



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

45th PARLIAMENT, 1st SESSION

Standing Committee on International Trade

EVIDENCE

NUMBER 018

Thursday, December 4, 2025

Chair: Judy A. Sgro



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• (1535)

[English]

The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)): I'm calling the meeting to order.

This is meeting number 18 of the Standing Committee on International Trade. Today we have the minister with us for the first hour, and for the second hour, we will continue our study on forced labour.

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

We have with us today the Honourable Mélanie Joly, Minister of Industry. From the Department of Industry, we have Francis Bilodeau, associate deputy minister, and Kendal Hembroff, associate assistant deputy minister of the industry sector.

Thank you all very much. We appreciate your being here.

Minister, you have five minutes or so for your opening remarks, and then we will go on to our usual questions, which will be five minutes tight for all of us. So that all of the members can make sure that they get their questions in, can we have limited answers too? Otherwise, you eat up all of the members' time, as you know. You remember those days when you were on the other side.

Thank you very much for being here. I'll turn the time over to you.

Hon. Mélanie Joly (Minister of Industry): Thank you, Judy.

Madam Chair and honourable members, it's a pleasure to be here.

[Translation]

Thank you for being here.

[English]

Canada enters this CUSMA review at a time of profound global change. We're living in a much more complicated, complex and dangerous world. The security environment of the world has deteriorated over the last few years, with wars and increased economic tensions, including the current trade war with the United States. This will continue to be our government's reality.

[Translation]

We know that there are things that we have no control over, but that there are many others that we do have control over.

[English]

Our government is focusing on what we can control. Here's the plan: First, we'll protect jobs. Second, we'll create jobs. Third, we'll attract talent and investment.

Our plan is working. We're seeing 2.6% growth, tracking to be the highest in the G7. Inflation has come down to 2.2%. Wages are up 3.5% year over year. In September alone, we created 60,000 jobs. In October, we created 67,000 jobs.

[Translation]

These results show that our plan is delivering real benefits for our economy and for Canadians. The Canadian economy is resilient, but we keep working tirelessly for our people.

[English]

Let's start with the first pillar of our plan: to protect jobs and protect industries. We're working in a reality in which we have certain sectors that are the target of the American tariffs. Of course, we're talking about steel, aluminum, auto and lumber, industries that are vital to our economic strength and to our communities across the country.

Here's what we're going to do for all of these sectors. In the short term, we'll protect our market, and we'll offer liquidity to companies. We'll make sure that we support industries, as well as the businesses and the workers in these sectors. We're doing this by tightening the tariff rate quotas on steel imports to 75% of the 2024 levels, a decisive step to protect our market in the short term and to ensure that the steel sector is protected.

In the medium term, we need to make sure that industries can adapt and pivot. They need to be able to seek out new markets, and they need to be able to develop new products.

• (1540)

[Translation]

We support our industries through a new \$5-billion strategic response fund and with the help of our regional economic development agencies, including Canada Economic Development for Quebec. In the long term, we need to work tirelessly toward building a strong domestic market. Our government is doing so through its defence spending, buy Canadian policies, housing strategy and major national projects.

[English]

Meanwhile, let me focus on Stellantis. When I talk about Stellantis, I mean the Dodge Caravan, the Jeep Grand Cherokee, the Jeep Compass, the Jeep Wrangler and the Chrysler Pacifica. I was clear at my committee appearance at INDU that Stellantis is on the hook.

Within a day of Stellantis's announcements on October 15, I sent a letter to Antonio Filosa, the global CEO of Stellantis, stating that the company's actions were unacceptable and that we expected them to honour their legally binding commitments to the Government of Canada.

On October 20, I summoned Jeff Hines, the then CEO of Stellantis Canada, for a meeting in Ottawa, joined by Vic Fedeli, Ontario's Minister of Economic Development, and Lana Payne, national president of Unifor.

On October 23, together with the Minister of Finance, I announced a 50% reduction in Stellantis' annual remission quota. This means Stellantis has 50% less of a market for its cars without tariffs in our country.

On October 30, I went to Brampton to meet with the strong men and women who have built the backbone of Canada's auto industry to let them know we'll always fight for them.

On November 3, I triggered the formal dispute resolution process under the contracts.

Today, on December 4, I'm formally announcing that we're serving Stellantis with a notice of default under the contracts.

When it comes to protecting auto jobs, we will not let these industries down. We will stand firm for the sake of our workers, our industries and our nation because defending these jobs means defending Canada's economic backbone and the livelihoods of countless families.

I've talked to you about the first pillar, which is protecting jobs. Let me talk to you about the second pillar, which is to create jobs—and of course, beyond this, to create industries.

In every single crisis, there's an opportunity, and we need to act with audacity, purpose and determination. While we know some things are beyond our control, creating jobs is really what we can do.

Right now, we're investing in defence through a defence industrial strategy. We're also investing in major projects across the country. Meanwhile, we will continue to make sure that we can support our demand for steel, for aluminum and for lumber. We can do that through, obviously, the buy Canadian policies and the housing policy we've put forward.

Finally, our third part of the plan is to attract.

[Translation]

The third pillar of our plan is to attract investments and talents, and we've already started to bring talents in. The budget includes \$1.7 billion to bring in 1,000 new talents, 1,000 new researchers in Canada. We are also working to attract investments.

That's why I was able to go all across Europe and Asia to bring in new investments and to protect industries impacted by tariffs.

[English]

I look forward to answering your questions. Of course, I've already had the chance to have many discussions at the INDU committee and in the House of Commons, and I look forward to having a conversation.

Thank you so much.

The Chair: Thank you very much, Minister.

I'll pass it on to Mr. Chambers for six minutes.

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

Minister, welcome to committee. Thank you for joining us this afternoon.

You mentioned Stellantis, so I might as well start there, with the auto sector. Were you concerned when you saw the testimony last week from your officials indicating that no one person read the contract front to back before it was signed?

Hon. Mélanie Joly: First and foremost, we have to put things in context.

If you look at what was discussed and what my deputy minister said at the time, it was that he was not involved in the redaction of the contract—nor was I, of course, because we were not in our positions at the time.

As you know, the contract was signed some years ago, and you were not in your position either.

Clearly we have both, since then, read the contract, and I can answer any questions about it.

Adam Chambers: Wonderful.

When did you read the contract?

• (1545)

Hon. Mélanie Joly: When the issue—

Adam Chambers: Was it last week? Was it two years ago?

Obviously it wasn't two years ago because you weren't there—

Hon. Mélanie Joly: That's it.

Adam Chambers: —but when did you read it?

Hon. Mélanie Joly: When the issue of Stellantis became really important, which was around October 15—

Adam Chambers: You read it—

Hon. Mélanie Joly: I read the contract because we got a 24-hour heads-up from the global CEO saying that they were moving the Jeep Compass model to the U.S.

We thought this was completely unacceptable, so we got to it and found out, very quickly, how to make sure Stellantis was on the hook.

Adam Chambers: The testimony last week was this: During the contract negotiations, no single person had a view on the contract, cover to cover.

Does this concern you?

Hon. Mélanie Joly: To be frank, it doesn't, because—

Adam Chambers: Well, this was the testimony that—

Hon. Mélanie Joly: No, you can't negotiate a contract without reading it. That doesn't make sense. Just listen to what you're saying.

Adam Chambers: I don't know. The deputy minister said that the individuals involved would not have had full view of the contract. This was the testimony.

Hon. Mélanie Joly: There were many contracts involved.

Adam Chambers: Okay.

Hon. Mélanie Joly: Not only are these available right now, Adam, but they were also available two years ago. The opposition—basically, the Conservative Party—had access to them. You guys also read the contracts—

Adam Chambers: Well, no, that's not true. I think they're just getting them—

Hon. Mélanie Joly: —so there's nothing new here.

Adam Chambers: That's fine.

Now that you've read the contract, are you satisfied with the jobs guarantee in it? Is it anything less than 100% of Stellantis's footprint in the contract as signed?

Hon. Mélanie Joly: Do you know what my reaction was when we got the news from Stellantis? My reaction was, “We can't open the floodgate to automakers leaving our country.” That was my reaction.

My reaction was also to make sure that everybody around this table is one team Canada, because we're all fighting for the 125,000 jobs in the auto sector. I was in fighting mode, and I was finding out how we could make sure Stellantis is on the hook.

Adam Chambers: Is any—

Hon. Mélanie Joly: What is clear in the contract is that the investments in the battery plants—which are super important, and which we stand by and will continue to defend—were linked to the Brampton facility. That's why we say it's on the hook.

Adam Chambers: On October 21, you said, in the House, “The opposition on the committee will have access to the contracts, and they will discover that indeed we negotiated well”.

Do you recall saying that?

Hon. Mélanie Joly: I stand by it.

Adam Chambers: Was the jobs guarantee in the contract for anything less than 100% of Stellantis's footprint, at the time the contracts were signed?

Hon. Mélanie Joly: When you're dealing with an automaker, you know there will be—

Adam Chambers: Minister, you're negotiating a contract—

Hon. Mélanie Joly: Wait. Let me—

The Chair: Let her answer.

Hon. Mélanie Joly: I didn't negotiate the contract, but I can tell you this: When you look at an automaker over a 10- to 15-year period, there are changes in models. Sometimes, during that lifespan, there will be a time when there's retooling. Basically, people are put on pause, then rehired. That is all negotiated with Unifor. That is all negotiated with the unions.

That is why it was really important to have a job number, but what was most important, Adam—

Adam Chambers: The question is, was it for 100%?

Hon. Mélanie Joly: That's my last point. It was to link to the protection of Brampton, because there was a preoccupation at the time—I wasn't there and you weren't there—

Jacob Mantle (York—Durham, CPC): It's a yes-or-no question.

Hon. Mélanie Joly: There was a preoccupation with making sure we would protect the jobs at Brampton.

Adam Chambers: Was the jobs guarantee in the contract for less than 100% of Stellantis's footprint at the time the contracts were signed?

Hon. Mélanie Joly: I can tell you that there was a jobs guarantee.

I can also tell you that—

Adam Chambers: There is a job guarantee, but it's for less than 100%.

Hon. Mélanie Joly: —for once, there was a link between the new funding given to create new jobs in Windsor and the Brampton plant.

Adam Chambers: For anything less—

Hon. Mélanie Joly: This was really important because, when you look at it—

Adam Chambers: Would you—

Hon. Mélanie Joly: We learned from 2009, after what the Conservatives did. At the time, there was no jobs guarantee.

We made sure that was the case.

Adam Chambers: I'm sorry. Were there executive compensation restrictions, as there were in 2009? Was there equity given to the government, as there was in 2009?

I'm sorry, Minister, but you can't compare those. Plus, it was 15 years ago.

Hon. Mélanie Joly: Well, no. In 2009—

Adam Chambers: It was 15 years ago—

Hon. Mélanie Joly: You are comparing the same type of—

Adam Chambers: —and your government negotiated—

Linda Lapointe (Rivière-des-Mille-Îles, Lib.): Mr. Chair, the interpretation is not good because we have two people at the same time.

Adam Chambers: Minister, it sounds as though your government negotiated a \$15-billion corporate subsidy for Stellantis without a 100% jobs guarantee for the footprint of Stellantis at that time.

• (1550)

Hon. Mélanie Joly: I think you're mixing things up.

Adam Chambers: That's what it sounds like.

Hon. Mélanie Joly: To be frank, you're mixing things up. In 2009—

Adam Chambers: Will you say what the percentage—

Hon. Mélanie Joly: Madam Chair, I just want to be able to answer.

The Chair: Let her finish. Your time is up, and I want everybody to have a shot today.

Minister, go ahead.

Hon. Mélanie Joly: In 2009, when you negotiated and shook hands with GM and Chrysler at the time, there were no job guarantees. Following this, the Oshawa plant for GM was closed, the Windsor plant for GM was closed, the Ford assembly plant was closed and the Orion bus assembly plant in Mississauga was closed. It was devastating.

We were the first government to bring back jobs in the auto sector. We were able to create around 3,000 jobs in Windsor, and we were able to create around 3,000 jobs in St. Thomas—

Adam Chambers: You think the negotiation was good.

Hon. Mélanie Joly: —so they were really good investments.

Adam Chambers: Thank you, Minister.

The Chair: Madame Lapointe, please go ahead for six minutes.

[*Translation*]

Linda Lapointe: Thank you, Madam Chair.

Welcome, Minister Joly. I'm happy to have you with us today.

In 2018, the Canada-United States-Mexico Agreement, or CUSMA, was negotiated, and you were already involved in that. I remember that there were difficulties regarding a cultural exemption and protecting French. Culture is a major economic driver in Montreal.

I would like to know the government's position on what are very delicate subjects for Quebecers and for all francophones outside Quebec.

Can you explain it to us?

Hon. Mélanie Joly: Thank you, Ms. Lapointe.

The cultural exemption is very important to us, certainly in the context of the renegotiation of CUSMA, but also in all of our free trade agreements. We always make sure to include it in free trade agreements.

We have also signed the 2005 UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions, which is very important because it allows the government to legislate to protect our culture with the necessary funding without fear of reprisal from the U.S. or Mexico—funding for organizations like the CBC, the Canada Media Fund, the National Film Board of Canada, Telefilm Canada and many others.

I always work in tandem with the Minister of Canadian Identity and Culture.

Linda Lapointe: Thank you for the information.

As you know, my riding is located in the Lower Laurentians. The aeronautics sector is highly concentrated around Montreal, but also in the Lower Laurentians. Quebec has a lot of businesses in the aerospace, clean tech, energy and food processing sectors. Many of those businesses are located in my riding.

How will the future version of CUSMA protect or benefit these sectors?

Hon. Mélanie Joly: These sectors will benefit, of course, because the supply chains for the aerospace sector between Canada, Mexico and the U.S. are obvious. American companies like Bell Textron, L3Harris and many others invest in the Lower Laurentians. Bombardier also has factories in the U.S. Everything is integrated and definitely coordinated.

There is another aspect that isn't necessarily linked to the renegotiation of CUSMA, but is most definitely linked to us focusing on mitigating tariff impacts. We're currently working on a defence industrial strategy. We believe that the aerospace sector will greatly benefit from this because, in the context of this defence industrial strategy, our ground rule is to build in Canada. When proceeding with large defence procurement, our aim will be to create jobs at home and to build in Quebec and across Canada.

Linda Lapointe: The fact that we're also making defence investments in my neck of the woods is good news for my region.

Hon. Mélanie Joly: It's a region I know very well.

Linda Lapointe: How does the government intend to use the renegotiation to make the manufacturing and technology sectors more competitive, particularly in Quebec?

Hon. Mélanie Joly: Canada is the only G7 country to have free trade agreements with every other G7 country. The Minister of International Trade could provide you with even more details on the considerable number of free trade agreements we have with countries across the globe.

As the minister responsible for investments made in Canada, I get to meet representatives of companies that want to invest here. Canada's access to different markets around the world is a very attractive card that we have in hand. It can certainly help to bolster Canada's competitiveness in that context.

Other measures in the budget, like tax credits, are very positive and will attract investments.

To get back to the renegotiation of CUSMA, I think that our objective will be to maintain access to the U.S. and Mexican markets, while acknowledging that some of our sectors are hit by unjustifiable and unjustified tariffs that we have to take care of. That too is part of my job. It's part of my role.

• (1555)

Linda Lapointe: I got some questions from businesses in the steel processing sector. They think that 50% and 25% tariffs are unfair. What should I tell these people in my region?

Hon. Mélanie Joly: They're right to think that the tariffs are unjustified and unjustifiable. They're direct victims of these tariffs.

The way I see things, we're currently in a trade war. There's an economic battle being waged, and the sectors targeted by the tariffs are the front lines. In Quebec, the front lines are aluminum and steel. Elsewhere in Canada, most notably in Ontario, it's the auto industry. Softwood lumber is also somewhat impacted across the country, definitely in Quebec.

My job is to help people on the front lines and to support these business owners, who are very concerned about dealing with the effects of these tariffs. They suddenly have to diversify their exports, find new markets and find or develop new products. My job is to help them adapt and find new opportunities. It's not an easy task, but it's the mandate we were given by the people.

Linda Lapointe: Thank you very much.

[*English*]

The Chair: Thank you very much, Minister.

We'll go to Mr. Savard-Tremblay, please, for six minutes.

[*Translation*]

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

Thank you for being here, Minister. I also want to thank your colleagues who are with you today.

I didn't plan to ask this question, but my colleague gave me the idea when she mentioned culture. I want to talk about the cultural exemption, which you said would be preserved in its entirety. Maybe it's not directly under your purview since several departments are concerned, but the cultural sector would like to see the retaliatory clause repealed.

Are you considering it? Would it be a general exemption or a chapter-by-chapter exemption, like in the agreement with the EU, which is a setback in terms of the cultural exemption?

Hon. Mélanie Joly: I'm not in charge of negotiations. The Prime Minister is, with the support of Minister LeBlanc.

That being said, as an MP and a minister from Quebec, I can tell you that protecting the cultural exemption in CUSMA is important. As the Prime Minister indicated during the campaign, he's committed to protecting our language and our culture.

Simon-Pierre Savard-Tremblay: So you would agree that, in an ideal world, there would be no retaliatory clause. Is that right?

Hon. Mélanie Joly: I'm not familiar enough with the information you're giving me. I wouldn't want to give you information that's unrelated to what's currently being discussed at the negotiating table. I'd be sort of coming out of left field.

Simon-Pierre Savard-Tremblay: Okay, I can respect that.

Let's go from culture to agriculture then. Minister LeBlanc appeared before us and said that there would be no compromise on supply management. He also said that the government wouldn't do it through the back door.

Is that your position as well?

Hon. Mélanie Joly: That's absolutely our position. It's the one we've held during the campaign, after which we received a mandate. That's what my colleague who supports the Prime Minister, who's in charge of negotiations, said, and I agree with him.

Simon-Pierre Savard-Tremblay: So you won't change the rules through the back door either like you did for imports, correct?

Hon. Mélanie Joly: We already have legislation in place that we worked on with the Bloc Québécois.

Simon-Pierre Savard-Tremblay: Let's talk about wood, even if we don't have any in my riding—I mean, we do have wood, like forests and trees, but no forestry industry. That's what I meant.

Hon. Mélanie Joly: I'm happy to know that your riding has trees.

Simon-Pierre Savard-Tremblay: It would be pretty sad if it didn't.

Combined tariffs exceeding 45% have dire consequences for the industry. Can we expect a specific strategy for the softwood lumber sector anytime soon?

Hon. Mélanie Joly: I know that my colleague Tim Hodgson, the Minister of Energy and Natural Resources, is working not only to implement our plan to support the softwood lumber sector and the forestry industry in general, but also to develop a strategy to help businesses adapt and transition. This falls within the jurisdiction of Quebec and the provinces, but is also a federal responsibility.

We're helping industries by lessening the tariffs' impacts and helping businesses adapt and transition, as I said. We worked with the Business Development Bank of Canada, or BDC, to offer a solution to banks. With our approach, banks offer banking solutions, but the risks are borne by the government through the BDC.

I also suppose my colleague has worked with the provinces because, of course, we know that stumpage fees fall within provincial jurisdiction.

• (1600)

Simon-Pierre Savard-Tremblay: But this falls into the general supports offered to every sector affected by tariffs. It's not specific to the forestry industry.

Hon. Mélanie Joly: The supports offered through the BDC are specific to softwood lumber.

Simon-Pierre Savard-Tremblay: And those supports are available right now, correct?

Hon. Mélanie Joly: Yes, they're available.

I hope that banks will go even further. I think that the problem that we see in the softwood lumber sector at this time is that business owners are wary of taking more risks and going further into debt. But on the other hand, banks are very risk-averse. We implemented a solution that lets banks take risks because we're the ones bearing those risks. We just want to make sure that softwood lumber businesses don't get caught in a debt spiral. That's why we have this more focused approach. That's also why I want to make sure that banks can give out funding more quickly.

Simon-Pierre Savard-Tremblay: Are loans the right approach for that type of sector?

Why not offer wage subsidies or something along those lines?

Hon. Mélanie Joly: We believe that helping the softwood lumber industry by providing some cash flow has to go through the BDC. We're also supporting processors through regional development agencies. Part of that help is non-refundable.

Simon-Pierre Savard-Tremblay: The Buy Canadian policy that was announced on September 5 states that priority will be given to Canadian materials in federal contracts worth \$25 million or more. On November 29, the government said that it intends to implement this policy later this year. "This year" being 2025, will it be implemented soon? The year is almost over.

Hon. Mélanie Joly: The budget needs to be passed first. We still have a few important votes to go before that happens, which will help. I hope we can count on the Bloc Québécois to support the budget.

Simon-Pierre Savard-Tremblay: I'm not going to say anything without legal counsel.

Hon. Mélanie Joly: As a lawyer, I can represent you. It's not a problem.

Simon-Pierre Savard-Tremblay: Assuming that everything goes smoothly, can we expect the policy to be implemented before the end of the year?

Hon. Mélanie Joly: It will be incremental. Some measures have already been taken, but the impacts of the Buy Canadian policy will

really start to be felt during the first and second quarters of next year.

[*English*]

The Chair: Thank you very much.

Mr. Groleau, please, for five minutes.

[*Translation*]

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

I want to thank the witnesses for being here.

Minister, thank you for your presence here today.

I want to talk about the U.S. tariffs. I'm from Beauce. As you know, we're close to the U.S. border. We have lots of dealings with the Americans, and the steel and lumber sectors, among others, are being hammered by their tariffs.

Last week, I went on an economic tour in Montreal and Quebec City, and, of course, in Beauce, the entrepreneurship capital. I'm an entrepreneur myself. I know the problems entrepreneurs have to deal with, and I know what their concerns are.

Minister, none of these businesses want any money from the government. They just want the crisis with the U.S. to end. What's the situation? What do you have to say to these people?

Hon. Mélanie Joly: Thank you, Mr. Groleau.

As a former entrepreneur myself, I understand what entrepreneurs are going through right now. I see it, because I also go on tours, certainly in Quebec since I'm responsible for regional economic development for the province, but also across the country.

One thing is clear: When I meet with people who work in impacted sectors, I would say that there's some anxiety for sure, but I also know that they know that the President of the U.S. and his administration are very unpredictable. These people know that we're there to help them switch gears, because there's always some measure of unpredictability in every situation. We know that risk management is the most frustrating thing when you're in business.

That being said, the geopolitical risk is omnipresent right now. That's why we're offering supports and helping with cash flow. At the same time, we're trying to control what we can control. I met with several entrepreneurs from Beauce, and they told me that they want to be able to sell more of their products in Canada—in Ontario, in the Atlantic and elsewhere. They want to be able to sell them in France, in the EU, in Asia.

• (1605)

Jason Groleau: But you know that it can't be done in two days, two weeks or even two years. We've been trading with the U.S. for decades.

Hon. Mélanie Joly: I know. I also know that Beauce is right against the U.S. border and is very dependent on the U.S. market. But I also think that we have to work with the business community to move toward other markets.

Jason Groleau: Economic Development Canada support programs include the regional tariff response initiative, or RTRI. Eligible businesses must have a minimum sales figure of \$2 million if I'm not mistaken. Over 50% of SMEs don't reach that number.

Why are you only encouraging large businesses and are you turning your back on small and medium ones?

Hon. Mélanie Joly: Honestly, businesses with \$2 million in sales are pretty sizable, but still count as SMEs.

Ask anyone in your local chamber of commerce in Beauce or at the École d'entrepreneuriat in Quebec City and they'll all tell you the same thing. I can understand—

Jason Groleau: Why aren't they eligible for that program?

Hon. Mélanie Joly: Mr. Groleau, if there are businesses who are truly victims of tariffs, it will be my pleasure to work with you to find solutions.

However, what we see across the country in the industries that are affected by tariffs is that the impacted businesses are major players whose supply chains include smaller businesses.

Jason Groleau: Minister, I assume that you know the different regions of Quebec. You said that you visit Beauce from time to time. As I said earlier, I meet with entrepreneurs in rural regions such as Saguenay, Est-du-Québec, Centre-du-Québec, Chaudière-Appalaches and, obviously, Beauce. Beyond the U.S. tariffs, the hottest topic is labour, or lack thereof. My region has the lowest unemployment rate in Canada. We proposed that the temporary foreign worker program be renewed in regions where the unemployment rate is under 5.5%. There's something about that in the budget, but no details.

When will you give entrepreneurs an answer? It's all they're waiting for. They're waiting for you. You're in charge.

Hon. Mélanie Joly: The Prime Minister is very much aware of that issue. He's working on it with the relevant ministers. I hear about it as well, especially in the regions.

I hope that we can work with the Conservative Party, because when the Leader of the Opposition said that he was against temporary foreign workers, it really stuck with people and made a lot of people angry.

Jason Groleau: That did not apply to regions where the unemployment rate is under 5.5%. It was mentioned. Let's be clear about this.

Let's not get into petty politics. Honestly, we need—

Hon. Mélanie Joly: Mr. Groleau, that wasn't my intention.

Jason Groleau: —these people.

Minister Joly, when will these businesses get an answer?

Hon. Mélanie Joly: My goal is to work with you and my other colleagues to make it happen. I know how important it is. I hear it when I go to Trois-Rivières or Quebec City. I went to Saguenay—Lac-Saint-Jean on many occasions. That region is hit very hard by tariffs on aluminum. I have friends, acquaintances and family members in the business community. They share that concern. We're looking for solutions.

It is my hope that we can work collaboratively on this, because politicizing the issue of temporary foreign workers is very dangerous. I thought it was very unfortunate that the Leader of the Opposition did it earlier this year.

Jason Groleau: Thank you.

[English]

The Chair: Thank you very much.

Mr. Fonseca, you have five minutes.

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

Minister, you're a fighter. We can see it. We can feel it in your words and in the way you speak about how you're protecting workers. I feel it. You started your remarks by talking about how important it is to be team Canada and united. I hear this everywhere. I hear it in my community. This is what I hear: "I like it when the Liberals, the Conservatives, the NDP, the Green Party and everybody work together."

They understand how big a threat this is. People know it, and they want to see everybody working together. It is imperative. This is probably the best tool. We could talk about buy Canadian, the strategic response fund and our diversification, but the number one thing we have is keeping Canadians united as team Canada. We have to understand this. Thank you for the job you're doing on this.

You go to the front lines. You were talking about meeting with Unifor and Lana Payne, bringing in the CEOs and having everybody at the table, understanding that we have to get to the right solution, the right deal.

Can you tell me how you work through that process, how you meet with the front lines and how you get that message across?

• (1610)

Hon. Mélanie Joly: It's done in different ways. My department is very much in solution mode. We get many companies coming to see us—businesses and entrepreneurs—that want either to get help, because they're in the sector impacted by the tariffs, or to adapt, pivot or invest. The difference is quite stark.

Right now, we're the only G7 country that has zero tariffs overall in our economy. I was just in Japan and South Korea. They both have 15% tariffs. We know that's the case for the EU. We know the U.K. is at 10%.

In certain sectors, things are going well and our plan is working. I just mentioned that 67,000 jobs were created in October and 60,000 the month before, in September. However, in the sectors impacted by the tariffs, the pain is real. We provide information to the negotiating team, for example, on what the impacts of the tariffs are and, basically, what the different sectors that are under us are. There are many different sectors, except natural resources and energy.

That's how Minister LeBlanc, the clerk, the chief of staff, the Prime Minister and Kirsten Hillman, our ambassador to the U.S., are able to negotiate. Basically, it's market information that we provide to the negotiators.

Peter Fonseca: Thank you.

I also hear on the street that people want to buy Canadian.

At a bigger level, when we're looking at some of our infrastructure or building our homes, our Build Canada Homes program, how does your office work with industry to have them retool or change their business dynamic to take this opportunity to grow our country?

Hon. Mélanie Joly: I'll give you the example of steel. We haven't talked about it, but the only Canadian-owned steel plant is Algoma. We were very preoccupied with what was going on at Algoma, even before the tariffs. Then there were the 25% tariffs, which eventually became 50% tariffs.

I made calls to Seaspan, the shipyard in Vancouver—which is actually part of our national shipbuilding strategy—to make sure they would be taking orders and buying steel from Algoma. I called Jim Irving at Irving Shipbuilding and met with the CEO in Halifax to make sure they would also buy from Algoma. I really worked with Dofasco in Hamilton, with new projects to have steel cans and different ways for them to make the right type of steel.

One thing that is really important to remember when it comes to the steel sector is that the entire business model has been developed on servicing and supporting the U.S. automakers on the other side of the border. This business plan doesn't work anymore with 50% tariffs. By the way, the 50% tariffs are on all steel industries around the world.

This is why it's really important right now—I'm heading to Algoma in the coming days—to meet the workers, the union and the leadership team so that they will be able—

The Chair: Minister, I'm sorry to interrupt. Thank you very much.

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

[*Translation*]

Simon-Pierre Savard-Tremblay: Thank you.

Let's go back to the Buy Canadian policy. Have you heard about concerns or pushback from the American side?

Hon. Mélanie Joly: I'm not involved in the negotiations on a daily basis, but I personally have never heard of any concerns. Let's not forget that the Americans themselves have protectionist legislation in place for procurement.

Simon-Pierre Savard-Tremblay: Yes, of course they want to protect their own businesses, but they would probably also want them to keep benefiting from Canadian government contracts.

Hon. Mélanie Joly: I will certainly not speak on behalf of the U.S. administration.

• (1615)

Simon-Pierre Savard-Tremblay: Is that not your goal?

Hon. Mélanie Joly: No. That's not part of my mandate.

Simon-Pierre Savard-Tremblay: Understood.

Anyway, you said that there's been no pressure from the U.S. in that regard. You also don't think this can hinder negotiations.

Hon. Mélanie Joly: As a former minister of foreign affairs, I continue to follow geopolitics on an ongoing basis. What goes on in the world still affects my current functions now that I'm in charge of the Canadian economy.

We see the emergence of protectionist policies all around the world. That is why I spoke with the European minister of economy, Stéphane Séjourné, to see how we can work with Europe to keep our free trade going in spite of the current protectionist environment and the fact that the Americans want to protect their steel industry.

Things are moving very quickly. We are trying not only to negotiate, but also to diversify our markets and to write new rules, because the rules of international trade have gone right out the window.

Simon-Pierre Savard-Tremblay: Indeed, everything has to be rebuilt.

Let's change the topic. I want to talk about aligning Canada's tariffs on Chinese electric vehicles with the U.S. tariffs already in place, which of course links back to CUSMA. About a year ago, Canada increased its tariffs to 100% to match the U.S. tariffs.

Is that still in effect?

Hon. Mélanie Joly: Yes, that remains our government's position.

Simon-Pierre Savard-Tremblay: So there's no plan to change that.

Mexico increased its tariffs on Chinese vehicles to 50%.

Even if you're not part of the negotiations, do you think it could be a bargaining chip?

Hon. Mélanie Joly: I'm not going to speculate. One thing is clear though: We have to protect our auto sector, because 25% tariffs are affecting 125,000 jobs in Ontario. Neither of us is from Ontario, but when that province is impacted, Quebec's economy and the whole country's economy suffer as well.

I think it's very important to defend these jobs.

[English]

The Chair: Thank you very much, Minister.

We'll go on to Mr. Mantle.

Jacob Mantle: Minister, in your opening statement, you referred to steel, lumber and other critical sectors—steel, aluminum, autos and lumber. My understanding is that tariffs imposed by the U.S. are done so under the Trade Expansion Act of 1962, section 232, and additionally, in the case of lumber, anti-dumping and countervailing duties.

Is this correct? Do I have it right?

Hon. Mélanie Joly: Yes, it's a fact. There's also an executive order for fentanyl-related tariffs under the IEEPA.

Jacob Mantle: Right, and those would be the IEEPA tariffs.

Hon. Mélanie Joly: Exactly, but they're on pause.

Jacob Mantle: Right.

You're following the court case in the United States with VOS Selections, which is dealing with the IEEPA tariffs.

Hon. Mélanie Joly: I am, but as an MP like you, because I'm not in charge of the negotiations.

Jacob Mantle: My understanding is—and I hope this is yours as well, as we have just established—that if the Supreme Court in the United States strikes down the IEEPA tariffs, this will provide no relief to the industries I just mentioned, because those tariffs are imposed under different laws in the U.S. Is this correct?

Hon. Mélanie Joly: My job is not to make any form of hypothesis, neither—

Jacob Mantle: It's not a hypothesis.

Hon. Mélanie Joly: No.

Jacob Mantle: It's just fact, and your job here—

Hon. Mélanie Joly: No, it's not a fact.

Jacob Mantle: —is to speak to the impact on these industries. I just want to know what your understanding of this is. If you don't know, it's problematic.

Hon. Mélanie Joly: Jacob, please. Can you—

The Chair: Can you give the minister time to answer the question, please?

Jacob Mantle: If she answers, yes.

Hon. Mélanie Joly: I always answer.

The Chair: Respond.

Hon. Mélanie Joly: There's a lot of, as I said in French...many unpredictabilities linked to this administration. The U.S. Supreme Court decision is obviously something the negotiating team is following and, I must say, the entire world is following—

Jacob Mantle: You don't know what effect it will have?

Hon. Mélanie Joly: I won't, in front of this committee, develop any form of strategy or tactics that the government could take. Overall, we should work as one team Canada to see what the impacts could be eventually, but I'm not here to make any form of—what should I say?—analysis of what the impact on Canada or the world could be.

Jacob Mantle: I would suggest that it's concerning that the industry minister has no analysis of what will happen if this is the case.

• (1620)

Hon. Mélanie Joly: No, I think.... No, I'm sorry, but I think....

Jacob Mantle: Then tell me what your view is.

Hon. Mélanie Joly: My job is to help the sectors in Canada while the negotiating team is negotiating, and it also has its own strategies.

The world is following what's going on in the U.S. every single day. We were following what was going on in Tennessee yesterday. We're following what's going on in Miami at the electoral—

Jacob Mantle: I'm not interested in talking about Tennessee.

Hon. Mélanie Joly: We have a team, and I'm talking here.... I used to be in charge of Foreign Affairs, so I know that we have a fantastic embassy in the U.S., and they're doing this work every single day.

Jacob Mantle: Thank you, Minister. I'm going to move on because I have limited time. I appreciate that.

Hon. Mélanie Joly: Yes, go ahead.

Jacob Mantle: Obviously, a large part of our bilateral trade is defence production with the United States. A few weeks ago, in response to questions about the F-35, you made comments. You said you didn't believe there had been enough jobs created or industrial benefits out of the F-35 program. You repeated that yesterday, actually, and in response, Ambassador Hoekstra made some comments suggesting that this was an impediment to our trade negotiations.

You, as you said, were foreign minister. You were at the very first party at Mar-a-Lago with the president—

Hon. Mélanie Joly: No. I wasn't there.

Jacob Mantle: If anyone should have known that injecting uncertainty into the F-35 deal would piss off the Americans, I would have thought it was you. My question is, why would you do this at the eleventh hour? Why inject uncertainty into this negotiation?

Hon. Mélanie Joly: There are a couple of things.

I was not at the first party at Mar-a-Lago, so your facts are wrong.

In addition, following the imposition of tariffs against us, we took a decision that I think Canadians support. My question for you is, do you support the decision of putting the F-35 contract on pause, yes or no?

Jacob Mantle: I'm asking you questions, not the other way around.

Hon. Mélanie Joly: Well, I'm asking you questions. It goes both ways.

Jacob Mantle: No, it doesn't, actually.

Hon. Mélanie Joly: Yes, it does.

Jacob Mantle: Not at committee.

This morning—

Hon. Mélanie Joly: Well, you know, this is part of parliamentary committees. This is democracy.

Jacob Mantle: I'm just asking why you did this.

Hon. Mélanie Joly: Jacob, is this the position of the Conservative Party, yes or no?

Jacob Mantle: At the defence committee this morning, the Minister of National Defence said the F-35 review was his file, and he said he was reviewing it “at the request of the Prime Minister”. Did the Prime Minister ask you to review it as well?

Hon. Mélanie Joly: I'm in charge of industrial benefits for defence contracts. That's the role of Industry.

Jacob Mantle: You are reviewing the F-35 as well.

Hon. Mélanie Joly: For industrial benefits, of course. Yes, absolutely. This is why I think we didn't get enough and we need more, and I hope the Conservative Party is in favour of that. If not, we want to know.

The Chair: Thank you very much.

We're moving on to Mr. Lavoie, please.

The floor is yours.

[*Translation*]

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

Good afternoon everyone. I'm sorry to participate virtually today, but it's not all bad because it means that I'm in my riding.

Good afternoon, Minister. I'm honoured by your presence today, and that of the other witnesses as well.

I'm going to ask two questions and then let you respond.

You know a bit about my background. I worked in the banking sector for 20 years, including in business financing. I've financed businesses in almost every sector of the economy, and I've noticed that every sector experiences ups and downs, in a cycle of sorts. Usually, businesses that performed better were the ones that invested when their sector was not doing so well. Then, when things got better, they always came out on top.

This relates to the current situation we're facing. It's pretty bad out there with the tariffs. Everyone agrees that what we're currently going through is completely out of the ordinary. However, for many Canadian businesses, it could be the ideal time to invest so that, when this crisis hopefully ends, they're the best in the market.

My first question is: How can Canada Economic Development for Quebec Regions support businesses through grants and investments so that they can use this opportunity to increase their productivity, among other things?

As you know, I represent the riding of Beauport—Limoilou. The Port of Quebec City is right in my backyard. You were also in Japan recently. I know people in Japan who tell me that companies over there want to do business with us because it's the right time to do so. I'm putting on my MP for Beauport—Limoilou hat for a moment because my riding has that critical infrastructure and amazing businesses.

Here's my second question: How can we help businesses in Beauport—Limoilou take advantage of our strategic infrastructure and of commercial opportunities in foreign markets? How can we leverage that?

Hon. Mélanie Joly: Thank you, Mr. Lavoie.

With regard to your first question, we have a whole range of support programs. The main one is obviously the \$5-billion strategic response fund, which includes the former strategic innovation fund. Originally, the goal of this fund was to attract investments, especially from other countries, or to help Canadian businesses transition and adapt. Now, we decided to open that funding to businesses impacted by tariffs. So that \$5-billion fund is very important. It allows businesses in the steel and aluminum sectors, including some that are located near Quebec City, to start producing steel and aluminum to meet our domestic demand, especially in terms of defence. They can't do so right now, because the aluminum sector's business model is to send aluminum to the U.S. to be processed. That is part of the discussions I have with the major players in the aluminum sector and with smaller companies as well.

We're also helping businesses export their product, especially in the aluminum sector. For example, in the first quarter, Aluminerie Alouette exported 4% of its production to Europe. In the second quarter, it was 52%. That is all part of the programs that we have to support businesses affected by tariffs.

Big companies have access to the strategic response fund. For smaller ones, support is provided through Canada Economic Development for Quebec Regions. There's a fund for SMEs affected by tariffs. Part of that help is non-refundable, because—and this ties into Mr. Groleau's question—we know that small businesses are not always as financially secure as the bigger ones. There are other programs for the softwood lumber sector. I mentioned them when answering Mr. Savard-Tremblay's question about softwood lumber.

I would conclude by mentioning that other countries are showing an interest in Canada. Canada's reputation is very good, particularly because of its ability to navigate the dynamics with the U.S. in a very difficult situation. Indeed, the main concern among western democracies is figuring out how to deal with the U.S. administration.

• (1625)

[English]

The Chair: Thank you very much, Minister. That ends our time.

[Translation]

Steeve Lavoie: Thank you.

[English]

The Chair: Thank you so much for the valuable information.

Thank you to your staff.

We will suspend for a moment while our other witnesses come to the table.

• (1625)

(Pause)

• (1635)

The Chair: I call the meeting back to order. Pursuant to Standing Order 108(2) and the motion adopted by the committee on Thursday, September 18, the committee is resuming its study on Canadian supply chains, forced labour and related imports.

We have with us today, as an individual, Sabrina Bandali, partner and head of international trade and investment practice; Stephen Pike, partner; and Sean Stephenson, counsel.

Welcome to you all. We appreciate your taking the time to be with us today.

Ms. Bandali, I give the floor to you for up to five minutes, please.

Sabrina Bandali (Partner and Head, International Trade and Investment Practice, As an Individual): Thank you, Madam Chair and members of the committee. We appreciate the opportunity to appear before you.

I am speaking to you today in my personal capacity and not on behalf of my firm or any specific clients. That said, my views are informed by my experience in advising companies with respect to supply chain compliance, including companies that have faced detentions on grounds of possible forced labour in their supply chains.

While I cannot comment on the details of specific cases, these experiences have allowed me to observe first-hand some of the difficulties the design of our current law creates, based on tariff classification, from an enforcement and compliance perspective. I will focus my comments on explaining some of those challenges and the need to ensure that the obligations of importers are reasonable and practical.

Eradicating forced and child labour from supply chains is an important goal, but presently, importers are left without adequate support or clear expectations about what, concretely, they must do in order to confidently import goods into Canada. Parliament imple-

mented our prohibition on importing goods made with forced or child labour, in whole or in part, by defining these goods as “prohibited goods” classified under tariff item 9897.00.00. However, the rules and compliance obligations that apply in the context of tariff classification create challenges when addressing concerns about the use of prohibited forms of labour in supply chains.

Tariff classification is classically analyzed *in rem*, meaning that it is based on the good itself, as it appears at the time of importation into Canada. Most commonly, this means that you can examine the good and determine its correct classification based on its physical characteristics, material composition or function. In most cases, when tariff classification is based on factors that are not evident from the good itself—conditional relief items, for example, that are based on a specific end use—the record-keeping regulations that we have explicitly state what documentation is required in order to prove eligibility.

However, establishing whether there is forced labour in supply chains presents different considerations. It requires information about the production and upstream sourcing of raw materials and components—which may be many degrees removed from the good that is imported into Canada. Because the legal mechanism used is tariff classification, this potentially creates a strict liability obligation that may not always take into consideration whether the non-compliance was wilful or whether the compliance burden was reasonable in the first place.

Importers may not know all of their suppliers' suppliers, let alone have access to reliable information about their labour practices. Supply chain information may be considered confidential and competitively sensitive, and upstream suppliers may be hesitant to disclose information and records to their customers. Effectively, the law has the potential to expose importers to legal risk, including possible criminal risk, as a result of conduct over which they may have little or no visibility, control or influence. In the early detention cases, we have seen this tension play out.

The CBSA identifies shipments for detention based on confidential intelligence about the alleged conduct of parties in the supply chain or allegations about an industry or the geography in which some goods are produced. The risks identified may not arise from the immediate supplier with which the importer has a direct relationship but from farther up the chain. If a CBSA member has a suspicion that goods are made with forced labour, they may detain the goods and notify the importer to demand information and documentation about the complete supply chain, all the way back to raw materials, within 30 days. The CBSA is not obliged to provide reasons for the detention, and in my experience, they have not disclosed what aspect of the supply chain led to the decision to detain.

Because of the nature and extent of information required, it may be a tremendous time- and resource-intensive undertaking for importers to trace each step of production, back to raw materials, for every component or material in every product imported into Canada. Doing so may require documents that are not in the importer's possession and that they have no legal right or commercial leverage to obtain. They may include records that importers do not presently have an express legal obligation to maintain under current regulations.

• (1640)

Some importers may be able to take reasonable steps to strengthen their contracts and require parties up the supply chain to provide information, but depending on the nature of the good and their business, they may not be able to establish a chain of custody traceable to the actual good imported or afford a compliance program of the scale required to do so.

Options for importers to formally mitigate their risk of enforcement action before an import occurs are limited since, as a matter of policy, the CBSA will not issue advance rulings for forced labour and child labour classification determinations. The importer bears all the due diligence burden and the legal risk. Furthermore, the CBSA does not currently publicize the information or investigation reports that it uses to detain shipments.

Let me conclude by saying that not giving importers a way to access information about which suppliers or supply chains are considered high risk or to obtain guidance from the government leaves Canadian importers with a significant information gap and undermines the policy goal of reducing forced labour and child labour worldwide.

I appreciate that members of the committee are considering various solutions to these challenges, and I'll just say that, if the government is going to introduce something like a presumption of denial entity list, it will be very important to create due process to allow stakeholders to provide information prior to listing, as well as to have the ability to appeal decisions and to apply to be delisted, particularly if the listing is based on unproven allegations or circumstantial public source evidence.

Thank you for the opportunity to appear before you, and I look forward to responding to your questions.

The Chair: Thank you very much, Ms. Bandali.

Mr. Pike, you have the floor.

Stephen Pike (Partner, As an Individual): Good afternoon, Madam Chair and members of the committee. It's an honour to have the opportunity to speak to you this afternoon and to answer your questions regarding Canadian supply chains, forced labour and related imports.

My evidence today, as my colleague had said, represents my own views, and I am here as an individual and not representing my law firm, Gowling WLG, its clients or any third parties. I'm a business lawyer based in Toronto, and I serve a wide variety of clients headquartered in Canada, the United States, Europe and Asia. I've worked for more than 10 years on issues pertaining to forced labour and child labour in supply chains, going all the way back to a project I initiated in 2015 to draft model Canadian business principles on forced labour, labour trafficking, and illegal and harmful child labour with the Canadian Corporate Counsel Association. Those model Canadian business principles were adopted by the Canadian Bar Association in February 2016.

In the next few minutes, I want to provide some important context that overshadows our evidence today. I'd like to speak briefly about forced labour and the scope of exploitation of people at the far end of supply chains, many with no way out.

According to the International Labour Organization, there are 27.6 million people trapped in forced labour; they generate exploitation that results in something like \$236 billion U.S. in profits every year. At the same time, there are nearly 138 million children suffering in child labour worldwide, 54 million of whom are in hazardous work that is likely to harm their health, their safety or their morals.

I'd like to say that, unfortunately, forced labour exploitation is seen as a dynamic issue. For example, I'll draw your attention to a recent publication by the ILO pertaining to forced labour. Last month, on November 18, the ILO published a revised edition of its 2012 advisory regarding the indicators of forced labour. The revised edition adds a new provision on this exploitation through forced labour. It's a provision on state-imposed forced labour.

State-imposed forced labour can take various forms, including compulsory labour as a form of political coercion or punishment for persons expressing political views or views opposed to the established political, social and economic system. These indicators of forced labour are designed to support frontline actors, such as U.S. Customs and Border Protection in detecting potential victims of forced labour. For example, the CBP lists the relevant indicators of forced labour in every press release announcing the issue of a withhold release order.

I would be remiss if I didn't refer to the Fighting Against Forced Labour and Child Labour in Supply Chains Act, which, as you know, came into force on January 1, 2024. I note that the supply chains act, with its inclusion of the amendment to the Customs Tariff to prohibit the importation into Canada of goods mined, manufactured or produced in whole or in part with child labour, and its imposition of reporting requirements on federal government institutions, is globally unique in its approach to addressing risks of what many call modern slavery.

The steps taken by reporting entities to prevent and reduce the risk of forced labour and child labour in supply chains and business operations have been disclosed in almost 11,500 reports filed in the first two years of the supply chains act. In my view those steps may be impacting the fight against forced labour and child labour in supply chains in a very positive way. I'd be happy to discuss that further if you wish.

Thank you very much for permitting me to provide my opening statement.

• (1645)

The Chair: Thank you, Mr. Pike.

Go ahead, Mr. Stephenson.

Sean Stephenson (Counsel, As an Individual): Thank you, Madam Chair.

Good afternoon to everyone here. It's a pleasure to be here with you today to talk about the very important issue of forced labour. Similar to my colleagues, I will be expressing my own views.

I am counsel at Dentons Canada LLP. For the past two years, I have chaired the Canadian Bar Association's section of international law, and I am the past chair of its working group on modern slavery practices. This experience has informed my views such that I've been able to speak with lawyers throughout the country on this issue.

First of all, I'm going to say that I agree with many of the comments made by my colleague Sabrina, who very thoroughly described the process and the issues. I do not intend to revisit them. I think they've been well established.

I will focus my presentation on a couple of different things. The first is the existing prohibitions that we have, and the second is the bill that has been tabled and some of its potential implications.

First, on the prohibition that we have, I'd like to talk about enforcement and transparency. I think this committee has been well briefed on the CBSA's enforcement measures, and you have the numbers on enforcement. You have also discussed transparency with the CBSA. The numbers on enforcement speak for themselves. There has not been a particularly large amount of enforcement coming from the CBSA, and we don't have a real, transparent view of what those numbers look like in real time, save for committee appearances like the ones we had last week.

On transparency and numbers, transparency can act as a method of deterrence. When importers know that the CBSA is actively looking at these types of issues and that those types of numbers are being made public, this is a form of deterrence and encourages

compliance. I would encourage the committee to really take that to heart, because those are numbers that we are frequently asked about as counsel: "Have there been any detentions?" When we say we don't have any knowledge of this and none of it is public, this does not help in enforcement or compliance related to these serious issues.

Second, in relation to guidance, I think this committee is well aware that there has been guidance on forced labour, which was initially issued by the CBSA in 2021. We are still waiting for a final version of that guidance. The CBA modern slavery working group made submissions to the modern slavery task force in January last year, and we simply never heard back. Engaging experts on these types of issues, on which we believe we can significantly contribute, is an important point.

On that point, I would note that for the Supply Chains Act, or Bill S-211, we have had a different experience with Public Safety Canada. My colleague Stephen and I are part of the external counsel panel that it has established. Essentially, it canvassed not only our views on this as individuals, but the views of a large number of lawyers across the country. This has resulted in positive achievements, particularly in a significantly revised guidance document from Public Safety Canada that has addressed a lot of the concerns, both legal and practical, that the importing community has faced.

Those were a few initial comments on the current state of the import ban. Now I have a couple of comments on the bill that has been proposed, Bill C-251, which creates the rebuttable presumption.

First and foremost, based on our experience with the supply chains act, it is critical to have clarity not only in the law but also in the guidance. This is one thing we lacked when Bill S-211 became law. There was no significant guidance that addressed the concerns the reporting community had. To the extent that the bill moves forward, it needs to move forward with clarity and guidance. Our counterparts to the south have very clear guidance documentation for what is expected from importers, including the documents they need to have and the standards they need to meet. The law is fine as written, but it needs to be supplemented with regulations or very clear guidance.

There is an open question of whether we need more legislation. I think Canada has a knack for potentially trying to legislate itself out of enforcement problems, but I will leave that open for the committee to discuss.

• (1650)

Second, I would ask, what would the impact be of this type of bill? In my view, the impact would potentially be threefold.

First, it would likely cause large importers to review their compliance and diligence functions. That's potentially a good thing. We would have a little bit more internal policing from our large importers here in Canada. Many folks who import into both Canada and the United States have already gone through that process, but I think we would see it again here.

Second, there would be a clear mandate for the CBSA to review additional shipments. The number of investigations would likely go up. This is potentially a positive thing.

Third, we would need to consider the implications of the act, potential act or bill against section 15 and section 155 of the Customs Act, which have a positive obligation to disclose the fact that you have or might know of forced labour goods in your possession. Also, if you have them in your possession, it can cause a penalty. What does creating a presumption in law do to those obligations, not only for importers but also for regular Canadian businesses down the chain?

I'll leave my comments there for now, but I'm happy to take any questions.

- (1655)

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

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

Jacob Mantle: Thank you, Madam Chair.

Thank you to our witnesses for appearing.

We are all partisans around this table, but let no one say that I am not actually interested in this issue. That's why we have sought out these experts, who I will say are probably the most knowledgeable in Canada on these issues.

The Chair: We've gotten good information already.

Jacob Mantle: Yes. I'm very thankful for their testimony.

I think we learned more from you three than we did from the CBSA, and that's part of the problem with this issue. In fact, I put section 115 to the CBSA when they were here, and they had no answer for me on the obligation...that it's a violation to possess goods—just have them in your possession—that are illegally imported. They had no answer for that.

I want to pick up on the transparency issue with the process because it's been raised by a lot of members. Of course, the natural comparison is the United States. If you go on the CBP website, you can look up the dashboard and you can see how many shipments have been interdicted, what their value was, where they came from and generally what kind of products they were. You can download an Excel sheet and look at what entities are on the list. It seems as though the CBSA is just allergic to this type of transparency.

I have two questions.

What's your experience in getting information from the CBSA for your clients? Do we need more transparency from the CBSA? Do you have any recommendations that the committee might make on that issue to the House or to the agency itself?

Whoever wants to can start, but I'd like to hear from each witness.

Sabrina Bandali: As I mentioned in my remarks, in detention situations, there was no disclosure of the reason for the detention or information on what aspect of the supply chain was problematic. The difficulty this creates for importers is that you can't run in all directions at the same time. Having some information to guide how you're going to devote your resources is very important.

Do my colleagues want to chime in?

Sean Stephenson: As a general matter, we have had difficulties obtaining information from the CBSA. We are cognizant that there is a lot of confidential data for every particular importer.

We are talking about basic numbers of how many.... You shouldn't have to file an access to information request to know how many shipments have been stopped. Broad numbers and things like that are helpful.

We get those questions as counsel, not only those on what the law is. Importers look at what the risk is. How much do they need to put into their compliance program? Having those types of numbers would be helpful to share with our clients, to say it's being actively looked at or that they're not doing anything.

There's a meaningful risk gauge that I think a lot of clients go to when they're designing compliance programs.

Stephen Pike: I don't have anything to add to what my colleagues have said.

Sabrina Bandali: I can just add one point, because you asked about recommendations.

I can appreciate the sensitivity of information and of putting it out into the public domain. One of the difficulties when you highlight, for example, a geography—for a government to do so—is that it raises political considerations. I think that's well understood.

However, when you are in the situation of having your goods detained and you are being asked for information, not being able to have some disclosure of what gave rise to the concern—so you can focus your efforts on the supply chain to provide probative information in that context—is problematic. If there was a recommendation to make, I think even confidential disclosure to affected importers would be very helpful.

Jacob Mantle: Thank you.

The CBSA deals with confidential information all the time, and there are legal mechanisms to provide undertakings or protect that information, at least on a counsel basis.

You mentioned the D-memo, or departmental memorandum. I think it was 2021 when it first emerged. Would it be helpful if the CBSA finished that review and issued some sort of guidance for clients?

It's not a trick question.

Sabrina Bandali: Yes.

Sean Stephenson: Yes.

Stephen Pike: Given the passage and coming into force of what was Bill S-211 on January 1, 2024, which added child labour to the forced labour tariffs number, I think we want to get that in the D-memo, because the memo right now doesn't refer to child labour.

• (1700)

Sabrina Bandali: It really comes down to the issue of focus. Importers don't have clarity on whether they are to focus on the diligence that they can do to their immediate counterparty, where the good that's being imported into Canada is what is most important for making sure that production activity is forced labour-free, or whether all tiers of the supply chain are equally important to the CBSA. Even having clarity about what the policy is going to be from an enforcement perspective—the expectation. It's about being able to use resources wisely that are not unlimited.

Jacob Mantle: Thank you.

I have 30 seconds left.

On that expectation point, it always seemed odd to me that we have a broad-based ban, which is the heaviest hammer you can use—a complete importation ban—but there is no guidance on what it means. If I have one bolt in my car that was made by forced labour, am I offside now? What they did in Bill S-211 was give some more information about *de minimis* and things like that. Would that type of information be helpful to include in the D-memo?

Sabrina Bandali: Yes.

Sean Stephenson: Yes.

Jacob Mantle: You have to say “yes” so that we get it on the record.

Sean Stephenson: In the CBA working group, we made submissions we thought would be helpful, at least from a counsel perspective, for the CBSA. The intent was for them to consider our wish list. We might not get everything, but from a legal perspective, this is what importers want.

Jacob Mantle: Was the wish list for the supply chains act or the forced labour ban?

Sean Stephenson: It was for the forced labour ban.

Jacob Mantle: Could you provide that to the committee?

Sean Stephenson: We could.

The Chair: That's the information you had previously submitted.

We're off to Mr. Naqvi for six minutes.

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

Thank you to all the witnesses for appearing today. It's always good to have independent legal advice. It's great to have you all.

I'm not an expert on this issue, even though I practised international trade law. This is not an area I ever focused on, so I'm learning as I go through these hearings. From a public policy perspective, I recognize that forced labour is an issue we need to find a way to address. However, I'm also learning that it's fairly compli-

cated for all the compliance reasons you have highlighted in your submissions.

Let me ask you something. As lawyers, we have opinions, and we know, if we were writing laws, how we would write them so they would actually work. If you were to write laws tackling the issue of forced labour, what are some key ingredients you would make available in the law and in the policy to allow us, from a public policy perspective, to deal with an odious practice but do so in a way that is actually effective?

I'll start with you, Ms. Bandali.

Sabrina Bandali: Civil enforcement is very important. The reason for that is... To the extent that this is a question of getting information about something that may be very far away from your own operations, anyone who's engaged in due diligence—certainly any lawyers who have engaged in due diligence—knows you can go forever.

Draft the law in a way that gives people some sense of the scope of the legal obligation that falls on their shoulders and would result in legal consequences for them, be they civil or be they criminal. I'd venture to say that in this context, civil is the appropriate mechanism, tied to what is practical, reasonable and appreciates the fact that some goods today are just tremendously complex. The burden that puts on trade—if people cannot trade in complex manufactured goods without having absolute traceability back to raw materials—is an unrealistic standard.

Yasir Naqvi: Mr. Pike.

Stephen Pike: One thing I would include, which was in the supply chains act, is the participation of federal government institutions in abiding by the same rules the private sector is dealing with for procurement.

Yasir Naqvi: Mr. Stephenson.

Sean Stephenson: To step back a little, as a regulator, I'd say that there are three buckets we've seen being developed globally. First is reporting legislation; we have that. Second is a trade ban; we have that. The third bucket, which we don't have in Canada, is due diligence. Certain European countries have gone that far. There may be EU-wide diligence legislation coming down the pipe.

Those are the three regulatory buckets. We have two of them. We need to work on strengthening our enforcement of the buckets. Transparency at the CBSA would be great. Clarity and guidance would be great. Closing the information gaps of our regulators would be great.

As well, we should be looking at other trade programs. For example, the U.S. has a program called the CTPAT, the customs trade partnership against terrorism, that it has introduced, which essentially designates trusted importers who can then go past the border with fewer inspections. It has introduced forced labour requirements for folks who are registered in those programs. We have not done the same. Canada has the PIP, the partners in protection program, but we have not done the same.

There are still levers that I think we can pull without additional legislation.

• (1705)

Yasir Naqvi: In previous testimony, I asked what other jurisdictions we may look at that have done a better or finer job in dealing with the issue. The answer was that the European Union probably has a set of laws or regulations that are superior to ours. Would you agree with that assessment, and if so, which elements of their rules and regulations make theirs better such that if we incorporated them into our laws, it would improve our compliance as well?

Stephen Pike: I wouldn't characterize them as better; I characterize them as different. They have much different legal regimes from ours. Again, with the EU structure, it is a way to have a large number of countries collaborate and ensure that they can move together within that union. It's based on a due diligence regime and on reporting.

What we see in many of the other European laws, such as the French duty of vigilance law and the German supply chain diligence act is a very high threshold. They're only talking about putting hundreds, or 200, 300, 400 or 500 companies—the biggest companies—to be covered by the act. It's not as widespread as you'd see in the Canadian supply chains act. It really has a different target and is really looking at the biggest companies in those jurisdictions and getting them to take on the compliance burden and comply with those laws.

There is a significant compliance burden on businesses in all of these reporting regimes, including the Canada supply chain act, but with respect to the European legislation, it's more intensive in its requirements for companies. That is different from what we have, but it's something to be aware of if you're looking at regimes that are like the CSDDD or other EU activities.

The Chair: Thank you very much, sir, for the information.

Mr. Savard-Tremblay for six minutes, please.

[*Translation*]

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

I also thank the witnesses for their presence and comments.

Mr. Stephenson, you talked about the bill I tabled, Bill C-251. I appreciate all the caveats that you mentioned. Of course, as with every bill, we need to give ourselves the means to act. I agree with you on that.

If we manage to move that bill forward, we'll have the opportunity to see what improvements can be made in committee. I still think that the basic idea of the reverse onus is the right one.

Are your concerns strictly about the legal aspect? I assume you read it. It sounds like you think that amending the act would be desirable. You even said that it was fine as written, but that the CBSA needs to have the necessary resources and, of course, that we need to make sure that lists and guidelines are released on an ongoing basis.

Do you think that the intention behind the bill is sound?

• (1710)

[*English*]

Sean Stephenson: It's certainly a way you can proceed. The United States has proceeded down that route, and you see results. It is paired with a very, I would say, intentional or aggressive enforcement strategy. They have been well funded. They are well researched, and on the trade ban globally, whether it's the UFLPA or their other trade actions, they are probably the most sophisticated.

You could debate the merits of the law and whether it's the right way to go, but with the law you need proper guidance so that importers know what they're doing. The CBSA also needs to be prepared for the consequences that this will bring overall. I think that's additional investigations. Then you're probably also going to have an ask...a potential change in CBSA policy.

My colleague Sabrina mentioned that you can't get an advance ruling for forced labour goods. Well, what happens to section 15? What happens to section 155 when, all of a sudden, a news article comes out that one of your suppliers has engaged in forced labour, and you're holding that good in Canada now? What happens to you in that type of situation? Do you want to go get an advance ruling from the CBSA on the issue?

My primary concern is that mechanics need to be worked out in these types of situations.

[*Translation*]

Simon-Pierre Savard-Tremblay: Right, but you maintain that it would be a very efficient and robust piece of legislation, as long as it's accompanied by the proper mechanisms and resources.

Sean Stephenson: It could be, sure.

Simon-Pierre Savard-Tremblay: We know that 91% of reporting entities indicated that they did not identify instances of forced labour. That's quite a lot. On the other hand, 82% acknowledge that it may be a possibility. The ratios are almost as high on both sides.

How do you explain that? Is there an issue with the methodology or the ability to investigate and make the necessary assessments?

Sean Stephenson: These entities have nothing to worry about, legally speaking. They simply have to report on their efforts to combat forced labour in their supply chains. If they see something, they have to report it. If they don't, they simply say that they didn't identify anything in their supply chains. They don't need to ask the question.

That's the difference between the two numbers, in my view.

Simon-Pierre Savard-Tremblay: I also have a question for you, Mr. Pike.

You said before that Canada's enforcement of the ban enshrined in CUSMA was inconsistent. What could be done at the border to ensure that the ban is enforced?

Madam Chair, was Mr. Pike not informed before the meeting that interpretation was provided?

Mr. Pike, you should have been informed that you had access to interpretation. It should have been mentioned at the start of the meeting.

Sean Stephenson: He has hearing aids. I think he's unable to use the correct channel.

Simon-Pierre Savard-Tremblay: What do we do in that case?

[*English*]

Sean Stephenson I also believe that my colleagues are not getting the interpretation.

[*Translation*]

Can you repeat the question?

Simon-Pierre Savard-Tremblay: We have to fix the problem.

• (1715)

[*English*]

Sean Stephenson: He has a hearing aid, so that's his issue.

• (1715)

(Pause)

• (1715)

[*Translation*]

Simon-Pierre Savard-Tremblay: I see the clock ticking, and I'm not even sure that I'm going to have a second round. In that case, I want to table a notice of motion. I'll share it with everyone. We don't have to decide right away. I'm open to changing the wording of some of the more trenchant parts. I'll still read it:

Whereas the Liberal government announced in its March 2023 budget, and reiterated in its 2024 budget, its intention to introduce before the end of the respective year a bill aimed at eliminating forced labour from Canadian supply chains and strengthening the prohibition on importing goods produced through forced labour;

Whereas this commitment was not renewed in the 2025 budget, and no government bill has been introduced to date;

That the committee report to the House to deplore the government's current lack of legislative commitment to combating forced labour in supply chains and to urge the government to act; and

That the committee request a response from the government pursuant to section 109 of the rules of procedure.

I'll hand the copies to the clerk so he can distribute them to my colleagues.

Are we ready to vote? I'll just give my colleagues a bit more time.

Do you want to suspend for a few minutes, Madam Chair?

[*English*]

The Chair: We have to have some discussion.

• (1715)

(Pause)

• (1725)

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

We have an agreement that we will deal with the motion when we come back in January.

Mr. Fonseca.

Peter Fonseca: The motion is that the committee of international trade undertake a study of no fewer than three meetings on the subject of the—

Jacob Mantle: I have a point of order.

I'm sorry. I'm next on the list. He can move his motion when it's his speaking spot.

I'm next. I have five minutes. We have three minutes left of committee, so that will be the end of it.

He can put it on written notice.

The Chair: I was trying to be efficient with our time, but seeing what time it is, I'm just going to adjourn the meeting, period.

The meeting is adjourned.

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