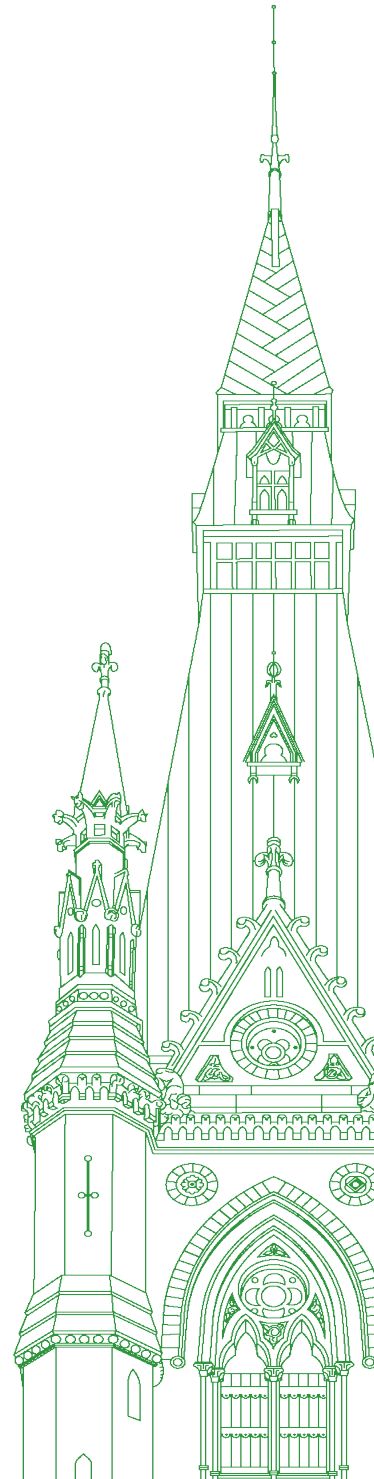
Standing Committee on Foreign Affairs and International Development

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• (1100)

[English]

The Chair (Hon. Ahmed Hussen (York South—Weston—Etobicoke, Lib.)): I call this meeting to order.

Welcome to meeting number 43 of the House of Commons Standing Committee on Foreign Affairs and International Development.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on February 12, 2026, the committee is meeting regarding its study of the bilateral relationship between Canada and the United States of America.

Today's meeting is taking place in a hybrid format, pursuant to the Standing Orders. Members are attending in person in the room and remotely using the Zoom application.

Before proceeding with the witnesses, I'd like to inform members that last Friday, October 2, the clerk distributed a proposed budget for the current study in the amount of \$13,650. Does the committee agree to adopt the proposed budget?

Some hon. members: Agreed.

The Chair: I would now like to welcome our witnesses for the first hour.

From the Department of Foreign Affairs, Trade and Development, we have Niall Cronin, director general, North America bureau; Martin Larose, director general, international security policy and strategic affairs bureau; and Yannick Mondy, director general, North America trade policy bureau.

I understand that you will be delivering a total of 10 minutes of opening remarks, which will be shared. We will then proceed to questions from members of the committee.

I now invite you to begin. Please proceed.

Niall Cronin (Director General, North America Bureau, Department of Foreign Affairs, Trade and Development): Thank you, Mr. Chair and honourable members of the committee.

I appreciate the opportunity to appear before you today for the committee's study on the bilateral relationship between Canada and the United States.

[Translation]

My name is Niall Cronin. As director general for North America at Global Affairs Canada, I oversee policy and operations in sup-

port of Canada's bilateral relationship with the United States, and with Mexico.

My colleagues Yannick Mondy from the North America trade policy bureau and Martin Larose from the international security policy and strategic affairs bureau are with me today to answer questions about the trade, security and defence dimensions of the Canada-U.S. relationship.

[English]

Mr. Chair, there is no bilateral relationship of greater importance to Canada than the one we have with the United States. As the Prime Minister said when he opened last month's investment summit, Canada and the United States "will always be neighbours, and Canada will continue to be the U.S.'s most important partner in many key areas. After all, even at times of disagreement over our long-shared history, we have always maintained deep ties."

The Prime Minister has also been clear: Canada must build a new economic and security relationship with the United States—one that is principled, pragmatic and anchored in resilience and sovereignty. It would be a partnership defined not by an ever-deepening integration across all domains but by complementary strengths in pursuit of shared security and prosperity.

• (1105)

[Translation]

While we are all aware of recent challenges, the Canada-U.S. relationship is enduring and multi-faceted. We will always be neighbours, and Canada will always stand ready to advance our mutual economic and security interests.

I look forward to your questions, but first I will give the floor to my colleague, Director General Mondy, to speak more directly about the trade dimension of the Canada-U.S. relationship.

Yannick Mondy (Director General, North America Trade Policy Bureau, Department of Foreign Affairs, Trade and Development): Thank you.

Mr. Chair, honourable members of the committee, thank you for the invitation to appear before you today.

As the director general responsible for North American trade policy at Global Affairs Canada, I will focus my remarks on the Canada-U.S. trade relationship, recent trade discussions with the United States and their impact on Canada's economic interests.

[English]

At the ministerial joint review required under CUSMA, which was held on July 1, 2026, Canada and Mexico confirmed their desire to renew the agreement for an additional 16-year term. The United States did not agree to the renewal and instead indicated its intention to continue discussions regarding what it views as shortcomings in the agreement and in its broader trade relationship with Canada and Mexico. As a result, the parties have entered the annual review process contemplated under the agreement. In the meantime, CUSMA remains in force and continues to provide the legal framework governing North American trade.

Against this backdrop, Canada has engaged intensively with the United States since January 2025 in an effort to reduce trade tensions and provide greater certainty to workers and businesses. These efforts culminated this summer when Canada and the U.S. were engaged in negotiations to reach an interim bilateral agreement.

[Translation]

Canada approached these discussions constructively and in good faith. Our goal was simple: to obtain significant tariff relief and restore stability to the bilateral trade relationship. We were looking for a fair deal, not a deal at any cost.

[English]

Although I cannot disclose the specific details of the arrangement that was considered, Canada demonstrated flexibility and was willing to explore various solutions. However, we could not accept proposals that would have harmed Canada's economic interests, compromised our sovereignty or weakened the key economic sectors of the Canadian economy. Ultimately, the negotiations did not produce an outcome that met Canada's objectives, and no agreement was reached.

Following the breakdown of negotiations on August 21, the United States proceeded with the implementation of tariffs under section 338 of the Tariff Act of 1930, also known as the Smoot-Hawley act. These measures imposed tariffs of up to 50% on a broad range of Canadian goods, including products that otherwise would benefit from preferential treatment under CUSMA. They affect several important Canadian sectors, including alcoholic beverages, dairy products, pulp and paper, construction materials, furniture, apparel, consumer goods and other manufactured products.

Canada responded on August 25 by announcing reciprocal countermeasures that were carefully calibrated to match the value and the rate of U.S. actions. These measures entered into force on September 8. They apply to approximately 27.6 billion dollars' worth of U.S. imports. At the same time, the government introduced a package of support measures to help Canadian businesses and workers adapt to an evolving trade environment.

[Translation]

Despite these challenges, Canada remains committed to maintaining a productive and mutually beneficial trading relationship with the United States. We remain ready to work with the United States on issues of common interest and on solutions that will restore the stability and predictability workers, businesses and investors across North America depend on.

[English]

At the same time, Canada is taking steps to strengthen its economic resilience, enhance its competitiveness and diversify trade opportunities. While our relationship with the United States will remain essential, Canada is positioning itself to succeed in an increasingly uncertain global trading environment.

Thank you, Mr. Chair. I look forward to answering the committee's questions.

I will turn it over to my colleague Martin Larose.

[Translation]

Martin Larose (Director General, International Security Policy and Strategic Affairs Bureau, Department of Foreign Affairs, Trade and Development): Thank you very much.

Mr. Chair, honourable members of the committee, thank you for inviting me to participate today, alongside my colleagues, in this meeting as part of your study on the bilateral relationship between Canada and the United States.

As director general responsible for international security policy and strategic affairs at Global Affairs Canada, I frequently handle files related to the United States, with a focus on the security and defence relationship between our two countries.

The defence and security relationship between Canada and the United States has entered a new phase where Canada must approach co-operation with a clearer vision of its fundamental interests. Geography is an inescapable factor, and Canada's security and defence require close collaboration with the United States.

• (1110)

[English]

It is well known that the current U.S. administration has made building a stronger, safer and more prosperous United States the central objectives of its foreign policy. Canada has long benefited from the United States for its defence, just as the United States has benefited from Canada. This area of the broader bilateral relationship is one in which we can clearly show our American colleagues when our interests align and how the actions of the Government of Canada, taken first and foremost for Canadians from coast to coast to coast, also support U.S. interests.

Canada is rapidly ramping up defence spending to bolster our capabilities, focusing right here in North America. This will make us stronger, more capable and a better ally. At the same time, we're broadening and deepening our partnerships around the world to make Canada stronger at home in both defence and economic spheres. Canada will always work with the U.S. when it is in its interest. Defence is one such area—more specifically, in continental defence, Arctic security, NORAD modernization and integrated air and missile defence.

Thank you. I look forward to our discussion this morning.

The Chair: Thank you for your statements.

I will now open the floor for questions, beginning with MP Mantle.

You have six minutes.

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

Thank you to our officials for appearing before this committee on this study and for providing your valuable testimony.

Most of my questions will be directed toward Ms. Mondy from the trade perspective.

Ms. Mondy, are we at war with the United States?

Yannick Mondy: I'm not a specialist who can declare on these issues, but I can mention that we are not currently negotiating with the U.S. Those negotiations ended on August 21, as I mentioned in my testimony. We remain open to having a constructive bilateral dialogue and concluding a framework. That I can mention.

Jacob Mantle: We're not at war with the United States....

Niall Cronin: If I could say so, we're here to emphasize that the relationship between Canada and the U.S. is broad-based, deep, multi-dimensional and enduring.

I think the Prime Minister was clear in his message to an American audience at the investment summit that geography is a fact and that Canada will remain an important partner to the United States in a number of issues. Throughout history, there have been disagreements, but we've managed to work through them.

Jacob Mantle: I'll leave this open. I'll let you decide who is best placed to answer.

Could you explain for me the economic rationale for countertariffs in this circumstance? Is there one for the Canadian economy?

Yannick Mondy: Well, what I can mention is that we've taken measures to respond to the U.S. that were targeted and calibrated—as I mentioned in the testimony—both with respect to the tariff rate and with respect to the amounts that are involved. Those countertariffs are intended to respond to U.S. actions that are inconsistent with CUSMA, that agreement, and we're looking to defend our interests.

Jacob Mantle: I'll move to the interest portion of the equation in a moment, but on the economics, do those countermeasures help Canadian businesses or harm Canadian businesses that import from the United States?

Yannick Mondy: I can mention that we are looking to conclude an agreement that is in the best interest of Canadian businesses and

workers, and we're working very closely with provinces and territories, and businesses as well, in the context of measures that are imposed by the U.S., including our response to them. We have a remission framework that is also there in order to provide support. The government has announced measures of support as well that were released at the same time as the countermeasures.

Jacob Mantle: As an economic proposition, tariffs impose dead-weight loss on the economy and impose costs on businesses that pay them. Is that true?

Yannick Mondy: Excuse me. Could you repeat your question?

Jacob Mantle: As an economic proposition, countertariffs or tariffs in general impose economic costs on the businesses that pay them and create deadweight loss in the economy. Is that true?

Yannick Mondy: I can't comment on your qualification of this issue as to whether they create dead-weight loss.

Jacob Mantle: The imposed costs on businesses...?

Yannick Mondy: They seek to rectify what is an unfair situation between Canada and the United States.

Jacob Mantle: On seeking to rectify that, has your department done any analysis on the costs that Canadian businesses pay with respect to Canadian countertariffs?

• (1115)

Yannick Mondy: I can tell you that this is something we track closely, and we work very closely with the Department of Finance, as well as with the chief trade negotiator's office on these issues, and we're meeting with stakeholders quite regularly on this.

Jacob Mantle: I'm glad to hear that.

Would you undertake to provide this committee with the analysis or any of the discussion so that we could better understand your understanding, or the government's understanding, of the costs that these are imposing on Canadian businesses?

Yannick Mondy: I can't qualify if we're doing the specific analysis that you have in mind, but I can certainly take a look and see what is advisable for the committee. There is a process under way on stakeholder...a request that's before the CIIT regarding what we've heard from businesses and stakeholders. That process is under way and will be shared with the committee members.

Jacob Mantle: I'm not clear. You'll review and—

Yannick Mondy: There is a process under way that reflects what was mentioned in parliamentary...I can't recall exactly what it's called here, but it's a motion that was adopted by the Standing Committee on International Trade, and we're presently undertaking necessary steps to respond to the committee's request. Some of the information you're looking for might be in there.

Jacob Mantle: I think that's with respect to the public consultations we're undertaking. What I'm looking for is internal government analysis on the costs of Canada's countertariffs. Would you undertake to review if you have anything like that? If you don't, you can respond that you don't, or it's not responsive.... Would you undertake to look into it and get back to us?

Yannick Mondy: Well, the government has provided information as to what the countermeasures or tariffs are, the value of them and what they apply to the U.S. As you can imagine, over time those costs change.

Jacob Mantle: If you want to say "no", you can say no.

Yannick Mondy: I guess to the extent of what you're framing right now, I cannot commit to this.

Jacob Mantle: That's fair enough.

I have one last question. My understanding of the political or interest side of countertariffs is that we're supposed to be in a better negotiating position having imposed them. Can you give me any evidence that we are in a better negotiating position now than before imposing countertariffs?

Yannick Mondy: I can't really provide you what you're looking for in this situation. It's difficult to speculate on the but-for world.

Jacob Mantle: You said you were trying to respond to the U.S.'s actions. Part of doing that is trying to get us to a better negotiating position. The countertariffs are what the government has said they're doing.

However, as you said, we're no longer negotiating. Can you give me some evidence that imposing countertariffs has put us in a better negotiating position?

Yannick Mondy: I can say that Minister LeBlanc is continuing discussions with the USTR, Jamieson Greer. Those informal discussions continue even though we're not at the negotiating table right now.

The Chair: Thank you very much.

Next we will go to MP Zuberi.

You have six minutes.

[Translation]

Sameer Zuberi (Pierrefonds—Dollard, Lib.): Thank you, Mr. Chair.

Thank you to all the witnesses for joining us.

[English]

I'd like to pick up on some comments that you made in your opening remarks around the trade negotiations with the United States and how you mentioned that we will accept

[Translation]

a fair deal, not a deal at any cost.

[English]

Can you elaborate on that concept, given the previous line of questioning we heard?

Yannick Mondy: I also mentioned that I'm not at liberty to discuss the specifics. I can say we are looking to conclude an agreement with the United States that upholds our economic interests in areas of strategic value for the Canadian economy, that does not impede our sovereignty and that provides continued mutual benefits on both sides of the border.

Sameer Zuberi: Certainly, and it should be one that will benefit Canadians, as you said in French, but not at any price, and that is mutually beneficial for both countries.

Now I'd like to go to my line of questioning. I was in the military once upon a time, in the reserves, so I'll start off with something around NATO and our spending. In the 1990s and 2000s, our spending on defence was about 1.1% to 1.3%. From 2022 to 2025, it increased from 1.33% to about 1.59%.

More recently, in March 2026, we hit 2% in NATO objectives. We have set an objective to hit 3.5% of core spending and 1.5% of our GDP on another element and another area of spending by 2035.

How has the United States responded with respect to this increase in our spending and commitments?

• (1120)

Martin Larose: Thank you for the question.

I think the United States has responded very positively to the fact that Canada is significantly stepping up our defence spending, as you indicated.

The Prime Minister has been very clear that we're committed to 4% by 2030 and to 5% by 2035. As you indicated, we met the 2% in March. This translates into a number of capabilities that the Government of Canada is procuring now and will be procuring in the upcoming years, which will translate into concrete capabilities on the ground in the next several years. The United States deeply appreciates this.

I'm sure you have seen the U.S. national security strategy that was released, which focuses on the western hemisphere. For them, the defence of North America is a top priority, and the fact that Canada is stepping up in such a way is well received.

Thank you.

[Translation]

Sameer Zuberi: Thank you, Mr. Larose.

[English]

I'd like to go more broadly into our engagements with the Americans and the different levels of government.

How has our engagement been with governors, members of Congress, business leaders and state-level stakeholders? Would the witnesses like to share the results of those engagements and what fruit they have borne thus far?

Niall Cronin: Thank you for the question.

As the committee is likely aware, Canada has an embassy in Washington. We also have 12 consulates general across the United States, led by a top-notch team of diplomats whose full-time job is engaging with members of state legislatures, the U.S. private sector and other stakeholders.

What we've heard from our network in the United States is broad support for the Canada-U.S. relationship, an affection for Canada and an understanding of the benefits that a relationship with Canada brings to the United States. We've also heard people raise their concerns in private about some of the steps the administration has taken. Few are ready to be more public about it, and that's their decision.

Our network across the United States spends a lot of its time raising awareness of the benefits of the trading relationship, the security partnership and other aspects of the relationship, and it has a very receptive audience from a number of sectors across the United States.

Sameer Zuberi: I appreciate your response and what you mentioned about the 12 consulates doing their work, along with the embassy.

Now I'll pivot a bit to the Indo-Pacific. We have an Indo-Pacific strategy that's being updated. Minister Anand has spoken about it and has mentioned the updates.

With respect to shared priorities between Canada and the United States, how are we doing with respect to the Indo-Pacific and those shared priorities—our two countries—in our approach to the region?

Martin Larose: Thank you for the question.

With regard to the Indo-Pacific, I think we're seeing eye to eye with the United States in terms of potential threats and risks for the region that are emanating. You will have seen that the U.S. is burden shifting a bit in the NATO context in Europe, with a view to be in a position to dedicate more of their resources to the security of the Indo-Pacific.

In this regard, the types of capabilities that the Government of Canada is currently purchasing—procuring—are absolutely relevant for contributing to this burden sharing in terms of the security of the Indo-Pacific. We can talk about the destroyer. We can talk about the submarines that the Prime Minister announced earlier in the summer and the discussion on the contract with TKMS in Germany. These types of capabilities are very relevant for the security of the Indo-Pacific, and I think the U.S. is deeply appreciative.

Thank you, Mr. Chair.

The Chair: Thank you very much.

[Translation]

Mr. Brunelle-Duceppe, you have the floor for six minutes.

Alexis Brunelle-Duceppe (Lac-Saint-Jean, BQ): Thank you, Mr. Chair.

Thank you to the witnesses for joining us today.

My first question is a bit broad and is for you, Ms. Mondy.

What is the main purpose of retaliatory tariffs? Is it to generate revenue for the government, to protect a specific economic sector or to exert political or economic pressure on the United States?

What is the main benefit of retaliatory tariffs?

• (1125)

Yannick Mondy: The goal is not really to generate revenue for the government. It's more about the other two objectives you talked about, which are to ensure effective defence and protect certain sectors targeted by unjustified American tariffs.

Alexis Brunelle-Duceppe: Has your department identified any economic sectors in Quebec that could suffer as a result of the Canadian government's retaliatory tariffs?

Yannick Mondy: I will be careful how I answer, because obviously I have not talked to all stakeholders. There are areas that I could leave out of my answer. However, I can say that we are in contact with representatives of the aluminum, supply management, of course, and pharmaceutical sectors, which are all affected. There is also the steel industry and the softwood lumber sector, which I don't want to forget.

Alexis Brunelle-Duceppe: I come from a forestry region, so I know what it's like.

When you implement retaliatory tariffs, is it from a Canadian perspective, looking at Canada as a whole, or do you have processes specific to each territory?

Yannick Mondy: Normally, retaliatory tariffs are first recommended to the government, and they are set collaboratively based on analyses that go through Global Affairs Canada and the Department of Finance, which is responsible for import policies and the implementation of the Customs Tariff. When we do these analyses, we look at both.

In this case, we looked at how to set retaliatory tariffs that target the affected sectors without causing unintended or additional consequences. Our industries are very integrated, so we have to be careful about the tariffs that are applied. That is also why the Department of Finance has implemented a tariff remission system. In some cases, it still allows imports for some businesses at a reasonable cost. That said, there is no doubt that there is an impact.

Alexis Brunelle-Duceppe: Actually, that's not really what I was asking.

Are there specific processes for each territory, or is this done while considering Canada as a whole?

Yannick Mondy: I would say both. We look at the impact based on where the companies are located. It's not necessarily done at the provincial level; it's done at a national level, but we take into account where the affected businesses and sectors are located.

Alexis Brunelle-Duceppe: I ask this because the Assemblée nationale du Québec criticized the retaliatory tariffs that were implemented targeting certain economic sectors.

I wonder to what extent Quebec and the other provinces are consulted when retaliatory tariffs like that are implemented. Obviously, from a political standpoint, it doesn't suit everyone when the federal government implements retaliatory tariffs that affect the economy of Quebec or of a particular territory.

Yannick Mondy: That very important question is often at the core of the challenges related to the implementation of retaliatory tariffs. Obviously, regardless of the tariffs or circumstances, there will always be someone with an opposing point of view.

Alexis Brunelle-Duceppe: To what extent is there consultation? What we're hearing a lot is that Quebec and the other provinces don't seem to be consulted about implementing retaliatory tariffs or discussing things with the Americans. I'm not making this up; many media outlets in Quebec and, I imagine, in the rest of the country have reported this. This shows that when the federal government is taking action on our relationship with the Americans, it does not take that into account as much as it should.

Yannick Mondy: What I can say about that is the Prime Minister was in contact with his provincial counterparts when the negotiations ended, just before August 21.

I can also say that, since then, we have been consulting regularly with provincial and territorial officials. We met with them in Ottawa two weeks ago to discuss these issues. We work with them all the time. Provinces are being consulted.

Alexis Brunelle-Duceppe: You said earlier that negotiations ended in August, but before that, in 2025, the digital services tax had already been dropped. We even intervened somewhat in the affairs of an independent organization, the Canadian Radio-television and Telecommunications Commission, or CRTC, by asking it to abolish royalties for content creation. Those are two things that were dropped.

Can you tell the committee what we got in exchange for these concessions to the Americans?

• (1130)

Yannick Mondy: I can't really discuss the logic that was followed at the time, but I can repeat what was said publicly about royalties—

Alexis Brunelle-Duceppe: Many people say it didn't make sense.

Yannick Mondy: What I can say is that the logic behind the policy is not just related to the negotiations.

Alexis Brunelle-Duceppe: At the department, you're responsible for trade relations with the U.S., correct?

Yannick Mondy: Yes.

Alexis Brunelle-Duceppe: In 2025, Mr. Trump tweeted calling for the digital services tax to be abolished. The next day, following a tweet, Mr. Carney cancelled the implementation of this tax, saying it would allow us to make gains and return to the bargaining table. However, we never went back to the bargaining table.

I imagine Canada got some benefit from that concession. If not, are we saying we dropped the digital services tax and got absolutely nothing in return?

[English]

The Chair: We'll have to stop there because you're over time.

We'll go next to MP Duncan.

You have five minutes.

Eric Duncan (Stormont—Dundas—Glengarry, CPC): Thank you, Mr. Chair.

Thank you to our witnesses for being here this morning.

I want to follow up on the countertariffs, if I could, Director General Mondy, and on what Mr. Mantle was asking about regarding the data collection that is being done either by Global Affairs or by the Department of Finance. You mentioned it's in review right now. On the idea of collecting data on, for example, the impacted costs of goods that are being tariffed and on job losses, are you quantifying this and gathering information? Is the idea of doing that something you would share with the committee, or is it still under review?

When we have tens of billions of dollars in countertariffs being proposed, I would think the government would be doing a very close study and analysis of the figures to understand the costs of goods, the job losses that are happening and the impact they are having on Canadian businesses.

Yannick Mondy: We are in close and constant contact with our stakeholders, including companies affected by the countertariffs, to understand precisely not only jobs affected but also costs for businesses. This is also part of the information collected whenever we are considering remissions on countermeasures.

That's what I can say about this.

Eric Duncan: It sounds as though there's not a lot of formal data collection going on when it comes to tracking the impacts of the costs of goods on job losses. If there isn't anything, I think it's something the government should be doing to understand that Canadians are being asked to buy into tens of billions of dollars in countertariffs, which have an impact on the Canadian economy, on jobs and on the cost of goods, without really being able to quantify that and understand one way or the other. That's enough information there.

Mr. Cronin, I want to ask you about Bill C-35 and the section 301 tariffs on forced labour that the American administration brought in earlier this year.

Have you had any conversations with your American counterparts on this specifically since Bill C-35 was tabled by the government to address this issue, and what has their reaction been to the change in legislation or the attempt to address this in an effort to get this 10% tariff removed?

Niall Cronin: Thank you for the question.

To respond directly, I have not spoken to my counterpart at State Department about this specific issue. However, I am aware that colleagues across our network of the embassy and consulates general have engaged with the Americans to explain our approach on forced labour. On the steps Canada has taken, it's an education process, and we need to explain and advise, but generally they have been received well.

Eric Duncan: Is that “well” as in you believe it would be enough to warrant the removal of them, or are they waiting for more information? That it's going well is a very general response. If the legislation passed, would they consider the removal of those, or are they looking for further substantiation of the policy?

Niall Cronin: Our position has always been that tariffs the U.S. administration has imposed on Canada are unjustified and unfair. I think we stand behind the systems we have in place to promote free and fair trade with the United States.

This is another example of steps that the government is taking and considering to move forward and to explain to the United States, and our counterparts across that country, that they have a reliable, dependable partner and that there are advantages to the United States in having Canada as their northern neighbour.

• (1135)

Eric Duncan: In relation to forced labour and the work the American administration does, they have banned and turned around thousands of shipments in recent years. In Canada we've done drastically less in terms of enforcement and being successful when it comes to the issue of forced labour in our supply chains.

In the context of the Canada-U.S. relationship, when it comes to the implementation of this legislation, can you talk about how Global Affairs Canada and their partner, the CBSA, will work better with our American counterparts to identify regions, countries and sources? Part of the responsibility of the minister is to publish a list of products or of companies or regions that are suspected of taking advantage of forced labour.

Have you begun conversations about who might be listed and who won't be? What will your relationship with the United States be when it comes to working together to identify those?

Niall Cronin: One point I would like to emphasize in the Canada-U.S. relationship is the importance of co-operation around ensuring that our border is secure. The government has invested \$1.3 billion in a border plan to strengthen resources at the border. Those efforts have been well received, positively received, by the U.S. administration. I think that co-operation and collaboration between our law enforcement agencies is strong and deep, and at the operational level, it is very successful.

That is another area in which co-operation, and the strength of that co-operation, is in not only Canada's interest; it's also in the in-

terest of the United States. It brings benefit to our people on both sides of the border.

The Chair: Thank you very much.

We will go next to MP Vandenberg.

You have five minutes.

Anita Vandenberg (Ottawa West—Nepean, Lib.): Thank you, Mr. Chair.

I'd like to direct my questions to Mr. Cronin.

Of course, in addition to the unjustified tariffs that are having an impact on what has been decades of mutual prosperity between our two countries, you mentioned in your remarks—I wrote it down, because I thought it was quite poignant—that we have a “broad-based, deep, multi-dimensional and enduring” relationship with the United States.

I wonder if you could elaborate on this relationship.

Niall Cronin: Certainly. I could speak to the area of people-to-people ties. When we look at connections between our people on both sides of the border and communities, we have a number of communities in which people work on either side of the border. It's a daily commute to cross. There are also family ties. I myself have relatives across the United States. A lot of Canadians do. Those ties are deep and enduring.

I think we also share values. The Prime Minister spoke about this in his speech in New York in May, about the values of democracy, innovation and entrepreneurship. These are things we share. In the energy sector, the ties are deep. There are over 70 cross-border pipelines and 35 or more transmission lines. That relationship is solid.

Those are ones that I think we are building upon. The steps we're taking at home will make us a stronger partner to the United States.

Anita Vandenberg: Necessarily, a lot of our focus is on high-level negotiation. That's what we see on the news. It's what our government is clearly and rightly focused on, but there are other levels. There are the state and provincial level and the city level. What kind of co-operation or negotiations are happening at other levels of government?

Niall Cronin: My team has a monthly check-in call with officials from provinces and territories to talk about their engagement with their counterparts in the United States, and it's very strong. I was in British Columbia last month, meeting with B.C. officials. They have regular interactions with their counterparts in Alaska and in Washington state, dealing with all sorts of different issues from energy and water to trade. Those relationships are deep and enduring, and the conversations are very, very positive. I think that goes across the board.

We've also had mayors travel down to visit with their counterparts at the U.S. Conference of Mayors. There are a lot of common issues to deal with, and there are a lot of lessons we can draw from each other, because we're facing a lot of the same challenges.

One area of co-operation really is related to the fentanyl crisis. When the Trump administration first came to power, there were a lot of inaccurate assessments of the situation, saying that fentanyl was crossing the border from Canada into the United States. We were able to disabuse a lot of Americans of that idea, but we really recognize that both countries are facing a serious situation related to fentanyl and that there are lessons we can be drawing from both. Connecting municipalities, connecting public health officials.... In those areas, the two countries can be working together.

• (1140)

Anita Vandenbeld: You mentioned incorrect assumptions with regard to the accusations around fentanyl. What about the accusations around forced labour?

Niall Cronin: That's also an issue wherein we equip our diplomats in the United States with the facts so that they can go into the office of a member of Congress, of a local mayor, or of another city official or congressional official to explain to them the situation, what's happening on the Canadian side of the border and how we're addressing what is a serious issue. It's acknowledging that these are things we should be working on together, and it will be more effective when we're approaching them in that light.

The Chair: Thank you very much.

Next we have MP Brunelle-Duceppe for two and a half minutes, please.

[Translation]

Alexis Brunelle-Duceppe: Thank you, Mr. Chair.

Ms. Mondy, I would like to go back to retaliatory tariffs. You said the priority was not the revenue they were going to generate for the federal government, but the fact remains that retaliatory tariffs generate revenue for the federal government.

We are told that, normally, this money will be redistributed to Canadian and Quebec businesses affected by the tariff war. According to the ministers and the Prime Minister, the money generated from the retaliatory tariffs is redistributed to help the economic sectors affected by the tariff crisis. However, what we are seeing are assistance programs offered to businesses in the form of loans. I am just trying to find the logic in that. You may be able to help me.

If the federal government profits from retaliatory tariffs and its assistance programs for businesses affected by the tariff crisis are offered in the form of loans, these businesses will necessarily give the government back the money it lent them. Even if the loans come with good interest rates, the fact remains that this money lent to businesses will go back into federal coffers.

I wonder why this money generated from the retaliatory tariffs is being redistributed in the form of loans to businesses affected by the tariff crisis, since it means that it will necessarily go back into the federal government's coffers.

I don't know if you follow what I'm saying, but I can't find the logic behind all this.

Yannick Mondy: There are many forms of assistance. As part of my mandate as director general responsible for trade policy relations at Global Affairs Canada, I'm not in a position to give you factual elements on those, but I can take your question on notice. I can say that programs are normally quite targeted so we can work with businesses.

I'm also going to go back to the question raised by some of your colleagues that we don't seem to be collecting data. We are in constant communication with companies to collect data on how tariffs are affecting—

Alexis Brunelle-Duceppe: If I may—

Yannick Mondy: There is a link to your question, meaning that it also makes it possible to target assistance for businesses based on their needs. Communication regarding their financial situation is ongoing.

Alexis Brunelle-Duceppe: That's precisely why I'm asking the question. It doesn't make sense for the money generated from retaliatory tariffs to be redistributed in the form of loans, since that means the government ultimately gets it back. Where does it go afterwards? We don't know. Perhaps the government will give it back in the form of subsidies to the oil industry, which is not affected by tariffs—that's my little political nod. It makes no sense.

I'd like to ask you one last thing, since I don't have much time left.

Mr. Chair, do I have some time left?

• (1145)

[English]

The Chair: You have run out of time. I gave you some leeway.

[Translation]

Alexis Brunelle-Duceppe: Okay, thank you.

[English]

The Chair: Next we go to MP Lawrence.

You have five minutes.

Philip Lawrence (Northumberland—Clarke, CPC): Thank you very much, Mr. Chair.

Thank you for your service. I'm sure there have been many late nights, so I appreciate it.

Mr. Larose, I'm going to start with you.

The Prime Minister recently mused in a New York Times interview that there was a long-tail risk of U.S. invasion and that basic risk management dictated that we prepare for that invasion.

Do you believe that an American military invasion is a material risk?

Martin Larose: I think the Prime Minister addressed this question as one “extreme tail risk” that he needed to consider, and I will not speculate further. I will leave it at that, as the Prime Minister has.

Thank you.

Philip Lawrence: Thank you.

A little less brevity would be appreciated, but that's okay.

Has your department or any government department, to your knowledge, done any preparations for a U.S.-led military invasion?

Martin Larose: Government departments are always doing contingency planning for all sorts of things. Of course, when threats are being raised in the public domain, departments have to prepare potential contingencies for these purposes. I will leave it at that.

Philip Lawrence: Thank you.

I understand if you won't go any further, Mr. Larose, but I think we can take from your answer that government departments have made preparations for a potential U.S. invasion. Is that correct?

Martin Larose: I will leave it at that.

Philip Lawrence: Thank you. I appreciate your service, Mr. Larose, even if you're a little overly brief.

I'd like to move on and talk about the reciprocal tariffs, particularly with respect to remissions.

A number of businesses in my community have been granted remissions, which is great, but the challenge is that they had to wait a year for hundreds of thousands, if not millions, of dollars. Businesses in this environment cannot afford that. We recently heard in a technical briefing that countertariff remissions will have a waiting period of six to nine months. This is not good enough.

Could you please commit today to reducing it to less than a month or explain why not?

Yannick Mondy: Thank you for your question. It's an important issue as we work closely with businesses.

Remissions are the responsibility of the Department of Finance. I take note of your important comment and will relay that to them, but it is a question for that department.

Philip Lawrence: I understand that, but when we're applying a countertariff, we should also be, I would think, mindful of the consequences. My colleague from the Bloc talked about that quite eloquently.

If, in fact, you're going to impose countertariffs, I believe that the responsible thing for those of you in trade to do is to talk to your colleagues in finance and say we will get a remission within six months, within two months or within a couple of weeks. I don't understand why the decision would take so long. This greatly impacts the impact of the countertariffs. Would you not agree with that?

Yannick Mondy: I can mention what I see in terms of meetings with stakeholders in which they bring these issues to our attention, including the issue of remission. We certainly take that into consideration, and we try to work as best we can to provide them the support that is needed, sometimes in the form of remissions and sometimes in terms of support programs.

Philip Lawrence: Thank you. My time is limited. I'd love to push further on this.

As you mentioned in your opening statement, Canada pushed back at the table, but there have been very vague details given as to why, and you said in your statement you wouldn't give specific details.

I'm not looking for specific details, though. I'm looking for a broad statement on what the issues were when Canada said that enough is enough. There are businesses in my community that are losing jobs, and we have people suffering through an affordability crisis. They'd like to know why, and I think you owe it to them.

Yannick Mondy: Thank you.

This is an important negotiation, and we recognize, certainly, that it affects a lot of families, workers and businesses.

I can refer you to the interview our chief trade negotiator, Janice Charette, gave to *The House* on August 28, in which she noted that we were at the outline of an agreement we could work towards but that there was still a lot of work to do, that we were looking for a mutually beneficial outcome to stabilize the relationship to avoid the 338 tariffs coming into effect and that we were looking for meaningful commercial relief. Ultimately, the U.S. was asking for too much and offering too little. That is what she said in the interview.

● (1150)

Philip Lawrence: I would like to see a greater degree of detail, and the Canadian public would as well.

Thank you.

The Chair: Thank you very much.

We go next to MP Clark.

You have five minutes.

Braedon Clark (Sackville—Bedford—Preston, Lib.): Thank you very much, Mr. Chair.

Thank you to the officials for being here and for their work on behalf of all Canadians as always, but especially in recent months.

Over the last week, my colleagues and I were all at home in our ridings. My riding includes the largest business park in Atlantic Canada, the Burnside industrial park in Dartmouth, Nova Scotia, and there are hundreds of businesses over there, thousands, many of which rely very heavily—if not almost completely—on trade with the U.S. Of course, some of them are having a hard time.

I spoke with a business owner last week. Ninety per cent of their business is with the U.S., as it is for many others there—a majority and beyond—and they're struggling. They're facing hard decisions. They're doing all the right things. They're applying for the appropriate programs and we're hoping to support them, but what I hear from them pretty consistently, almost uniformly, is that even though they are in the crosshairs on this and they're affected negatively, they support what the government is doing on tariffs and counter-tariffs, because while this is an issue of economics, of course, it's also an issue of sovereignty. I think this is the position the government takes, and it's a position that I think a sizable majority of Canadians take as well, if you look at pretty much any polling on this issue.

I wanted to make that point fresh off the constituency week and talking with business owners at home.

Of course, as Atlantic Canadians, defence is always top of mind for us, and it's an area in which we see a huge amount of investment over the next number of years and decades and in the Halifax area in particular.

Mr. Larose, perhaps you could touch on this. I get a sense from your earlier comments that there are two streams in what we're talking about. One is economics and trade, and one is defence. Correct me if I'm wrong, but it seems to be your point of view that on the defence side of things, the security and defence arrangements between the United States and Canada are progressing on a rather smooth trajectory still, despite frictions in trade. Is it correct to summarize it in that way?

Martin Larose: Thank you for the question.

I think that's a fair assessment. We have daily co-operation between our soldiers and the soldiers of the United States. We usually have over 600 soldiers deployed in the U.S. in various missions, including at NORAD, the joint command in Colorado Springs. Roughly speaking, the Americans have about 300 soldiers and officers deployed in Canada.

On any given day, our men and women in uniform are serving shoulder to shoulder with their United States counterparts. I've fought in several wars together with them. Our servicemen and servicewomen died in Afghanistan and beyond. I think the collaboration on the defence side of things is very solid.

Thank you.

Braedon Clark: Thank you, Mr. Larose. I appreciate your comments on that.

You touched on NORAD in your answer. I know there's a major modernization of NORAD. As you alluded to, NORAD is one of the greatest postwar collaborations among countries anywhere and at any time, I would say. Could you give us a sense of the work that's going on right now between Canada and the United States to modernize NORAD and what results we might see coming out of that?

Martin Larose: The first thing I'd say, perhaps, is that Canada has lifted any policy restrictions to air and integrated missile defence: what the U.S. President called the "golden dome". That is the first thing. We are in discussions with United States officials in

this regard, but beyond that, we're building our capabilities, as I mentioned earlier.

For example, we are building over-the-horizon radar, which is extremely relevant for the NORAD organization. We're buying new tactical helicopters, new planes, new submarines and so on, and all these things, all these capabilities, are helping to detect threats from afar and to respond to these threats in a timely fashion. This is done jointly with U.S. counterparts.

Indeed, we are spending a significant amount of money in NORAD modernization to share the burden of the defence of North America.

• (1155)

Niall Cronin: The other place in which we're making investments that are being well received by the United States is in the Arctic. In March, the Government of Canada moved forward with a comprehensive plan for more than \$35 billion in federal investments that includes \$32 billion for forward operating locations in Yellowknife, Inuvik and Iqaluit and at our operating base, 5 Wing, in Goose Bay. These commitments also show how Canada is stepping up and supporting our sovereignty and resiliency, ultimately making us stronger at home and a better partner to the United States.

The Chair: Thank you very much to the witnesses for appearing before the committee today and for your testimony.

We will now briefly suspend in order to prepare for the next panel.

Thank you.

• (1155)

(Pause)

• (1200)

The Chair: I call the meeting back to order.

I would now like to welcome our witnesses for the second hour of this meeting.

First, we have Professor Andrea Charron, the director of the centre for defence and security studies at the University of Manitoba, who is appearing by video conference.

Next, we have Dr. Meredith Lilly, who is a full professor and the Simon Reisman chair in international economic policy at Carleton University.

Finally, we are joined by Jamie Tronnes, the executive director of the Center for North American Prosperity and Security.

Up to five minutes will be given for opening remarks, after which we will proceed with rounds of questions.

I now invite Professor Andrea Charron to make an opening statement of no more than five minutes.

Thank you.

Professor Andrea Charron (Director, Centre for Defence and Security Studies, University of Manitoba, As an Individual): Thank you for the invitation to speak today. I will confine my remarks to my area of research expertise and focus, specifically the defence relationship and, in particular, NORAD.

The good news is that NORAD continues to function as intended. At the operational level, the command remains effective and continues to provide a framework through which Canada and the United States co-operate on continental defence. However, several persistent issues warrant close attention.

My central message today is straightforward. Canada largely gets the NORAD it wants because the command is not a politically salient issue in the United States, relative to other defence priorities such as homeland defence and the golden dome. That arrangement has worked well for Canada, but it could change, and it could change quickly. Some strategic manoeuvring now would be prudent.

The first long-standing irritant in the bilateral defence relationship has been Canada's position on ballistic missile defence, now more accurately discussed in the broader context of integrated air and missile defence. This issue has been partially mitigated by Minister McGuinty's July 16, 2025, statement that the government has removed all restrictions on air and missile defence of Canada. While this does not signal policy change per se, it does create some strategic flexibility.

A second issue concerns possible changes to the U.S. unified command plan and the implications these could have for NORAD's command and control arrangements. At present, the commander of NORAD also serves as the commander of U.S. northern command, a dual-hatted arrangement that has provided continuity and efficiency. Should the United States revisit proposals to establish an Americas command, for example—as was suggested after the 9/11 attacks—or fundamentally change the geographic distribution of commands in a way that would bifurcate Canada from the continental United States, the underlying NORAD command structure could require reconsideration. It's important to remember that the NORAD agreement itself can be terminated by either party with 12 months' written notice.

Third, Canada should continue exploring opportunities to broaden participation in continental defence arrangements. Greenland, both geographically and strategically, makes considerable sense as a future partner. Canada, the United States, Greenland and Denmark already co-operate closely in the resupply of Canadian Forces Station Alert through Pituffik Space Base, and Denmark and Canada have a new defence co-operation memorandum of understanding.

There are, however, potential organizational changes that could weaken NORAD's distinctly binational character. For example, if USNORTHCOM and NORAD were to merge any operations positions within the command, Canada would need to insist on separate positions for NORAD and USNORTHCOM. The two organizations have different mandates, responsibilities and political foundations, and preserving those distinctions remains important.

What should Canada do?

First, with the Permanent Joint Board on Defence currently in abeyance, now is the time to reinforce the Military Cooperation Committee and begin to identify a future Canadian co-chair for a revitalized defence dialogue mechanism. Rather than selecting a sitting parliamentarian, consideration should be given to an individual with deep expertise in Canada-U.S. political, diplomatic, economic and military relations.

Second, Canada should restore a Global Affairs Canada political adviser position at NORAD headquarters in Colorado Springs. The current Department of National Defence technical adviser is essential, particularly given the scale and complexity of NORAD modernization projects. However, modernization is only part of the challenge. The agreement itself requires stewardship, and that is fundamentally a diplomatic and political function best performed by Global Affairs Canada.

Third, as the U.S. military reassesses future billet allocations, Canada must likewise continue to evaluate which positions best serve Canadian interests. In my view, Canadian billets within the United States military remain essential, particularly the deputy command positions in the Alaska NORAD region, the continental NORAD region and the NORAD headquarters itself. These posts provide Canada with influence, situational awareness and direct access to decision-making.

Fourth, and most importantly, NORAD modernization projects must be accelerated, especially those related to domain awareness and continental defence. Improved detection, tracking and attribution capabilities are foundational to every other aspect of continental defence. Canada cannot afford to wait for improvements to arrive according to a 20-year budget cycle.

● (1205)

In closing, NORAD remains valuable to both countries. However, successful institutions require constant tending. Canada should not assume that decades of stability guarantee future continuity. The best way to preserve the NORAD we have is to actively shape the NORAD we will need.

Thank you.

The Chair: Thank you very much, Professor, for your statement.

I now invite Dr. Lilly to make an opening statement of no more than five minutes, please.

[Translation]

Dr. Meredith Lilly (Full Professor, Simon Reisman Chair in International Economic Policy, Carleton University, As an Individual): Good afternoon, Mr. Chair and members of the committee. It's a pleasure to be with you today.

[English]

My name is Meredith Lilly, and I am a professor of international trade at Carleton University.

A lot has changed since my last appearance at this committee, and Canadians across the country are closely following developments in Canada's trade dispute with the United States.

I'd like to use my time to encourage members to look past whether Canada returns to the negotiating table and instead focus on how we prepare to re-engage, because the details of an eventual agreement deserve our attention. I'm concerned about the perception that negotiations with the U.S. are frozen indefinitely. I don't believe this is accurate, and I anticipate that negotiations will resume in the coming months.

For example, if Mexico and the U.S. reach a bilateral agreement on tariff relief this fall, Canada would be urgently pushed back to the table. The Prime Minister has expressed a willingness to resume negotiations when a mutually beneficial agreement can be reached, and President Trump has suggested that talks could resume within weeks. Therefore, it is necessary to prepare for what a new bilateral agreement could look like.

In mid-August, both sides believed they had reached agreement on a set of terms before talks broke down. It is reasonable to expect those terms to now form the basis of the next round of negotiations, yet I expect even those elements Canada was prepared to accept in August to become more difficult to achieve now. The political context has shifted even further since the talks collapsed, and there is little appetite on the part of the general public to reach a deal.

Nevertheless, as Canada weighs the political downsides of re-engaging the U.S., our government must also calculate the cost of ongoing uncertainty for the Canadian businesses and workers most negatively impacted by tariffs. For example, we have witnessed several high-profile layoffs in Canadian manufacturing since the Trump administration announced tariffs on Canadian steel and vehicles: at Stellantis in Brampton, at Algoma Steel in Sault Ste. Marie and just last week at Stelco in Hamilton.

We know from decades of research that workers who lose their jobs in these circumstances often struggle to find new employment. This is especially difficult for workers who are older, who have less education or who live in smaller communities with few alternative sources of employment. Statistics Canada studies tell us that even those who find new jobs are likely to earn lower wages in their new roles.

Meanwhile, goods tariffed at 50% under the U.S.'s section 338 tariffs are effectively priced out of the U.S. market, and some Canadian products are now banned outright. The full impact of this most recent U.S. action and Canada's retaliation will only emerge in the coming weeks and months.

In addition, because of the deals other countries have reached with the U.S. to achieve their own tariff relief, those like the U.K., the EU, Japan and Korea enjoy simpler and often better tariff treatment for finished vehicles in the U.S. than Canada and Mexico do, further reducing our competitiveness.

While all of these challenges are very real, we cannot lose sight of the fact that CUSMA remains in place and that upwards of 80% of all Canadian goods continue to enter the U.S. tariff-free, provided that they are CUSMA-compliant. While I do not expect the U.S. president to withdraw from CUSMA, we must not underestimate the vital economic importance of this stable market access for the vast majority of our exporters to the U.S. That stability is what Canada must protect in any new agreement.

As the government considers the right conditions to resume negotiations, I urge it to set aside the impossible challenge of achieving trust with the Trump administration—the signature-in-pencil problem described by the Prime Minister in August. Instead, we must focus on the details of an agreement that Canada can live with whether it's in place for three months or three years. To me, there are two much more difficult scenarios facing Canada than the Trump administration renegeing on the agreement.

The first would be reaching no tariff relief deal at all and the potentially devastating consequences for the most impacted Canadian sectors. The second would be reaching a really bad deal that cripples the long-term viability of Canada's manufacturing sector and potentially having to live with the agreement for several years after Trump leaves office. I believe our negotiators are acutely aware of the challenges presented by both scenarios and will work to achieve the right deal for Canada in these conditions.

To that end, I would encourage members of this committee to engage closely on the details of a potential deal, because that's what can best inform whether an agreement is in the interest of Canadians.

Thank you, Mr. Chair.

I'd be pleased to answer questions at the appropriate time.

• (1210)

The Chair: Thank you for your statement.

I now invite Ms. Tronnes to make an opening statement of no more than five minutes.

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

I want to use my time to take the longer view of where this relationship stands, how we got here and what Canada must do next. If Canada wants to be taken seriously in Washington and beyond, we must begin with an honest accounting of how we were seen before Donald Trump returned to office. This relationship was not perfect before him, and it will not be perfect after him.

Canadians believe that Canada is a very well-respected country. We believe we've done something to earn our seat at the international table. We have fought and bled for the NATO alliance in the fields of Kandahar. However, what kind of ally have we been since then? Are we trustworthy?

In 2023, leaked Pentagon documents reported that Prime Minister Trudeau had privately told allies that Canada would never reach the 2% NATO spending target. In May 2024, 23 U.S. senators from both parties warned that Canada was failing its NATO obligations. Canada's answer was a promise to reach 2% by 2032 and to fund the NATO Climate Change and Security Centre of Excellence in Montreal. The NATO delegations were furious.

The same pattern held on energy. In August 2020, Chancellor Olaf Scholz came to Canada looking for an alternative to Russian gas. He was told there was no business case for it. Japan came asking a few months later. Our allies needed oil, gas, critical minerals and deterrence, but they were too often offered only speeches in return. It needs to be said plainly and with some humility: Canada was not seen by others the way we saw ourselves.

Donald Trump has shaken Canada out of our complacency. We have had to take a long look at what it would mean to lose tariff-free access to our largest trading partner and our biggest military defender. We also need to understand what it is our friends around the world want from us.

The response has been real. Canada reached the 2% NATO spending target within the 2025-26 fiscal year, years ahead of the previous government's timeline. Parliament passed the Building Canada Act. The new Major Projects Office has received 28 nation-building initiatives. On October 1 the government designated the Pacific link pipeline as the first project of national interest under that law. It will carry an additional million barrels a day to Asian markets. West coast LNG is being accelerated. Canada is expanding market access for foreign investors, offering globally competitive tax incentives and strengthening the case for business here.

More has been done in 18 months to clear the path for major resource and energy projects than in the decade before. This is a decisive break from the years of economic policy that treated our resource wealth as an embarrassment rather than an asset.

Canada is right to seek new partners, but history warns us about how far that impulse can carry us. In 1957, John Diefenbaker pledged to shift 15% of Canada's imports from the United States to Britain. It never happened. After the Nixon shock, the government of 1972 adopted the "third option", to reduce our reliance on the American market. Within two decades, we were more dependent on it, not less. Geography is stubborn.

The Prime Minister has said that the long era of ever-closer economic integration with the United States is over. He may be right, but the end of ever closer is not the beginning of ever further. The

government's own goal is to double our non-U.S. exports within a decade, not to halve our U.S. ones. That is the right frame. Diversification is not an either-or; it is a "yes, and". Our shared geography, history and infrastructure mean that the American market will remain essential to a strong and prosperous Canada.

Nowhere is this clearer than in security. Five Eyes has been overwhelmingly beneficial to Canada. Our co-operation on border security, criminal investigations, law enforcement and intelligence keeps Canadians safe every day. NORAD remains essential.

In 2024, Canada, Finland and the United States launched the ICE pact to rebuild our allied icebreaking capacity in the Arctic. Although Washington is now moving to strip Canadian goods from federal civilian procurement, Canadian defence firms remain exempt from the buy American restrictions under the DPSA. We should not hand anyone an excuse to change that.

This brings me to defence procurement. Canada has moved fast to secure its economic health. We must move with the same urgency to rebuild our military. This requires a clear-eyed overhaul of how we buy. We have committed to NATO's new target of 5% by 2035, but money is not capability. Capability comes from decisions.

The F-35 procurement fiasco has shown us that indecision is itself a decision. We pay for it in pilot training, basing and readiness. Canadian firms build components for F-35s flying in the air in countries all around the world. The American defence industrial base supports tens of thousands of Canadian jobs.

● (1215)

Canada should broaden its suppliers when that serves our interests, but no procurement decision should be made to win a news cycle in a trade dispute.

The Canada-U.S. relationship may never fully heal, but it remains in Canada's best interests to stay aligned with our neighbour economically and—we must hope—strategically.

Tariffs now threaten Canadian jobs, Canadian prosperity and ultimately Canadian sovereignty. Our response has been to match the moment with speed and decisive leadership, even if it means breaking a few things along the way.

Economic complacency leads to economic dependency. We have tried complacency, and we know where it leads. Canada must build a stronger, more prosperous and more secure country, one that commands respect in the world because it has earned it.

Thank you, and I look forward to your questions.

The Chair: Thank you for your statement.

We now go to questions from the floor, beginning with MP Mantle.

You have six minutes.

Jacob Mantle: Thank you, Mr. Chair.

Thank you to our witnesses for appearing and providing valuable testimony on this important issue.

Dr. Meredith, you implored members of this committee and, I think, all parliamentarians to take a keen eye and look at what a potential deal in the future might look like with the United States.

My question for you is, how should members of the opposition do that when the government refuses to provide any information about what's on the table for a deal? All we're left with is essentially, "Just trust me, bro", from the Prime Minister. How shall we assess whether a deal is good without any details?

Dr. Meredith Lilly: Thank you for the question. It's a good one.

Certainly, continuing to ask for details is important. I accept and respect that there are reasons for negotiations and that some parts of them need to be conducted under the mantle of secrecy.

However, there is a lot opposition MPs can do, including meeting with stakeholder groups to find out what would be acceptable to them in various scenarios.

The reality is, you can't just take what you see in the paper.

For instance, there are many different stakeholders in the auto sector, and their interests don't always align. Therefore, if you really want to understand what needs to be achieved on tariff relief for autos, you need to understand what different players in the sector want; they don't all want the same things. In my experience, they'll be pretty forthcoming in telling you what they want.

I would encourage you to spend quite a bit of time understanding that and speaking to small businesses in your constituencies to understand what they need. We know that, for instance, only about 20% of small businesses in Canada export at all, and those that do

export most likely export to the United States. What are they looking for specifically?

That would be my suggestion.

● (1220)

Jacob Mantle: Do you think it's fair to ask the government to provide a bit more detail on what's on the table?

Dr. Meredith Lilly: It's fair to ask for anything. What the government chooses to share is the government's prerogative. However, I think it is worthwhile for opposition leaders to receive confidential briefings. This probably happened a few times when I previously worked in government. There are ways for the opposition to receive information. You may be asked for assurances.

Jacob Mantle: That's fair enough. Thank you.

In your view, are Canada's countertariffs helpful or harmful to Canadian businesses, or is it somewhere in between? What's your view on them?

Dr. Meredith Lilly: It's very specific. You asked about businesses. If inputs from the United States are now much more expensive, that's going to hurt their interests.

At the same time, in my understanding, having looked at the retaliation and particularly the August list, much of what the government did was try to control the effects of the 338 list.

Take one category of products, which is skin care and makeup, something women wear. A lot of women wear it, anyway. The U.S. put 50% tariffs on Canadian skin products going into the United States. This was retaliated for by Canada.

I imagine the economic logic would have been to level the playing field for Canadian businesses, which will now effectively be pushed out of the U.S. market. A tariff of 50% would make those items very expensive, and Americans would be unlikely to purchase them. Therefore, to level the playing field, the tariff was put in place. This means Canadians are likely to be spending more on those products.

Jacob Mantle: Thank you.

I have one last question on the tariffs and then one question for you, Ms. Tronnes.

My understanding, from the negotiating side, is that imposing these tariffs is supposed to put us in a better negotiating position. We impose them to perhaps create some sort of leverage in the eyes of the government, although I would dispute this.

Do you have any evidence that imposing these tariffs has put us in a better position?

Dr. Meredith Lilly: The discussion that's being had among trade experts is less about using retaliation as leverage and is instead more about using retaliation as what we call a safeguard, in trade terms, to protect the Canadian market from the damage of U.S. tariffs.

For this reason, there is discussion among trade experts that perhaps the way Canada has gone about this is actually more compliant with international trade rules than the way the U.S. has gone about it.

Jacob Mantle: Thanks.

I have about 40 seconds left, so I want to ask one question of our other witness.

Last year, you were before the trade committee talking about foreign interference. You said at this committee that they—referring to the United States—want to know that Canada is going to take foreign interference seriously.

The deadline for registrations for Canada's foreign agent registry was on Friday. If you look at the registry this morning, you'll see that there are two registrations. What's your response to that? Is two what we should expect, or should we have expected hundreds on this registry?

• (1225)

Jamie Tronnes: I'm really not familiar with the number of alleged foreign agents operating in Canada. It may be simply a question of capacity and understanding from the legal side of whether one is required to register, but I really couldn't say.

The Chair: Thank you very much.

We will go next to MP Sari.

You have six minutes.

[Translation]

Abdelhaq Sari (Bourassa, Lib.): Thank you very much, Mr. Chair.

I would like to thank the witnesses very much for joining us today, because I see some familiarity in their testimony.

I have many subjects to talk about, but since I have only six minutes, I am going to address only three.

I have an academic background, having taught a lot, and I've participated in a lot of debates on the issue of supply chain integration or economic integration in general. We can talk about a tariff war or a dispute with the U.S., but what lessons can we learn today to better position ourselves on the advantages and disadvantages of having an integrated supply chain with our neighbours to the south?

[English]

Dr. Meredith Lilly: Thank you for the question.

How can we position ourselves better to have integrated supply chains? Is that the question?

[Translation]

Abdelhaq Sari: There were always two schools of thought: one that said we needed good integration with our neighbours and the other that said the opposite. Does this dispute, this tariff war, lead us to clarify our position on this?

[English]

Dr. Meredith Lilly: COVID offered a very good example of the ways to think about this. The conclusion I've come to, for my own thinking, is that we should seek to develop our own supply chains in areas that are vital to our human interests.

The one example that came to light during COVID was when the Trump administration threatened to cut off Canadian access to 3M masks. Our ambassador at the time worked very hard to ensure that didn't happen, but it did create a great deal of concern in Canada that we were dependent on a foreign supply chain. The decision was made by Premier Ford, as well as others, to work with 3M to establish a presence in Canada.

It is more duplicative and, therefore, more expensive, so it's not always desirable. I wouldn't suggest it for all products, but when products are essential for human life and for the security of Canadians, there are times when duplicating supply chains probably makes sense.

[Translation]

Abdelhaq Sari: Ms. Tronnes, I went to Chicago this summer to attend the National Conference of State Legislatures, or NCSL, with several elected U.S. senators. I saw a certain evolution in their position, whether they were Republicans or Democrats.

In a negotiation, there are always two sides. In your opinion, how do our neighbours to the south perceive the negotiations?

[English]

Jamie Tronnes: It really depends on who you ask.

[Translation]

Abdelhaq Sari: My opinion was simple: What we heard inside the office was different from what we heard outside.

[English]

Jamie Tronnes: I wasn't inside the office, so I couldn't tell you, but I know it is a question. Whether Canada walked away is not something that the Americans are particularly concerned about. The Americans are concerned primarily with the cost of living, and tariffs are a huge part of that.

I would refer the committee to a poll done by the Cato Institute's Scott Lincicome. I have a copy of it in front of me outlining how concerned people are about the tariffs. Seventy-four per cent of respondents said tariffs raised prices at the grocery store; 53% said tariffs weakened the U.S. economy, and 49% said tariffs made their own lives worse.

I think that Americans are generally not concerned with who said what and who walked away from whom. They're concerned with the average everyday cost of living and whether they're going to be able to build a house or afford to stay in their current house. Those sorts of things are fundamental right now.

[Translation]

Abdelhaq Sari: Thank you very much for your answer.

I would like to talk about another important element in a negotiation. I hear my colleagues on the other side of the room talk about negotiations focusing a lot on tariffs or retaliatory tariffs, which are certainly very important. However, in these negotiations, there is another very important element: sovereignty. I would like to hear your thoughts on that. Dr. Charron can weigh in as well.

In the agreement we are looking for, it is not just about what percentage of tariffs we can give up; it is also about sovereignty, particularly in economic and digital terms, but in all respects. That is also important. It's about being able to make our own decisions without having to consult our neighbours.

• (1230)

[English]

Jamie Tronnes: Yes. On that, I would say, before deferring to Madame Charron, that it is important for Canadians to remember that our sovereignty is important to us and that we are a G7 country. We should not be treated as a state. I think most Americans understand that and respect us in terms of being a foreign country. I can't think of another time when Canada was talked about in such a varying degree of terms: as a neighbour, as a country and as a place that, of all places, America should certainly be getting along with.

I'll yield some time to Madame Charron.

Prof. Andrea Charron: Thank you for the question.

When it comes to the defence relationship with the U.S., it's important that Canada have the capabilities to defend itself and that it can leverage partners, allies and the relationship with the United States. This is essentially what the NORAD agreement requires. We're broken into three regions. Canada is a complete region, and we decide nationally what capabilities we give to NORAD in support of Canada-U.S. North American defence.

What we need urgently is for many of the NORAD modernization projects, such as the Arctic over-the-horizon radar system, to come online immediately. Because the north warning system is coming to the end of its operational life, even with the Arctic over-the-horizon radar system there are still parts of Canada in which we are going to be essentially blind. We are stronger together, assuming that both parties do their part to defend their own homeland.

The Chair: Thank you very much. We'll go next to MP Brunelle-Duceppe.

You have six minutes.

[Translation]

Alexis Brunelle-Duceppe: Thank you, Mr. Chair.

My sincere thanks to the witnesses we have with us today.

Ms. Lilly, earlier Mr. Mantle asked you what opposition members could do to help with the negotiations. While we may have a lesser role, since we unfortunately aren't at the table, we can still make recommendations. However, we aren't necessarily in the know about what's happening at the negotiating table.

There is an area, though, where we could play a larger role, and that's what my question is about. Until such time as negotiations resume and a deal is signed, shouldn't the government's priority be to find the best way to support the industries most affected by the tariffs?

You talked about those who lose their jobs and struggle to find new ones. Shouldn't that be the government's priority right now? Shouldn't it be focusing on the sectors hardest hit by the tariff war?

[English]

Dr. Meredith Lilly: Thank you for the question.

Absolutely. The government should be focused on businesses and workers affected by the tariff war.

I know they have rolled out a series of supports. The Government of Canada is very large and employs thousands of people, and I'd like to think they can do several things at once. While my comments were about the restarting of negotiations, I would hope that they are spending their full time and energy on this. Of course, opposition members need to do that as well. You all represent your individual constituencies of different political stripes.

[Translation]

Alexis Brunelle-Duceppe: Thank you for your answer.

Can you tell us whether the oil and gas industry is currently subject to the U.S. tariffs?

[English]

Dr. Meredith Lilly: The U.S. has placed tariffs, but most of those tariffs are considered CUSMA-compliant, so there are exemptions for that.

[Translation]

Alexis Brunelle-Duceppe: That means there are no tariffs on oil and gas products.

Can you tell us who owns the majority of oil and gas companies in Canada? Who are the shareholders?

[English]

Dr. Meredith Lilly: This is not a question I can answer.

[Translation]

Alexis Brunelle-Duceppe: Can anyone tell me?

[English]

Jamie Tronnes: I believe most of them are in what we call—or what they refer to themselves as—USMCA companies. In them, the ownership, such as that of Cenovus, is between two countries, and they consider themselves to be of both Canada and the United States.

• (1235)

[Translation]

Alexis Brunelle-Duceppe: Our documentation shows that 60% are owned by American shareholders. That has been verified. That's published information.

Are you able to tell us which country buys most of the oil and gas products? It's probably the United States, right?

What I'm trying to say is that we, as opposition members, are called upon to support the industries most affected by the tariffs. Meanwhile, the Canadian government is supporting the oil and gas sector, which isn't subject to the tariffs, is largely American-owned, sells most of its products to Americans and is projected to generate \$90 billion in profits this year, 2026.

We paid \$40 billion for Trans Mountain, and we're going to pay for Pacific Link, even though it doesn't have a private proponent. The money is going to come from taxpayers. What's more, the government has extended tax credits for the oil and gas industry until 2040, which will collectively cost us \$100 billion in tax credits. Then we're being asked to support the industries hardest hit by the tariffs.

Here's what I wonder, as an opposition member: Shouldn't I denounce the fact that most of the support for affected economic sectors goes to the oil and gas industry, not the forestry or manufacturing industry, for instance?

Isn't it a gross error on the government's part to use public money that way, instead of supporting the hardest hit industries?

[English]

Jamie Tronnes: They're going to get their steel to build the pipeline from Canada. They're going to get the aluminum to build the pipeline from Quebec. They're going to get a lot of their domestic production from Canada. It's going to be Canadians who will build the pipeline, and it will be Canadians who profit from it.

It is our resource. It's about time that we started using it for soft power, to heat our own homes and to give ourselves a discount at the pump, perhaps.

It's so that we're no longer, particularly in Quebec, reliant on shipping our oil and gas down through the United States, only for it to come back up and be reimported back into Canada to heat the east. That is absolutely ridiculous.

We are a sovereign nation. We should act like it. We need to build more pipelines in order to guarantee our own sovereignty in our own country.

[Translation]

Alexis Brunelle-Duceppe: In your view, then, we should invest in a product for which global demand will drop in the next 50 years and in infrastructure that won't be ready for another 12, 13 or 14 years, when the tariff war is happening now. That's what I can't wrap my head around.

Forestry workers are losing their jobs now, and the government isn't supporting their industry. How do we justify spending billions of dollars of Quebecers' taxes on an industry that isn't currently helping to protect jobs in forestry communities in Quebec's regions?

Do you think the use of Canadian steel justifies that spending? Is that the sole justification?

[English]

The Chair: Give a brief response, please. We are over time.

Dr. Meredith Lilly: All Canadians benefit from the tax revenues of the oil sands through federal equalization payments.

The Chair: Thank you.

Next, we go MP Aboultaif.

You have five minutes.

Ziad Aboultaif (Edmonton Manning, CPC): Thank you, Chair.

I thank both of you, and the one online, for coming to the committee.

Dr. Lilly, concessions by the Prime Minister were made during negotiation with the U.S., such as scrapping the digital services tax on U.S. tech companies, eliminating some earlier countertariffs on U.S. goods, agreeing to share the net toll revenue from the Gordie Howe International Bridge with the U.S., reintroducing American liquor into provincial stores and accepting a reduction but not elimination of the tariff on steel and aluminum.

All of these concessions were made while the negotiation was going on. Now the negotiation has stopped. What happened to these concessions?

Dr. Meredith Lilly: The digital services tax was repealed, not formally, but is no longer applied, prior to this last round of negotiations. Similarly, the suspension of mandatory payments for foreign streamers under the Online Streaming Act was suspended prior to this round of negotiations, but my expectation, not knowing exactly what was discussed, is that they were likely folded into those discussions.

A series of other items have been on the USTR's bilateral list of irritants with Canada since the first Trump administration. The same list of irritants existed under the Biden administration. These are things like the allocation of dairy TRQs and the treatment of U.S. alcohol on Canadian shelves. The United States considers these to be irritants; Canada considers them to be leverage.

This is a difference of opinion between the two sides, but the list of irritants remains unresolved until we reach a formal agreement.

• (1240)

Ziad Aboultaif: These concessions did not do much to enhance reaching an agreement. Is that correct?

Dr. Meredith Lilly: I don't know the answer, because I wasn't present in negotiations. While I think I have a fairly good sense of the series of concessions and the series of outcomes, I can't say what impact any one item had, because I wasn't inside the room.

Ziad Aboultaif: From what we have—or from what we gather, at least—there's not enough information to tell us whether the U.S. has made any concessions on their side toward any of the Canadian demands during this negotiation. Then we had the countertariff, but we still don't understand what happened with the countertariff or how productive the measure is.

Do you understand the process with the countertariff? Do you understand where this can lead and how logical that was?

Dr. Meredith Lilly: For the first part of your question, it's my expectation that the United States will concede very little in these negotiations and that it is likely to concede only some tariff treatment.

The position of Canada is that these are illegal and unjustified tariffs. Essentially, they expect to get a series of concessions from Canada in exchange for nothing but tariff relief. Every time we have failed to reach an end to negotiation, they have amplified the impact by adding more tariffs, so I do not think that the United States will concede a lot of items in the negotiation.

Ziad Aboultaif: Countertariffs should generate some revenue. Is that correct?

Dr. Meredith Lilly: Whose countertariffs...?

Ziad Aboultaif: Our countertariffs should generate some revenue for Canada. Is that correct?

Dr. Meredith Lilly: Canada's countertariffs will generate revenue, and the government will determine what to do with those revenues.

Ziad Aboultaif: Do we know how much? Is there any information that you have?

Dr. Meredith Lilly: I don't have that information.

Ziad Aboultaif: Okay.

This question is for Ms. Tronnes.

You co-authored a paper called “The Grand Bargain”. It seems from what you said that the U.S. prefers to negotiate issue by issue rather than by negotiating a whole package. What do we do in Canada? How do we counter this? Do we agree to that, or is it something we don't like to entertain?

Jamie Tronnes: To the government's credit, they have been trying, and Prime Minister Carney has said that Canada should negotiate a broad, comprehensive economic security package as part of the negotiations with the United States.

The issue is that Donald Trump really likes to get in there, as Christopher Hernandez-Roy from CSIS said, and poke Swiss cheese holes in all of his agreements and make little exceptions for things. This is exactly what we saw them try to do with the negotiations. This unfortunate willingness for many hands to get in there and start dealing with the negotiations at hand is likely what led to the ultimate failure of the negotiations, at least with some of the manoeuvring on the United States side, from what I understand in talking to people behind the scenes.

The Chair: Thank you very much.

Next we go to MP Mona Fortier. You have five minutes.

[Translation]

Hon. Mona Fortier (Ottawa—Vanier—Gloucester, Lib.): Thank you, Mr. Chair.

Thank you very much to the witnesses for being with us today. I read their bios, and the experience and expertise they bring to our study is really something. My thanks to them for being here.

Ms. Lilly, in your opening remarks, you talked about the whole issue of re-engaging the U.S. I'd like to discuss that with the other witnesses as well. What are the winning conditions for that?

Given your experience, are there specific things that would help in terms of resuming that dialogue in the coming weeks or months—not years? Hopefully, it'll be sooner rather than later.

• (1245)

[English]

Dr. Meredith Lilly: What would be the winning condition for Canada is your greatest interest. I will be honest. I think it's going to be very difficult, and winning isn't going to look like a great victory. I do not expect any celebrations at the end of reaching this agreement.

Having said this, I've worked on several large trade negotiations, and even when they have by and large been very positive, there were always items that we were pretty unhappy about at the end. In this case, I think the way it has been constructed is that Canada will be gaining relief from rules that we deem to be unjustified and illegal, those tariffs.

The winning conditions are going to look difficult. Ultimately, we're looking to ensure that we don't have greater losses in the manufacturing sector and that we can ideally develop some kind of continental approach to certain issues, particularly the challenge of China and Chinese overcapacity. I think the conditions right now will be very difficult for that. Two years ago, we were in a much better place to have a continental approach, and our auto industry in particular requires a continental approach for all three countries in order to succeed moving into the 21st century.

I would like to see us turn the page and develop some kind of more stable relationship that could allow those more positive conversations to take place.

[Translation]

Hon. Mona Fortier: I see you nodding, Ms. Tronnes. Would you like to comment?

[English]

Jamie Tronnes: I would agree with what Meredith said.

I would add that there's an opportunity for us to discuss things of mutual importance to both countries, such as border security. The U.S. has still maintained—and by the U.S., I mean the president—that we have an issue with fentanyl crossing the border. There are numbers to prove that this is maybe not quite the case; however, we need to listen when they tell us that there's an issue with the border.

We also need to respond by showing up when we're asked on defence and on issues of mutual security and by sharing more information as well about what it is that Canada is going to do to protect our country in conjunction with the United States. I know we're in a moment right now when things seem very difficult in terms of sharing information with the U.S. I would say that we need to continue to share that information, to work collaboratively, to remember that Donald Trump is not America and that this too shall pass.

[Translation]

Hon. Mona Fortier: Ms. Charron, would you like to answer the question?

[English]

Prof. Andrea Charron: I would agree with my colleagues for the most part. I think the message from successive U.S. administrations has been, "Canada, we need you to do more in terms of continental defence."

I look at it from a military perspective through the NORAD lens, but the conversations about, for example, replacing the north warning system go back at least 15 years. My big concern is that, while we have lots and lots of projects in the pipeline, it's still a long delay. There are all sorts of issues, such as security clearances, which are going to be a brake on seeing these capabilities come to fruition on a timely basis.

[Translation]

Hon. Mona Fortier: Thank you.

[English]

There are 10 seconds left, so I will end it there.

The Chair: We go next to Mr. Brunelle-Duceppe for two and a half minutes.

[Translation]

Alexis Brunelle-Duceppe: Thank you, Mr. Chair.

Ms. Lilly, the auto industry accounts for 125,000 direct jobs in Canada. The oil and gas sector accounts for 192,000 direct jobs, and surprisingly, the forestry industry accounts for 200,000 direct jobs across Canada. Of the three sectors, forestry is the hardest hit by the tariffs. It's facing countervailing duties on one hand and tariffs from the U.S. on the other.

You said you had taken part in a number of trade agreement negotiations. Don't you think it would be normal for the government to prioritize the forestry industry in the negotiations, since we know it's the most affected by the tariffs and the biggest employer in the country?

Isn't it wrong that all the talk during the tariff war has been about the auto and oil and gas sectors, not about the forestry sector?

● (1250)

[English]

Dr. Meredith Lilly: It's really vital that more be done to support the forestry sector in Canada. It does provide a great deal of jobs. A big difference between the forestry sector and the auto sector is that those jobs are often in rural communities; as I said earlier, when those jobs go, it's much more difficult to find replacement employment.

A lot should be done to support the forestry sector. Unfortunately, we have been without a softwood lumber agreement in Canada since 2016. This is an ongoing, long-term challenge. A huge problem is that the United States doesn't really want a solution. They have been open about this. I do think about the forestry sector, and I believe a lot more should be done.

The Chair: You have one minute.

[Translation]

Alexis Brunelle-Duceppe: Ms. Charron, given the current state of our relationship with the U.S., a number of people have said that it would be a good idea to suspend the agreement to purchase the F-35 fighter jets until proper negotiations resume and a deal is reached. I'm not for or against the proposal. I would just like to hear your expert opinion, since that's why you're here.

Is suspending the agreement a good or bad idea?

[English]

Prof. Andrea Charron: I can't really speak to the tactics and decision of the government to delay. My concern is having the capabilities. There are certainly problems if we have multiple platforms, because the competitors—the Gripen and the F-35—have different capabilities, different platforms, different training, different doctrine and different pilot skills needed.

We need a decision because delays mean that right now we have CF-18s and we have some F-35s. We really need a full complement to maintain both our NORAD and our NATO operations.

The Chair: Thank you very much.

Next we will go to MP Duncan.

You have five minutes.

Eric Duncan: Thank you, Chair.

Thank you to our witnesses for being here today. It's been informative.

Dr. Lilly, I want to follow up. We talked about countertariffs in the first hour, as well, and some transparency around those. You've worked in the Prime Minister's Office before, have been an adviser and have been around a lot of information and data collection when it comes to international trade issues.

I'm not sure what is more concerning for me. We had panellists earlier today who didn't confirm whether they have the data. To me, this is a problem of either not having the data or refusing to share it.

Can you speak to the importance, when it comes to countertariffs, of understanding the impacts, the costs of goods and job losses that could come from this? How important is it to have this in the conversations from a transparency perspective for Canadians to judge so that while we find the tariffs the Americans have imposed on us unfair and unjust, we make sure that the countertariffs we're putting on aren't a double whammy to Canadian businesses and jobs?

Dr. Meredith Lilly: As far as information goes, in my view, there's nothing secret about retaliatory tariffs. The government should be very forthcoming and transparent about the level of tariffs, who's being impacted and what it's costing. The information should be forthcoming.

Part of the challenge, perhaps, for government officials may be that the finance department often holds the bag, so finance is the one with the answers.

In my view, all of this should be open, transparent and available to Canadians.

Eric Duncan: I appreciate that, and I would agree.

Ms. Tronnes, from the defence perspective, I want to speak about Canada and the U.S.'s relationship within NATO. Canada has increased its defence spending to the 2% target, and it's continuing to grow from there.

In a story from Politico last week, we see that the Pentagon's policy chief, Elbridge Colby, is organizing a meeting—they're calling it the Bergen group—of select countries that are meeting later this

month to talk about the future of NATO. Canada's been excluded from the meeting.

Do you want to speak a bit to the difficulty? Although we are stepping up on that front, do you have any advice on how we can make sure we are inserted in those conversations on something so important as the future of NATO and what it's going to mean? For Canada to be excluded speaks to the difficulty when the Americans are leading those meetings.

• (1255)

Jamie Tronnes: Yes, I would say that Canada needs to demonstrate its ability to ramp up faster. To do that, one of the biggest signals that the U.S. and other allies are looking for is a rehaul of our procurement system that, quite frankly, isn't happening. I would say that we don't have the capacity to move as fast as we need to on the defence procurement side, as we do with the “one policy, one procedure, one review” position of the government.

Just as we're trying to move fast to get the economy moving, we also need to start moving faster on procurement. This is a signal to our allies that we're getting serious. Indecision is a decision. Our allies are looking at us dithering yet again on an airplane when other countries are getting way ahead of us, even though we invested hundreds of millions of dollars to develop it and we have the rights to fly that aircraft. We need to start stepping up and demonstrating to our allies that we take our own security very seriously and that we aren't just throwing money into the ether but actually have a way to spend it.

Eric Duncan: To build on that as a connection—speaking about the forced labour issue and the tariffs, the section 301 investigation that was imposed on Canada and about 60 other countries earlier this year—I'll ask you this: Would you agree with me that the piece of legislation the Liberals have introduced to counter that, Bill C-35, is one thing, but it's going to be a matter of the actual implementation at a fast speed, giving more tools to the CBSA and then using those tools and stopping forced labour, turning shipments around or confiscating them and disposing of them, and penalising the importers that are doing that? Do you agree with me that it's not so much the legislation, when it comes to NATO's 2% target, but following through in a timely manner on the implementation?

Jamie Tronnes: I think the section 301 forced labour tariffs have nothing to do with forced labour. We can demonstrate that we'll do better, and morally as Canadians, we should do better on forced labour. This is a position we should take as a government. I think pending court decisions that are upcoming will argue that the section 301 tariffs have nothing to do with forced labour and, while I'm not a lawyer, I see merit in that argument.

Eric Duncan: I'll hand it back.

The Chair: Thank you very much, MP Duncan.

We go next to MP Dhillon.

You have five minutes.

Anju Dhillon (Dorval—Lachine—LaSalle, Lib.): Thank you, Mr. Chair.

Thank you to our witnesses for being here today.

I'll start my questions with Mrs. Lilly.

You said something very interesting during your testimony: that you're concerned about perceptions that negotiations are frozen. Can you please elaborate a bit on this?

Dr. Meredith Lilly: Yes, I'm concerned that it would appear in the public media environment that Canada will not be back at the table any time soon. I think the vast majority of Canadians believe this to be the case, and I think they would be surprised to learn that Canada will be back at the table. I think signals suggest that Canada may be back at the table very soon, and it would be worthwhile to prepare Canadians for that.

Anju Dhillon: You've mentioned that up to 80% of CUSMA products are going into the U.S., so can you explain why some people are painting a picture of gloom and doom? What are you envisioning in the coming weeks and months—which is also something you very elaborately explained before?

Dr. Meredith Lilly: The number one issue that Canadians are polled on that they're concerned about is affordability in the economy, and the number two issue is the Trump administration. It is politically expedient to spend time focusing on disputes with the Trump administration, because that is what sells newspapers.

Anju Dhillon: Thank you.

In your role, can you please tell us what you think would be a fair and mutually beneficial agreement between our two countries?

I know it's a large question.

Dr. Meredith Lilly: Yes, it is a large question. I don't want to dodge it, but at the same time, it will come down to very specific outcomes.

As I mentioned earlier, what we achieve on autos matters a great deal down to small percentages. What we achieve on steel and aluminum matters a great deal if this is broadly applied or if it's full of carve-outs—to the point Ms. Tronnes made. Our negotiators will have to strike a deal that includes a number of elements, and some groups will be more satisfied than others in what those are. I can't tell you what a mutually beneficial agreement would be, because there could be several scenarios that would be mutually beneficial.

It really does come down to the details, and I would encourage us to think about the details as the potential outlines of a deal emerge.

• (1300)

Anju Dhillon: You mentioned the manufacturing sector, as well as the fact that our leaders will eventually change in both countries, and that a bad deal should not be had at this moment because it will have impact for years to come for Canada, and for the U.S. as well. In your opinion, what would a bad deal be in today's context?

Dr. Meredith Lilly: We don't know how long a very bad deal could remain in place. It could be gone in a matter of weeks, but it could also last years. My concern is that, particularly in the United States, we don't know what administration will follow the Trump administration. While I anticipate it will likely be more stable and offer more certainty to trade partners, I still anticipate that, regardless of whether that's a Republican administration or a Democrat-led administration, tariffs from the United States will be here for the long term. I also anticipate protectionism to continue, so we shouldn't assume that, if we sign a very bad deal now, we'll be able to roll that back in two years' time. That is the reason our negotiators really have to be laser-focused on the exact levels of tariff relief that will provide the stability and certainty that Canadian businesses need.

Anju Dhillon: Thank you for pointing out to our committee, and to the Canadian public as well, that we have to think in terms of our long-term future and not be tied in by these contracts. You also mentioned, interestingly, that there is less of an appetite...among the Canadian public as well.

Why do you think that August's negotiations will be even more difficult going into the future? This is also something you mentioned briefly in your opening statement.

Dr. Meredith Lilly: Thanks for the question.

I think that Canada was prepared to concede some very difficult things in August. Unfortunately, now, as a result of the shift in political context, if the exact same set of outcomes were presented again, I think it would be more difficult for the government to accept them. That was all I meant.

The Chair: Thank you very much.

That brings us to the end of the meeting.

I want to thank the witnesses for appearing before the committee, and for their statements as well as their answers to the questions posed to them.

Colleagues, our next meeting will be on Wednesday, October 7.

Is it the will of the committee to adjourn the meeting?

Some hon. members: Agreed.

The Chair: Thank you. We are adjourned.

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