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• (1100)

[English]

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

Welcome, everyone, to meeting number 38 of the Standing Committee on International Trade. Pursuant to Standing Order 108(2) and the motion adopted by the committee on Thursday, February 12, 2026, the committee is commencing its study of Canada-Taiwan trade-related co-operation.

We have with us today, from the Taipei Economic and Cultural Office in Canada, Harry Ho-jen Tseng, representative, or ambassador, as I call him all the time. We have Henry Chih-hung Liu, director, and Ethan Han-ming Chen, deputy executive director.

Welcome. It's nice to see you all here.

We will start with opening remarks, and then we will proceed to rounds of questions from the members.

Representative Tseng, I invite you to make opening remarks for up to five minutes.

Welcome back to our committee. I know you have been here before. It's nice to see you again.

Harry Ho-jen Tseng (Representative, Taipei Economic and Cultural Office in Canada): Thank you.

Honourable chair and distinguished members of Parliament, thank you for inviting me to appear before the Standing Committee on International Trade. It is a great honour to sit as a witness.

Allow me to begin with a brief review of the recent trade relations between Canada and Taiwan.

Based on the four-year statistics for 2025, both Taiwan and Canada have maintained or reached historic highs in their respective global trade volumes. However, when examining the bilateral trade figures against each other's total global trade, the percentage appears remarkably low.

Taiwan's foreign trade, driven by sustained global demand for AI-related high-tech and ICT products, reached a record high in 2025, with total global trade of approximately \$1.1 trillion U.S. Canada's total trade in goods and services, based on data from Statistics Canada, remained highly robust throughout 2025, with total trade of approximately \$1.2 trillion U.S. As you can see, the difference between us is small.

According to recent official benchmarks, the annual trade volume between Taiwan and Canada hovers between \$6 billion U.S. and \$6.5 billion U.S., which is only about 0.5% to 0.6% of Taiwan's total global trade. Taiwan is Canada's 15th-largest trading partner globally and its sixth largest in Asia, yet their bilateral trade accounts for only about 0.5% of Canada's total global trade. Looking strictly at the nominal percentage, the mutual trade dependence between our two economies is below 1%.

Canada's strength lies in the upstream of the supply chain, while Taiwan's strength lies in the midstream to downstream sectors. Over the years, there has been a lack of a direct intermediate processing bridge between us. Consequently, many Canadian raw materials are exported to third countries for processing before being imported by Taiwan, which prevents these flows from being captured in direct bilateral trade statistics.

Does this imply a lack of focus on each other's market? The answer is no. The low percentage is not a result of neglect or negligence, but rather it is a reflection of their long-standing geo-economic structures, or so-called "market gravity"—that is, Canada's focus on the U.S. market and Taiwan's concentration on the markets of China plus Hong Kong, the ASEAN and the U.S.

Is there room for our bilateral trade to grow? Yes, there is immense room for growth, but both are required to engage with each other more. As global supply chains shift from cost-driven offshoring to security-driven friendshoring, we must speed up to undergo a structural shift.

In fact, thanks to the Canadian Indo-Pacific strategy, we have embarked upon that path already with the FIPA, or foreign investment promotion and protection arrangement, which was signed in 2023, followed by subsequent arrangements on supply chain resilience and the STIA, or science, technology and innovation arrangement, which was signed in 2024. These mechanisms provide legal protection and have triggered a noticeable surge in private investment from Taiwan.

The next logical step is to advance a trade co-operation framework arrangement. The TCFA will provide an important institutional framework to facilitate trade, investment, regulatory co-operation and supply chain integration between our two nations.

I would also like to call on Canada to continue to support Taiwan's accession to the CPTPP, which would further strengthen regional economic resilience and Taiwan-Canada economic ties.

Thank you again for the opportunity to speak with you today. I look forward to your questions.

• (1105)

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

We will now open the floor to Mr. Mantle for six minutes, please.

Jacob Mantle (York—Durham, CPC): Thank you, Mr. Tseng and your colleagues, for appearing before the committee and providing testimony.

Let me start by saying that in my own view, in my own opinion, I'm a strong supporter of Taiwan and its continued freedom, especially in a part of the world where that is difficult. I hope that Canada will continue to support Taiwan, and I know that you have strong support in the opposition benches for that.

I want to ask you about the relationship between Canada and Taiwan, and whether you feel that it is important for Canadian members of Parliament to continue to visit Taiwan and build those relationships between our two countries.

Harry Ho-jen Tseng: Thank you.

This is a very important question for us. I think these visits to Taiwan you mentioned are a long-term practice that has been there for more than 20 years. It is the best venue for Canadian politicians—in this case members of Parliament or senators—to really see what challenges we face in Taiwan. A visit speaks more than a thousand words.

Now, it's the cyber age, so I cannot see that.... To see is to believe. Sometimes to see is to not believe, but when you go to Taiwan, you have a whole week immersed in our environment, and you talk to the right people in Taiwan to help you understand our part of the world better. I really think that is a very important practice that we can continue. I hope I have the support of all of the members here.

Jacob Mantle: Thank you.

I want to ask you about the trade co-operation framework that we've heard about. To your knowledge, are there any outstanding negotiations that need to be completed with respect to that agreement?

Harry Ho-jen Tseng: In terms of the negotiation, I think it was concluded well before one year ago. The text itself is finalized, but a legal review followed. I understand that the legal review has largely been completed. This is the status now, as I understand it.

Jacob Mantle: Do you have any explanation for why Canada has not moved forward with implementing this agreement, then?

Harry Ho-jen Tseng: I am not in a position to answer that question. I think you can direct the question to someone who knows this issue better as to why it has been there, idle, for more than a year.

As I said, the ball is in your court. It is for you to see whether you want to move on or you want to bring up an obstacle for both sides to solve. That's what I can offer here.

• (1110)

Jacob Mantle: Thank you.

This is the last question on the trade and co-operation agreement. Do you believe that the Liberal government is, at the behest of or out of fear of China, purposefully delaying the implementation of this agreement between Canada and Taiwan?

Harry Ho-jen Tseng: Again, I am not in a position to answer this question. I can understand that in the past year, so many things have been going on. In 2025, there was a change of government in Canada. There was an election, and so many things have happened, even in the geopolitical landscape.

I believe I have the goodwill of the counterpart I work with in the federal government, and we are looking forward to their co-operation to move on.

Jacob Mantle: Thank you.

You may be aware that Canada is revisiting its Indo-Pacific strategy, which was first brought into force in November 2022. I note that in the five years or so that this strategy has been ongoing, Canada has revised its security and defence arrangements with Japan, South Korea and the Philippines, but not with Taiwan. We've conducted nine trade missions to the region since the strategy, but none to Taiwan. What message does Taiwan take from Canada's inaction with respect to Taiwan?

Do you feel that you are being consulted and that you will be included in the revisions to the Indo-Pacific strategy, or do you feel that Canada is icing you out of the region?

Harry Ho-jen Tseng: Thank you very much for the question.

In my five-minute remarks, I said that there is ample space for us to improve our bilateral trade, but it requires both sides to engage with each other more.

What you say is true. We noticed that the team Canada trade mission went to as many as 11 countries in the Indo-Pacific, but Taiwan was not included. However, I will just say that Taiwan is the sixth-largest trading partner of Canada in Asia, and that figure has picked up so much. As I said, in terms of the trade volume between us, it's very small—it's a difference of \$1.2 trillion U.S. to \$1.1 trillion U.S., so it's not much—and there are, really, opportunities between us to explore.

Jacob Mantle: Would you encourage this committee to visit Taiwan on a trade mission?

Harry Ho-jen Tseng: Oh, yes.

Jacob Mantle: Thank you.

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

For the committee's information, I will be leading a delegation to Taiwan in October with parliamentarians from both sides of the aisle. In case you thought we weren't going, we are, and we look forward to it.

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

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

I'm going to pick up on what MP Mantle was talking about—how we could do more trade, and our answer to that.

Representative Tseng, welcome.

Mr. Chen, welcome.

Mr. Liu, welcome. I've known you for many years, and I thank you for your co-operation in increasing trade between Taiwan and Canada.

You mentioned that Canada does only 0.5% of our trade with Taiwan. You may also know we have a very ambitious agenda. The Canadian government wants to double our trade outside the United States over the next 10 years and is looking to increase foreign direct investment by \$1 trillion over the next five years.

I had the opportunity, Representative Tseng, to visit Bora Pharmaceuticals in Mississauga with you. That was an investment by a Taiwanese company in Mississauga. I represent a riding in Mississauga. I saw, first-hand, the value of that Taiwanese investment. I saw examples of how you help in terms of our resilience, our health care system and diversifying supply chains, as well as the critical sectors involved, in that tour we had of Bora Pharmaceuticals.

What can we do to bring more Taiwanese companies and investment to Canada? What do you recommend to this committee? How did it happen with Bora Pharmaceuticals, and how can we replicate that?

• (1115)

Harry Ho-jen Tseng: Thank you very much, MP Fonseca.

The answer to this question is connected to the previous question about trade missions. Sending team Canada trade missions to Taiwan is a very effective way to promote trade between our two economies.

Other than that, you have many tools that you can apply, as we do in Taiwan. I am referring to Canadian Crown corporations like Export Development Canada and the Canadian Commercial Corporation. They are somewhat like our TAITRA, the Taiwan External Trade Development Council. TAITRA has an office in Vancouver as well as Toronto. There are people carrying out our very proactive agenda here in Canada. I don't know how many members here have a good grasp of the tools we can use.

There's one thing that's also very important between us. Some people consider it to be only symbolism, but I don't agree with that. The visit of high-level officials to Taiwan will always bring about a very positive result. The most recent ministerial visit to Taiwan was carried out by Mr. John Manley in 1998. That was too long ago. If

you want trade to happen between us, you really need to break that kind of practice.

There are many things that can happen, but you need political will to make it happen. That is what I have in mind.

Peter Fonseca: I had the opportunity, Representative Tseng, to visit Taiwan and many of your industrial sectors. We were brought out to many companies. We saw how innovative that ecosystem is within Taiwan.

We want to see how Canadian strengths, skilled talent, clean energy, critical minerals and world-class agri-food production can complement Taiwan, and how we can work together to increase that trade and make our supply chains that much more resilient.

Harry Ho-jen Tseng: What you are saying coincided with what I said when I said that Canadian strength lies in the upstream part of the supply chain. That includes clean energy and critical minerals, and you have very strong AI research and top talent. When I say our strength in Taiwan lies in the middle to downstream sectors, I mean that we are very strong in precision manufacturing. We manufacture the most advanced chips in the world. We take up more than 90% of the chip market in the world. We play a very important role in the AI infrastructure buildup. AI data centres are one part of that. You need a large Taiwanese contribution to make an AI data centre begin operation.

There is a complementarity between us, as a matter of fact. Any country that is keen on developing its AI-related industry needs to work with Taiwan. We are actually reaching out to so many countries. Unfortunately, I don't see.... We need closer co-operation in that regard between Canada and Taiwan. Some of you may not know that TSMC actually has a company here in Ottawa, in Kanata, a design team. TSMC is not strong in terms of design. They are strong in manufacturing and packaging, but they have a design team in Kanata.

We need to explore more those strengths between us that are not explored yet.

• (1120)

The Chair: Thank you very much.

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

[Translation]

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

I'd like to thank the witnesses for being here.

The issue of Taiwan was at the heart of discussions between President Trump and President Xi Jinping two weeks ago.

What would be your assessment of that visit?

[English]

Harry Ho-jen Tseng: What do I think about the visit of Mr. Trump to China? That's a very big question.

[Translation]

Simon-Pierre Savard-Tremblay: It also concerns the importance that was given to Taiwan in the talks, because it was at the heart of the topics of discussion, as we know.

[English]

Harry Ho-jen Tseng: I must point out that the media has, in my view, played up a bit too much the consequences that could come after the visit.

From the Taiwanese perspective, we are very confident that the relations between Taiwan and the U.S. will move on very strongly. Marco Rubio and Mr. Trump, during their time in Beijing and afterward, also reaffirmed that U.S. policy toward Taiwan has remained unchanged.

Some people are concerned about the stall or holdup of the arms procurement to Taiwan. As a matter of fact, it has happened before. I mean that when it comes to arms deals, you are not buying something that's already finished. You are not buying something off the shelf that you can choose from. You are placing a new contract for a long period of manufacturing and production, and the timing of the delivery would vary according to the geopolitical situation.

As a short answer to your question, the Trump-Xi summit in Beijing did not really affect Taiwan very much. We are very confident. As a matter of fact, I have no concern, and the six assurances between Taiwan and the United States will stay intact after that visit as well.

[Translation]

Simon-Pierre Savard-Tremblay: An agreement with Taiwan had existed since April 2025—not April of this year, but the year before that. The only thing missing was the Prime Minister's signature. In other words, it was sitting on the Prime Minister's desk. That came to light a month and a half or two months ago, if I'm not mistaken. You spoke to that at length. I too spoke about that to demand that the agreement be signed quickly.

Have you had any signals about that since then?

[English]

Harry Ho-jen Tseng: I answered a similar question just now. I would like to repeat that the text of the arrangement and the legal review of that has largely been completed. This is a document that is not going to incur legislative complexity from either House here.

The key word in the TCFA is in the “F”, the framework. We are taking an approach where we want to have a framework first to facilitate practical co-operation and policy coordination between our two sides. We know that this kind of agreement is always very conducive, because we saw so many positive results after the signing of FIPA in 2023. We had major investments in Canada in 2024,

2025 and into early this year. There's a huge investment from Taiwan.

If we had a TCFA in place, I believe that it would generate a lot of momentum from Taiwan as well as from Canada. That's what we are looking for.

[Translation]

Simon-Pierre Savard-Tremblay: I'm going to move slightly away from the trade side of things now, but there is a connection. I'll come back to that more explicitly afterward.

We know that military drones are currently being detected regularly around Taiwan, particularly when it comes to identifying the air defence zone. Taiwanese authorities have also reported a number of recent Chinese military exercises involving air operations, naval deployments and exercises simulating encirclement or blockade operations.

Are you seeing an escalation right now?

• (1125)

[English]

Harry Ho-jen Tseng: Yes, it is something we are very concerned about. We invite the whole world to really look into what China has been doing in the waters surrounding Taiwan. These military exercises are becoming more and more like a rehearsal for a real war.

Now, don't take me the wrong way, that Taiwan is a very risky place and a war is imminent. That's not what I'm saying. However, China is making all possible preparations to make these military exercises like a rehearsal of a kinetic war. We cannot afford to be complacent or less than vigilant on a daily basis.

Thank you for bringing this up.

The Chair: Thank you very much.

We will now go to Mr. McKenzie for five minutes, please.

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

My thanks to the witnesses. It's a pleasure to have you here and to receive the information that you're able to provide to the committee.

I say often that I'm the only member here, I do believe, from western Canada. I'm from the province of Alberta, and one thing we're very engaged in there is energy.

Kelly McCauley (Edmonton West, CPC): I'm here, Dave.

David McKenzie: Oh, I'm sorry. I beg your pardon. I have a stand-in here who's also from my neck of the woods.

You have my apologies, Mr. McCauley.

On the subject of energy, in particular foreign direct investment into Canada and Canadian investment in energy projects in Taiwan, I wonder if you could comment on some of the investments that have been made reciprocally between our two countries and what the prospects are for future opportunities.

Harry Ho-jen Tseng: Food security and energy security are the two most important issues that we are looking at in Taiwan.

We're not really in the coming of the age of AI; we are already in the age of AI. Because of that fact, Taiwan is facing a growing challenge in the demand for energy and electricity. You have energy, LNG and oil. You have electricity, clean energy and all kinds of resources to generate power in Canada. There is a natural synergy here that hasn't happened yet, but we really want to see that. This is something we can work together on.

I talked about the AI data centre. You need to have an AI data centre to make AI possible. Canada is an ideal place. I believe many of you are very much aware of this. We need somewhere like Alberta, where it cools everything down. You need something to cool it down. The natural environment is better than anything.

If there is a possibility to talk about a data centre.... I'm being very specific here, but this is one example. This is also to answer your question about the investments we have seen in the past two or three years. They are not in the energy sectors. They are more in the ICT sectors and AI-related.

David McKenzie: Thank you. I appreciate that comprehensive answer.

I'm thinking in particular of the status of the nuclear energy industry in Taiwan and where your directions are. I'm sure you're aware that the province of Saskatchewan in particular is a very significant global producer of uranium for power generation. Is that a growing opportunity for Canadian companies in Taiwan?

Harry Ho-jen Tseng: This is actually a sensitive issue in Taiwan. I say "sensitive" because there is a division in terms of public opinion. For several years, to make Taiwan a nuclear-free homeland has been our policy and our vision, because we have a very small island. If any nuclear accidents happen.... Look at what happened in Japan.

In the past, in almost a decade, I think, we have been phasing out nuclear power and developing renewable energy. There is a major Canadian investment by Northland Power in Taiwan, in wind power, which is very important, but again, with AI.... The renewable energy—wind power and solar power—is not sufficient to generate enough of the electricity we need to use, and now we are talking about a new age where we can have better technology to keep nuclear power safe. It's very important. We are not.... This issue of uranium from Canada is not unvisited on our side. We are actually looking at the possibility. We are also looking at new energies like hydrogen, which also is a potential strength of Canada, but there is nothing on a commercial scale yet.

• (1130)

David McKenzie: Would I be correct in assuming that if Canada is capable of increasing our export capacity both for crude oil and for liquefied natural gas, Taiwan would be a customer for those products?

Harry Ho-jen Tseng: We are in need of those products, for sure. This is a time when so many countries are, I'm sorry to say, looking for the reopening of the Strait of Hormuz, and energy is a hot pursuit, hot in the market. I would say that if there is a commodity on the market, we would be very interested.

David McKenzie: Thank you very much.

Madam Chair—

The Chair: Thank you very much.

I have Ms. Acan, please, for five minutes.

Sima Acan (Oakville West, Lib.): Thank you so much, Madam Chair.

Thank you very much for joining us today.

As I had a technical background coming into politics, this is a very interesting area for me. I will be focusing on ICT with my questions.

Canada is exploring making the Canadian Photonics Fabrication Centre an independent entity, with some industry voices comparing this to Taiwan's approach in building the TSMC and its broader semiconductor ecosystem.

Taiwan has developed a world-leading innovation system linking academia, government and manufacturing. What key lessons or best practices would you recommend for countries like Canada that are seeking to strengthen domestic high-tech manufacturing capacity, scale fabrication capabilities and develop highly skilled talent pipelines? Could you please share Taiwan's experience and the key lessons you've learned?

Harry Ho-jen Tseng: Thank you, Madam, for your question.

Last year we released a documentary introducing the way in which the semiconductor industry started from scratch in Taiwan. The TSMC was only established in 1987, but as a matter of fact, in Taiwan we started our semiconductor industry in the 1970s, when Japan was the world's number one. In terms of manufacturing power, Japan was number one. Taiwan had an impact on the supply chain through packaging and testing, which is what we are very good at. Even today, when most people think Taiwan is strong in manufacturing, we are still the world's number one in testing and packaging as well. The TSMC is the world's number one.

There is actually no secret to Taiwan's success in the semiconductor industry. It takes a government to have a vision. I just wrote an op-ed to share that. There are some allegations that Taiwan stole technology from the U.S. and all that. I clarified that. Back in 1976, Taiwan's ITRI, or Industrial Technology Research Institute, sent 20 young engineers to an American company called RCA, or Radio Corporation of America. At that time, RCA was the most powerful company producing the IC, the integrated circuit. We paid \$3.5 million U.S. for both the technology transfer and the licensing. Altogether, it was a \$10-million U.S. project that our government presented to start to develop our electronic industry from scratch.

It's very important to have a vision. You need to have coherence and resolve. Coherence and resolve are very important. You always need to come back to those. There is a long story behind that and the work ethic we have. We are also very fortunate that the world seems to be moving to the stage where the semiconductor is needed everywhere. We started a semiconductor without knowing this beforehand. We couldn't foresee that decades ago. I always say that Taiwan's development of the ICT industry starts from ICT or information and communications technology, goes to IoT or the Internet of things, and then to AIoT today, which is AI plus IoT. We didn't know that it would evolve to this situation today, but we are very lucky that this is a time when we can show our resilience.

• (1135)

Sima Acan: As AI is evolving, data centres are at the core of advanced communications systems. What role do photonics and advanced semiconductor packaging technologies play in the future of ICT products? How can countries like Canada better position themselves to integrate into these high-value global innovation and manufacturing ecosystems?

The Chair: It's such a long question. I have to say that I will need a short answer for that very long question, if that's possible.

Harry Ho-jen Tseng: Okay.

To make a long story short, I just want to say that between Taiwan and Canada, there is a natural synergy and complementarity, especially when it comes to AI-related industries. We haven't visited this part of the potential very much yet.

The Chair: Thank you very much.

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

[Translation]

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

I will continue the discussion where it left off.

As we know, the transit of Canada's frigates through the Taiwan Strait is important for maintaining peace and stability in the region. It's one of the busiest freight shipping lanes in the world. That makes the location crucial.

Do you think the risks are significant?

Have there been any incidents involving Canada's frigates?

Do you have any recommendations on that?

[English]

Harry Ho-jen Tseng: First of all, I recognize, and I agree, that this Canadian naval warship transit in the Taiwan Strait is very important, because you are transiting through international waters that China claims are internal waters, which is not acceptable in the rules-based international community. You are defying what China says about these being its internal waters through your actions, and we appreciate that very much.

I understand that since 2018, so since before the pandemic, you have made 11 transits altogether through the Taiwan Strait. Most of the time, it was side by side with U.S. naval ships. In recent years, you have done it once by yourself. More recently, you did it with Australia. Of the 11 times, you have done it seven times since the announcement of the Indo-Pacific strategy, and we appreciate that very much.

• (1140)

[Translation]

Simon-Pierre Savard-Tremblay: Do I have any time left, Madam Chair?

[English]

The Chair: You have 30 seconds.

[Translation]

Simon-Pierre Savard-Tremblay: Okay.

In 2026, you said that Canada could lose on both fronts if it used its strategy regarding China and the United States.

Could you clarify what you were saying?

[English]

Harry Ho-jen Tseng: Is that a very gloomy picture to me? I believe you have very capable politicians here, and the two Houses of Parliament would prevent that from happening.

The Chair: Agreed.

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

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

Mr. Tseng, welcome to committee.

You're aware that we're having an internal discussion about Chinese electric vehicles. I'm not asking you to opine on our discussion, but I will ask you how Taiwan has dealt with whether or not to allow Chinese electric vehicles. What restrictions have you placed on cars from China?

Harry Ho-jen Tseng: It's a tough question for me. My office here does not watch that issue, but to the best of my knowledge, we don't import whole cars from China, let alone EVs. It doesn't mean that auto parts or components cannot be exported from China to Taiwan—they can—but these parts, components or accessories cannot be imported to Taiwan and then assembled into a whole car. That's not allowed.

The short answer to your question is that there are no Chinese EVs running in Taiwan.

Adam Chambers: Thank you for that answer.

To confirm, is the reason for that based on national security concerns or other concerns that you have?

Harry Ho-jen Tseng: It's based on national security concerns.

Adam Chambers: What about drones? Is the Taiwanese government allowed to fly or use drones that are built in China, whether it's for the police force or military purposes?

Harry Ho-jen Tseng: There is a very important base to talking about imports from China to Taiwan. The most important concern for Taiwan is that we must make sure that they come from a non-red supply chain. This means that if there is a Chinese-made component in a product, government agencies in Taiwan are not allowed to use it at all.

We don't really restrict individuals using drones in Taiwan, but there is very strong control. Drones are not the same as EVs. Drone regulations in Taiwan are getting stricter, but you still see some Taiwanese citizens being able to buy drones from the U.S. or China. That has to be sanctioned and approved on a case-by-case basis.

Adam Chambers: Thank you very much.

Not that long ago, the RCMP had to take about 30 million dollars' worth of drones out of regular service over concerns about national security.

Do you also have Chinese drone restrictions because they are a national security concern?

Harry Ho-jen Tseng: I believe that is the most important reason we put a very strong restriction on them.

Adam Chambers: Thank you.

We talk a lot about prices. Affordability is a big issue for Canadians. One of the things that help with affordability is making more goods available, as an example.

I want to talk about flights. It is my understanding that more flights between Canada and Taiwan—Taipei to Vancouver, or Toronto to Taipei—would increase competition on those routes. Is that correct?

• (1145)

Harry Ho-jen Tseng: I agree.

Adam Chambers: Do you think Canadians looking to travel, or businesses looking to make investments, check on their own operations or meet new suppliers, could find cheaper flights because of competition? Is that your understanding?

Harry Ho-jen Tseng: Yes.

I believe the members here are aware that Air Canada used to fly to Taiwan. That was before the pandemic. Now, three years after the pandemic ended, two Taiwanese airlines have resumed normal operations to Canada. One is China Airlines and the other is the EVA Air. These two airlines fly 21 flights weekly to Canada. The occupation rate of these two airlines is as high as 90%. They are full.

It is very important for us that there is a new airline in Taiwan called Starlux. They are hoping to join the market. Our big hope, as a matter of fact, is that Air Canada will fly to Taiwan. That would be very welcome. Before you do that.... The market is still available, but we have one more airline coming in, and that is Starlux. They also want one flight a day to Canada, if that is possible.

Adam Chambers: Thank you.

More flights and more competition mean lower prices for consumers. If Air Canada is not interested in bringing back that route, we should not allow them to block another carrier from filling that service.

Thank you, Madam Chair.

The Chair: Thank you.

Madame Lapointe, you have five minutes.

[*Translation*]

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

I would like to welcome the witnesses and thank them for being here. What they are explaining to us is very interesting.

I will now provide some context.

My riding, Rivière-des-Mille-Îles, is located north of Montreal. My region does a lot of agri-food processing. In fact, you mentioned the fact that we have a lot of economic ties in terms of agri-food. It isn't just the transportation sector, but also everything related to the aerospace field. The entire supply chain is next door. I'm thinking of Airbus and Bell Helicopter in particular.

You just mentioned the Starlux airline. You're no doubt aware that there has just been an agreement between Airbus and AirAsia to buy 150 new A220 aircraft. I'm just throwing that out there, if you're interested. Since you're concerned about a new airline, it would be interesting for you to look at what is being done in Quebec and Canada.

In terms of what's currently happening with trade between Taiwan and Canada, and given that the bilateral agreement hasn't been signed yet, how does that work right now?

[English]

Harry Ho-jen Tseng: We have already touched upon this. As I said—and I'm sorry to repeat this—the ball is in your court. You have a very good understanding of this. In our view, the text and the legal procedures have been largely completed.

[Translation]

Linda Lapointe: I understand that, but as far as trade is concerned, are there any tariffs right now?

If the bilateral agreement were signed, would the tariffs be eliminated?

[English]

Harry Ho-jen Tseng: Thank you for the clarification.

This TCFA will not touch on tariffs. This is not an FTA. This is actually a framework. The best way to understand a TCFA is as a building block-type of framework. You have a framework, and then you add one piece at a time. It's very important for the bureaucracies of the two governments to have a platform to work with. That's why I said in the opening remarks that this is for the purpose of establishing an institutional framework in order to facilitate trade, investment and supply chain integration, as well as the resilience between our two economies. There are many things that can happen, and we have tested it.

You are from Montreal. You know that one of the major investments we carried out in 2024—that was a year after we signed a FI-PA—was a merger. A Taiwan company called WT Microelectronics acquired the Montreal-based Future Electronics for \$3.8 billion U.S., with the purpose of setting up a world-class electronic distribution platform. The aim is to set up dual headquarters in Montreal and Taipei. I have visited Future Electronics. It's still called Future Electronics. All the management team and employees stayed there. It's only that the boss is now in Taiwan. We have very good interactions between Taipei and Montreal, partially because of that existence. I'm very hopeful that we will see even more Taiwanese investment coming to Canada.

• (1150)

[Translation]

Linda Lapointe: Thank you. That's interesting. I appreciate you explaining everything to do with artificial intelligence and all that. We know that Montreal is a major hub.

I'm going to come back to the question my colleague Ms. Sima Acan asked earlier, because I know you ran out of time. She spoke a lot about synergy and the opportunities available. You mentioned having investments in Canada.

Could you give us more details on that question, since you didn't have time to answer it?

[English]

Harry Ho-jen Tseng: The reason I used the word “synergy” is that what I said.... Your strength lies in the upstream of the supply chain, and ours lies in the midstream to downstream. By “upstream”, I mean your clean energy, your critical minerals, your agricultural products and your AI research. These are all world class. This is very competitive. In Taiwan, our strength is in precision

manufacturing, as well as in the semiconductor foundry and packaging and in electronics contract manufacturing. This is what you don't have. We need what you have. This is why I say there is a natural synergy between us.

We started by talking about only 0.5% of your total global trade. Our bilateral trade takes up such a small percentage of your global trade. It's because there are so many opportunities not explored. If we can have that change, we will see an entirely different landscape.

The Chair: Thank you very much.

We have time for one or two questions. Does anybody have a burning question they would like to ask? Are there any outstanding questions? We have enough time for one question—but not too long.

Sima Acan: Sure.

Given the increasing geopolitical and supply chain pressures globally, how is Taiwan balancing innovation, export competitiveness and economic security in critical ICT sectors?

Harry Ho-jen Tseng: That is a very important question. It is actually the challenge we are facing now.

Fortunately, it isn't only the government that is very cautious in moving on that path in our development of the AI industry. We have a very robust civic society in Taiwan. People are there all the time to remind the government if they think it is getting a little distracted. It is a process of self-rectification in Taiwan.

I cannot say that here, but we touched upon Taiwan's maybe moving away from its policy of being a nuclear-free homeland. If I say this in public, I may be inviting trouble, but it is something in the public discussions in Taiwan.

• (1155)

The Chair: Thank you.

Are there any outstanding questions?

Representative, thank you so very much. Your information was invaluable to all of us. I will say that I am very proud to support Taiwan. It's a democracy that I believe is leading the way in a very important part of our world. Thank you, all, for your work, and God bless Taiwan. Thank you.

I will suspend until the other group comes over.

• (1155)

(Pause)

• (1200)

The Chair: I'm calling 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 continuing its study of Canada and the forthcoming CUSMA review.

We have with us today, from the Canadian Home Builders' Association, Kevin Lee, chief executive officer. From the Pacific Manufacturing Association of Canada, we have Brendan Sweeney, president and chief executive officer.

Welcome to both of you. Thank you for taking the time to come to speak to the committee today on a really important topic as we continue to do a review of the CUSMA and move forward.

I will turn the floor over to Mr. Lee for five minutes, please.

Kevin Lee (Chief Executive Officer, Canadian Home Builders' Association): Thank you for having me today.

The Canadian Home Builders' Association, or CHBA, represents over 8,500 member firms across the country, including builders, developers, renovators, trade contractors and all the support services and suppliers that make up the residential construction industry. Our members build low-rise, mid-rise and high-rise homes, both for ownership and for rent.

As you know, Canada is in a housing supply and affordability crisis. CHBA's housing market index, a leading industry sentiment indicator, shows that for Q1 of 2026, we're at near record-low builder confidence in the single-family market and at a new record low in the multi-family market, signalling fewer housing starts ahead for home ownership. In studying the forthcoming CUSMA review, it is therefore critical that the impact on housing be top of mind.

The sector continues to deal with many challenges, including high taxes, overly restrictive mortgage rules, labour shortages, high material costs, municipal process delays and other barriers that are resulting in not enough homes being built. These challenges are directly related to affordability issues and are impacting Canadians who wish to own a home. Added to these are the challenges of the big issue of diminished consumer confidence, very much driven by the uncertainty over trade and tariffs with the United States.

CHBA's number one recommendation on the trade war has always been to avoid Canadian retaliatory tariffs on construction materials. Where countertariffs are deemed necessary, CHBA has advised the government to look to product categories where there is ample supply within Canada or from other countries. During the CUSMA negotiations, CHBA advises that any final agreement not result in exacerbating the ongoing housing affordability issues in Canada or result in long-term actions that will negatively affect businesses and consumers where housing and home ownership are concerned.

Home construction is deeply connected to North American trade, and supply chains vary significantly across regions in Canada. In many cases, the north-south trade for some products has been more prevalent than east-west. For example, distributors in Alberta source their drywall from completely different manufacturers than distributors in Ontario do.

CUSMA is designed to reduce trade barriers, effectively allowing buy or make options. This has previously resulted in efficient and effective distribution chains, including specializations in plants north and south of the border, so any changes to trade rules, whether through tariffs, rules of origin or administrative require-

ments, will have a direct and immediate impact on housing costs and timelines.

Trade tensions and tariffs are already contributing economic uncertainty to already higher input costs. CHBA's Q1 HMI survey found that material costs on a typical 2,500-square-foot detached home have increased by \$110,000 since the start of 2020. Statistics Canada reports that builder costs, including labour, have risen by 70% over this same period. Thanks to CUSMA, thus far these prices have not been driven up further. Those increases are really not driven by the trade tariffs at this stage, so it could be much worse.

When the government was considering phase two tariffs, CHBA's analysis found that those tariffs would have been far more comprehensive in increasing the cost of construction. Canada's homebuilding industry is particularly exposed through its reliance on imports of construction machinery, appliances, HVAC systems, electrical components, plastics like PVC, and windows and doors. Glass, and metal and wood windows and doors, are identified as large vulnerabilities across the country, and CHBA supported a successful remission request on the window and door imports relative to the steel tariffs, given the exposure in these product categories.

Given the housing affordability and supply crisis, CHBA implores you to recommend that the government maintain stability and predictability whenever possible. Securing an extension of CUSMA with minimal disruption should, of course, be a top priority for the government. Stability supports investments, protects jobs and ensures that housing projects move forward without unnecessary risk.

CHBA also recommends avoiding tariffs on construction inputs, should CUSMA start to fail. During the current trade war, CHBA has consulted with government to avoid applying retaliatory tariffs on building materials. When countermeasures are necessary, they should be carefully targeted to avoid products that are essential to residential construction and products for which alternative supply is limited, as I mentioned previously.

Overall, trade decisions made in this review will directly affect the cost of housing in Canada—and the United States, for that matter—and we encourage the government to explicitly consider housing affordability in its negotiations to assess how any proposed changes would affect building costs and supply.

Thank you, and I look forward to your questions.

• (1205)

The Chair: Thanks, Mr. Lee.

We'll move on to Mr. Sweeney.

Brendan Sweeney (President and Chief Executive Officer, Pacific Manufacturing Association of Canada): Good afternoon.

My name is Brendan Sweeney, and I'm the president and CEO of the Pacific Manufacturing Association of Canada, or PMAC. PMAC represents the two largest automotive manufacturers in Canada: Honda and Toyota. Thank you for inviting me to contribute to this important study on trade with the United States.

The tariff-free trade of vehicles with the United States is vital to the competitiveness of PMAC's members. As such, PMAC and its members are urgently seeking, first, the elimination of section 232 tariffs, and second, the renewal of CUSMA. Doing so will help ensure the viability of PMAC members' operations in Canada.

In 2025, PMAC members, Honda and Toyota, assembled more than 938,000 vehicles in Canada. This represents 77% of Canada's total vehicle production. A majority of the vehicles made in Canada by PMAC members today are hybrid electric. They're electrified, and they're hybrid electric. Approximately 85% are exported to the United States, and the remaining vehicles are sold in Canada.

At the moment, there are no other viable markets for vehicles made in Canada that could replace the volume of our members' exports to the United States. PMAC members represent more than 60% of active vehicle assembly plant employees in Canada, and PMAC members have never laid off assembly plant workers in Canada. They operate alongside a Canadian network of more than 40 Japanese tier-one automotive parts manufacturers that supply our members primarily or exclusively. These suppliers employ more than 20,000 people in Canada, or about 30% of Canada's active automotive parts manufacturing workforce.

PMAC members assemble more vehicles in Canada than they sell in Canada. In 2025, that ratio was nearly 3:1. They do so because of competitive advantages when compared to U.S.-based assembly plants that assemble similar vehicles. These competitive advantages are the result of several factors, including higher quality and the productivity of the workforce in Canada, and the efficient and integrated trade networks facilitated by agreements such as CUSMA.

Those competitive advantages have eroded since April 2025. This is a direct result of section 232 tariffs imposed by the United States, which has emphatically stated its intention to reshore vehicle production. Irritants such as import quotas offered to non-market actors and environmental policies that are not aligned with the types of vehicles manufactured in Canada have further eroded competitiveness or risk doing so. If section 232 tariffs remain, those

competitive advantages will erode further and, if CUSMA is not renewed, they will erode further still.

While the near-term future of PMAC members' Canadian assembly plants is not in question, their long-term viability is at risk if section 232 tariffs are not eliminated and if CUSMA is not renewed. Conversely, if section 232 tariffs are eliminated and if renewed or updated CUSMA terms are favourable, PMAC members can re-establish competitive advantages, which will support our members' long-term commitments to Canada and the communities in which they operate.

PMAC members are committed to Canada, continue to operate assembly plants at full capacity or above full capacity and have not engaged in layoffs. We hope to see that commitment reciprocated through swift and meaningful action on section 232 tariffs and on CUSMA.

Thank you.

• (1210)

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

We'll move on to Mr. Mantle for six minutes, please.

Jacob Mantle: Thank you, Mr. Lee and Mr. Sweeney, for being here. I appreciate your valuable testimony on your industries.

I'll start with you, Mr. Sweeney, with respect to automotives. Last year the Japanese ambassador to Canada said that access to the U.S. market through USMCA or CUSMA was essential—his word—to both current and future investment by Japanese companies. In that same year, Mr. Templin, Toyota's executive VP, said that U.S. tariffs on Canadian autos were unsustainable.

Are both those things as true today as they were in 2025?

Brendan Sweeney: PMAC members build where they sell, and that's North America. We assemble vehicles in Canada. About 85% of those go to the United States. Virtually all of the remainder stays in Canada.

This is the result of a competitive manufacturing ecosystem based on integration with the United States. That's why PMAC members are here and that's why they can establish these large-scale operations and these positive 3:1, 2.6:1 and 2.8:1 production-to-sales ratios.

There may be incremental opportunities in markets outside the United States and outside of Canada, but the real opportunities are in the United States and—to the extent of the size of the Canadian market—in Canada, but access to the United States is essential.

Jacob Mantle: If the government fails to secure some sort of resolution to the 232s, or is unable to get a favourable outcome on rules of origin, which may be changed, what will happen to the PMAC members—Toyota and Honda—in Canada? Do they have any reason to continue building vehicles in Canada without access to the U.S. market?

Brendan Sweeney: For the foreseeable future, the plants are running, and they're running at capacity.

These types of decisions get made seven, eight, nine and 10 years out, and anything that changes the competitiveness and that competitive calculus is going to change decisions that are made—some that are made in Canada and many which are not. That's why in this case we really just want to see a laser focus on section 232 tariffs moving forward.

• (1215)

Jacob Mantle: In that vein of long-term investment, did Honda decide to suspend its investments in Canada because Canada no longer has that tariff-free access to the United States?

Brendan Sweeney: I don't want to conflate that 232 and the Honda investment, because, as you know, today Honda's plants are running at capacity and, as you know, there were different reasons related to the market. Again, Honda is at capacity—no layoffs—and that's the case for the foreseeable future.

What I think is important is that section 232 tariffs can affect the competitiveness of PMAC members in Canada, and that should be the focus, the primary focus, moving forward.

Jacob Mantle: Are you happy with the government's progress to date on that issue for your industry?

Brendan Sweeney: I could not tell you one way or another. I'm not privy to what progress is being made in Washington, D.C.

Jacob Mantle: The government isn't informing your members of the progress on this issue, which is critical for your industry.

Brendan Sweeney: We're having conversations, but I imagine there are conversations happening that—

Jacob Mantle: You can't comment.

Brendan Sweeney: I've been at it for a month.

Jacob Mantle: Mr. Lee, I have just a couple of questions for you on housing from a generation that can't afford to buy homes. It's been like that for a few years. It's only getting worse, it seems, despite assurances to the contrary.

In the opposition, we've proposed a few ideas that we hope might spur some of this.... I want to put them to you and hear your thoughts on whether you think this would help the situation or would not. We propose to cut the GST on all new homes up to \$1.3 million, which we think will save about \$65,000 for a family. Is that a good idea or not?

Kevin Lee: Yes, absolutely, and it's definitely something that we've been asking for as well.

Jacob Mantle: The second idea we've proposed is to tie federal infrastructure funding municipally to homebuilding and require municipalities to permit additional homebuilding development each year. What do you think of that?

Kevin Lee: Yes, that's also really important and is something that the current government has started.

It's something that for quite some time we've been advocating for. The federal government doesn't have direct access, in many cases, to these issues, but by using the levers they have through investment, they can make a big difference. Those kinds of recommendations are exactly the type of thing that we'd like to see continuing to move forward.

Jacob Mantle: Thanks.

In the last few seconds I have, I want to give you this opportunity. What do you say to people, Canadians of my generation, who are trying to get into the housing market and trying to work hard, save their money, buy a home and start a family? What's your message to them as the Home Builders' Association?

Kevin Lee: Number one, it's still a great goal. Continue to pursue it, but also use your voting capabilities at all three levels of government.

All three levels of government have a role to play in making housing more affordable and more accessible, and probably the place that Canadians focus on the least but has the most impact is actually municipally, especially for young Canadians looking for new types and new forms of housing. There are a lot of municipal things that get in the way, from zoning to bylaws to Nimbyism to anti-infill—all of those things.

Don't give up on the dream. Keep pursuing it, but be loud and active as well.

The Chair: Thank you very much.

Mr. Ali Ehsassi, go ahead, please.

Hon. Ali Ehsassi (Willowdale, Lib.): Thank you, Madam Chair.

Thank you, Mr. Sweeney and Mr. Lee. Your testimonies have been very helpful.

Allow me to start off with Mr. Sweeney.

As I understand it, your membership and, indeed, your organization, PMAC, have been consulted on CUSMA on numerous occasions because we value the insights you bring.

Is that correct? Have you been in touch with the government on various occasions?

Brendan Sweeney: Yes.

Hon. Ali Ehsassi: That's excellent.

Would it be accurate to say that the government also appreciates, full well, your concern about section 232 tariffs? Would that be your assessment?

Brendan Sweeney: You would be in a better position to assess that than I am.

Hon. Ali Ehsassi: What is your sense of it, though? Did they ever give you the impression that we're not focused on the issue?

Brendan Sweeney: We've had some great conversations.

Hon. Ali Ehsassi: I just wanted to confirm that those discussions are taking place and that you recognize, full well, that the government is focused on this.

Mr. Lee, has the government been in touch with your organization, as well, as we approach—

• (1220)

Kevin Lee: Yes.

Hon. Ali Ehsassi: That's excellent.

Now, you spoke to the fact that our supply chains are very integrated and that CUSMA is bound to have an impact on housing prices in Canada, and vice versa. I was looking at some stats. Housing prices are up considerably in the U.S.—they're saying that it's 2% nationally—in particular in the northeast, I believe. Those prices are up in 40 out of 50 states.

Given how integrated these supply chains are, how detrimental is it to the U.S. housing market should they continue to maintain these tariffs?

Kevin Lee: It's hugely problematic.

The biggest things affecting the U.S. market are the tariffs on softwood lumber and that ongoing dispute. They're so reliant on what we do in terms of exporting what is not only a lot of lumber but also very high-quality lumber. In fact, you'll hear a lot about yellow pine from the south of the United States. It's very much an inferior product. Not only are they paying more across the board...because when they tariff Canadian lumber, it just means all the U.S. lumber mills increase their prices. Then they see higher prices across the board for an inferior-quality product, which is problematic for them in a variety of ways.

On top of that, you can add lots of other products we produce and ship south of the border. However, there's no question that lumber is the number one issue facing them when it comes to Canadian exports to the U.S.

Hon. Ali Ehsassi: Thank you so much for fleshing out how significant lumber is.

What are the other inputs we export to the U.S. that are now critical to the health of the housing industry?

Kevin Lee: Beyond lumber, we also have a variety of steel and aluminum products that are obviously seeing very heavy duties right now.

The other thing is that we have a lot of products going back and forth across the border throughout the manufacturing process. Sometimes that gets lost in the weeds. You're paying multiple duties back and forth on the assembly of different products, including HVAC things. Those are the big ones. We see some drywall go to the United States. We have quite a bit of production in Canada, although it mostly services the Canadian industry.

Those would be some.

Hon. Ali Ehsassi: Thank you so much.

Now I will return to you, Mr. Sweeney.

I've had the privilege and honour of visiting Honda. They do an exceptional job. The same is true for Toyota. We're so incredibly grateful that there has been no downturn in production.

You touched on the issue of competitiveness. In particular, you underscored the significance of the Canadian workforce. Just so we're all familiar with the incredible things Honda and Toyota do here, could you tell us about some of the awards that each of them has secured over the past several years? It really is a point of pride. We're very grateful for the amazing work they do.

Brendan Sweeney: Sure.

J.D. Power is an automotive organization in the United States. It awards four different levels—platinum, gold, silver and bronze—for initial plant quality. Since I've been working in the automotive industry—15-odd years now—at least one Honda or Toyota plant in Canada has won one of these awards. Sometimes it's two plants. Sometimes both companies are winning awards. These are the only plants in Canada that have won these awards since 2013.

I believe one of Toyota's two plants in Cambridge, Ontario, is J.D. Power's most-awarded plant for initial plant quality in North America. If it's not the most-awarded plant in the world, it's very close to it.

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

Monsieur Savard-Tremblay, go ahead for six minutes.

[Translation]

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

I'd like to thank the witnesses for being here. I'd also like to thank them for their testimony.

My first question is for you, Mr. Sweeney.

What do you think of the idea—this idea has been somewhat popular—of imposing a common North American tariff on vehicles from China?

• (1225)

[English]

Brendan Sweeney: I have not really explored that idea at this point in time.

[Translation]

Simon-Pierre Savard-Tremblay: That's not a problem.

Last fall, we also heard from representatives of the Global Automakers of Canada association on several occasions. At the time, they told us that the sunset clause was hindering the certainty needed for industrial investment.

Do you share that view? I am, of course, referring to the sunset clause in the Canada—United States—Mexico Agreement, or CUSMA.

[English]

Brendan Sweeney: I think any clause that would jeopardize the long-term future of CUSMA is unwelcome. We are here to work in an integrated North American automotive industry with an integrated market, and CUSMA facilitates that. A long-term renewal of CUSMA is what we favour.

[Translation]

Simon-Pierre Savard-Tremblay: In October 2025, we also heard from former negotiator Steve Verheul. He had worked on the old version of CUSMA, which was ratified here six years ago. He no longer worked for the Canadian government, so his testimony was a bit freer than it would have been otherwise.

Mr. Verheul was concerned that the United States would try to impose minimum requirements for U.S. content in automobiles.

Are you also concerned about that? Have you ever heard talk of that?

[English]

Brendan Sweeney: There are rumours. Sure.

[Translation]

Simon-Pierre Savard-Tremblay: Did you hear about it only in the form of rumours?

Was it in a slightly more official form, something more serious and rigorous?

[English]

Brendan Sweeney: I can look into that.

[Translation]

Simon-Pierre Savard-Tremblay: A number of experts have appeared here. They expect the United States to leave open the possibility of an annual review to constantly extract concessions through the sunset clause.

Do you share that fear?

If so, is wood currently at the top of the list in terms of those pressures?

How can we avoid this scenario?

[English]

Kevin Lee: Certainly it's a big problem when you don't have certainty in cost. That will affect multi-unit construction even more so than low-rise, single-family construction, because the build-out is that much longer. You're creating all kinds of uncertainty in that phase if you're renewing this every single year. By the time you're actually building, the prices might be completely different from what you sold the original home for.

It's going to be problematic for any industry, but for housing in particular and projects that are going to take more than one or two years to build, it would be a huge issue. Anything we can do to create long-term certainty is of course very welcome.

[Translation]

Simon-Pierre Savard-Tremblay: I know you're working with the National Association of Home Builders. This association is among those most opposed to tariffs from the United States. This isn't a new thing. This was already being discussed under the Biden administration.

We ourselves, during a committee mission or a mission by the Canada-United States Inter-Parliamentary Group—I'm no longer sure which it was, since I took part in both missions—met with representatives of that association. They're really trying to make the Americans aware that, at the end of the day, the Americans are the ones who will have to foot the bill for the tariffs in the midst of a housing crisis, and that this means this wasn't really the right time to impose them.

Are you making joint and coordinated representations to the Canadian and American governments to try to sort of get everyone to sit down at the table and discuss the CUSMA review or the softwood lumber tariffs?

[English]

Kevin Lee: Yes. To your point, it's been an ongoing issue for the National Association of Home Builders in the United States because, further to my commentary earlier, the tariffs on softwood lumber are a major issue for construction costs south of the border. That's been an ongoing effort.

There are several organizations in the United States pushing back against all of these different tariffs. Even Canadians initially, when the tariffs started, didn't understand that U.S. tariffs on Canadian goods affect the price of American goods. In our case, that's American houses, not Canadian houses. It's the countertariffs coming our way that are problematic.

As we've said the entire time, the biggest issue for Canada isn't so much the tariffs. It's all the uncertainty and the economic harm that we do. That makes it very difficult for people to make the decision to buy houses here in Canada.

● (1230)

[Translation]

Simon-Pierre Savard-Tremblay: Okay.

Mr. Lee, we're familiar with the “buy American” policy. However, there is also a desire to establish a “buy Canadian” policy. There is a clear desire from the Canadian government to include more Canadian steel and lumber in construction.

Do you welcome that?

Are you concerned that it could lead to an escalation?

On the contrary, to negotiate well, isn't it preferable to respond to such a policy with a similar policy?

[English]

Kevin Lee: I think it is good.... It's always good to buy Canadian. We can all agree on that.

The challenge is when you're talking about integrated supply chains. We can use steel as an example. We have steel mills on both sides of the border that are very close to each other, but they specialize in different types of beams. A Canadian plant will do one kind of beam, and the American plant will do a different kind of beam, so retooling everything is very expensive and not necessarily efficient because you don't get the same kinds of efficiencies of scale and volume.

There's no question that re-establishing CUSMA and having that kind of certainty... There's a reason that has been done over the years. It creates certainty, efficiencies and lower prices.

In the long term, if we're not able to get that certainty from the United States, then there are going to have to be different types of investments, and there's going to be a certain amount of investment in Canada. Also, the number one reaction, really, to what's going on with the United States is this: Who else can produce and compete?

It's not natural to try to do everything domestically. It's not efficient. It's not effective. Free trade has had a good impact on most of the world in raising the standard of living.

It's a very unfortunate situation—to make the understatement of the year—going on with the United States, but the solution is to try to fix what we have and/or work with other partners, because trying to do everything domestically would not be efficient and effective. There's only so far we could go with it that would make sense from an economic perspective.

The Chair: Thank you very much.

Mr. McKenzie, go ahead for five minutes.

David McKenzie: Thank you, Madam Chair.

Mr. Lee, I'd like to pick up right there. I have to presume that, in your role, on behalf of your members, you have conversations with your counterparties in the United States, and I have to presume that they're expressing the same degree of consternation and concern about the turbulent times that we're in, from a trade perspective.

Is that accurate? Are they hurting in the same manner that our industries are?

Kevin Lee: They are, as I said, around lumber and increased prices.

What is working in their favour a bit is less regulation. It's something we talk about here in Canada, around housing, home construction and the need to look at things like the building code, especially things at the municipal level where we have all kinds of codes by other means that make it very difficult to build the same house over and over again.

It's about getting much smarter about regulation and streamlining. It's not abandoning regulation, but being much smarter about how we do things so that we can get things done much more effectively. They've always been a bit better at that in the United States, and they're taking a more aggressive stance on some of those things.

To your original question, they're super concerned about increased prices, tariffs and all the rest, but they're also pleased to see a bit more movement on deregulation, which we probably all need

to follow. Australia has paused building code changes, for example, for the next five years. That's something we should do as well.

David McKenzie: Indeed, and that's an entirely additional subject area—what we can do, in Canada, about things over which we have complete control, at this point in time, which is not the case with our international agreements.

I want to ask you about a specific aspect of the building industry, and that is prefabricated or modular homes. To my understanding, that remains a very small percentage of the Canadian residential market, primarily. It's in the single digits.

Is that accurate? Can you explain a bit about what happens in that share of the marketplace?

Kevin Lee: Absolutely. Especially when you're talking about 3-D modular, it's in the low single digits—3%, maybe, give or take. We have a lot more of our members using panelized construction and different forms. There's factory-built and there's factory-built. Sometimes it's doing the same thing, just in enclosed conditions, and sometimes it uses more automation.

There is an opportunity to make much more use of it. The reason that we haven't gone that route, though, in Canada—and, by the way, in the United States and Australia, three very similar countries when it comes to home construction practices—is the boom-and-bust nature of the housing market.

Productivity is misunderstood in residential construction. I won't get into that right now, in these couple of minutes, but, basically, we do run assembly lines. It's just that they're in a house, so the trades run through the house, and it's actually really efficient. What we don't have is a ton of overhead. We don't have big buildings. We don't have huge machinery that basically makes companies go bankrupt when things slow down.

That's the main obstacle we've had in the western world—frankly, in most countries. There are some countries that became heavily automated through government investment over time. However, there are some countries that have been trying recently, like Ireland, to put a bunch of money into it, and those companies are actually failing.

I'm not saying we shouldn't go that route. We have a modular construction council within our association. We have a sector transition strategy on how to move there, but it's also not as easy as "It's just faster. Let's do it." By the way, I should also add it's not cheaper, and our factories will tell you this.

There are all kinds of great advantages. It's way faster. Time is money, so if you can get municipal approvals done and everything working well, you can save some money that way. However, our big challenge is in trades and not enough workers. That's why we believe we need to move to much more factory-built moving forward, but there are other barriers that might not be obvious, sometimes.

• (1235)

David McKenzie: Clearly, if I wanted to build, let's say, 500,000 homes a year, prefabricated and modular is not a magic panacea to achieving that, I think—and correct me if I'm wrong on that. You've also touched on something else that I think is quite important. If I wanted to build 500,000 additional housing units per year, do we have the labour capacity in Canada right now to do that?

Kevin Lee: We definitely do not, which is not to take away from the idea of doubling housing starts. That's a really important target.

More importantly, there are so many things in the way of getting there, including housing affordability, regulation and code interpretations, which are different among different municipalities and even among different building officials. There are so many things in the way of doing things at speed and affordably. Labour isn't our number one issue. If the market were better, labour would be close to our number one issue. That's another reason that factory-built will be so important.

To your point, there is no panacea to all of this, but we have to do all of the things because all of the things have gone the wrong way, and we have to do all of the things to correct that and to move forward.

David McKenzie: Again, if I were to announce that I am going to build 500,000 housing units a year, that's a great headline, but there's a lot of groundwork that is still in front of me before that's going to be accomplished. That's not going to be next year. It's not going to be the year after. The situation you're describing to me sounds as though it's years and years down the road.

The Chair: Can I have a brief answer, Mr. Lee?

Kevin Lee: Sure. It is going to take years. We have to start the steps now in a bunch of different ways. Some have started but more need to be done, and then we can get there.

The Chair: Thank you very much.

Mr. Naqvi, go ahead, please.

Yasir Naqvi (Ottawa Centre, Lib.): Thank you very much, both of you, for coming and sharing your thoughts on this really important topic.

I think it's very clear that the challenges you're all facing in your respective industries, vis-à-vis the United States, were not made by Canada. They were thrust upon us.

We know that NAFTA and then, subsequently, CUSMA, are really well-thought-out agreements. They are model agreements that worked really well for the benefit of not only Canada but the United States and Mexico as well. I say that based on my own experience as a trade lawyer. In the past, other countries looked at NAFTA, at that time, as a treaty they wanted to replicate in terms of the

impact on the economies, the integrated supply chains and the resiliency that was built into the supply chains.

Here we are. We find ourselves at this juncture. Of course, the task put upon us is to get the best deal for Canada and Canadian industries. Nothing less, in my opinion, should suffice. We cannot rush ourselves to a place where we get an agreement that is not beneficial to the sectors, to the industries you're talking about.

What I would like to hear from you are your suggestions or recommendations. If you were advising the Government of Canada in these very challenging negotiations and conversations, what position would you take? What would you suggest—overall and, more particularly, from the perspective of your particular industries—should be the position, the stance, that the Canadian government should be taking?

I'll start with Mr. Lee, and then go to Mr. Sweeney.

Kevin Lee: There's no question that if we could just keep going with CUSMA as is.... To your point, it's an excellent agreement. It has kept the tariffs way down on most materials. As I said earlier, the fact that we're able to continue right now with limited impact on the price of construction, given the trade war that is going on, is a testament to how well CUSMA has been structured, at least for our industry. That's definitely the objective.

I would concur that we can't rush into anything for the purposes of solving a problem that is really a bad deal for Canada, especially given that we shall see, whatever agreement comes with CUSMA, how permanent that is, given the nature of what's been going on with negotiations with the United States and ongoing volatility.

I would suggest that it's going to be critical that we do everything we can to get the proper deal. Something as close as possible to the current arrangement would be ideal. Those are the types of deals that we need to continue to expand on with the rest of the world, given the uncertainty that we see south of the border.

We can make more stuff in Canada, but it doesn't make sense to try to make everything in Canada, so having strong trade relations with the rest of the world is going to be doubly important in these times.

• (1240)

Brendan Sweeney: Stay focused, communicate the value of an integrated North American economy persistently and relentlessly to both friends and others south of the border and avoid distractions wherever possible.

Yasir Naqvi: Thank you.

The last point is really important, the distraction part, because there are a lot of distractions on a regular basis, unfortunately. Focus and discipline are imperative in these negotiations, and I think that's precisely what the Canadian government is doing.

Mr. Sweeney, your members, Honda and Toyota, are two very large auto manufacturers in the world. They export directly from Japan to the United States through Canada and other parts of the world. Are you able to share with us their attitudes towards the stability of any agreement that's reached? Mr. Lee alluded that sometimes there are some doubts whether the agreements signed are even worth the paper they're written on. There has been some back and forth vis-à-vis Japan as well.

What's the understanding from your members in that regard? What is their advice to Canada to make sure that whatever deal we do land is, in fact, permanent?

Brendan Sweeney: For clarity, I represent Honda's and Toyota's Canadian interests, not their interests in Japan.

I think that our members in Canada would put some trust into a freely negotiated or renewed CUSMA, if we achieve that.

The Chair: Thank you very much.

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

[Translation]

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

Mr. Sweeney, I'd like you to tell us specifically about the case of aluminum. We know that this is an important part of the situation.

A number of people have testified on this subject before the committee, including representatives of the Aluminium Association of Canada. They submitted a brief stating that the follow-up measures in Mexico were insufficient to determine the true source of aluminum. That means there is dumping going on, probably by China or India, just to mention the two main culprits.

Have you looked into that issue?

[English]

Brendan Sweeney: I'm here today to speak on behalf of our members in the automotive industry. I agree with you that aluminum is important, but I'm not the right person to speak about aluminum.

[Translation]

Simon-Pierre Savard-Tremblay: The members of your association have never talked to you about dumping, a scheme that would make it possible to circumvent North American standards.

Is that correct?

[English]

Brendan Sweeney: Our members are not focused on aluminum. It sounds like you've heard from the Aluminum Association. They are much better equipped than I am to speak about that issue.

[Translation]

Simon-Pierre Savard-Tremblay: I'm surprised to see that the members of your association aren't interested in that sector.

How much time do I have left, Madam Chair?

• (1245)

[English]

The Chair: You have one minute.

[Translation]

Simon-Pierre Savard-Tremblay: Okay.

Mr. Lee, recent data shows a considerable increase in imports, including a 47% increase for wood floors and a 36% increase for cabinets.

According to some industry representatives, this pressure is largely due to the U.S. tariff measures. That has helped redirect significant volumes of foreign products originally destined for the U.S. toward the Canadian market. This has included products from China.

Have you made the same observation?

[English]

Kevin Lee: We are seeing a bit of a switchover in supply chains and distribution, as Canadian companies look to find cheaper alternatives and something that's more secure. We are seeing some of this. Where we can do it at a reasonable price that's not impacting affordability and still have the good quality, it does provide a little bit more security. That diversification could be something that serves us well over the longer term.

The Chair: Thank you very much.

Go ahead, Mr. Chambers, for five minutes, please.

Adam Chambers: Mr. Sweeney, welcome to committee. Congratulations on your appointment to your role.

I think it's a good idea to have a coordinated voice in these discussions. You've made valuable contributions to the discussion today.

Did I hear you correctly? In your opening statement, I believe you said that access to the U.S. is essential to the viability of the auto sector in Canada. Is that correct?

Brendan Sweeney: At the scale at which it's operating today, yes, it's essential.

Adam Chambers: Is the reverse true?

Without access to the U.S. market, the sustainability and viability of the automobile manufacturing sector in Canada, as it currently stands, is at risk.

Brendan Sweeney: For our members, it would change the competitive calculus considerably, and probably not in the right direction.

Adam Chambers: You've suggested that, currently, 85% of your members' production goes to the U.S., and the vast majority of the remaining—a high 90%—stays in Canada. Your members do not produce vehicles today that are sent around the world outside of Canada, other than to the United States.

Brendan Sweeney: A small number of vehicles are exported to Africa, Mexico and that, but let's just say 99% of what is made by Honda and Toyota in Canada today goes to the United States or Canada.

Adam Chambers: Let's take Honda as an example. How many vehicles does it produce in a year? Is it hundreds of thousands of vehicles at that—

Brendan Sweeney: It's more than 400,000. In any given year, it's between 400,000 and 430,000.

Adam Chambers: About 85% of those go to the U.S., and the rest basically stay here. To the extent that any vehicles are going to other markets outside of Canada, other than to the U.S., we're talking about hundreds or maybe a couple of thousand at most.

I just wanted to make sure that was clear. We have yet to hear any evidence or suggestion from any automaker that other global markets are a realistic option for them, despite the fact that the government seems to believe that this is an option for the sector.

Brendan Sweeney: This is straight from the federal government's own numbers. Last year, of the 48 billion-odd dollars' worth of vehicle exports, \$45 billion of those exports went to the United States. What is not captured in that number are the vehicles that are produced in Canada that stay in Canada.

Adam Chambers: That's right.

Brendan Sweeney: Of the \$3 billion remaining, you have about \$500 million going to Mexico and \$500 million going to China, and then the rest is just kind of dribs and drabs here and there. In those export numbers, I suspect there are also some used vehicles.

Adam Chambers: Thank you very much for that clarification.

I welcome being proven wrong on this, but I just don't think the business case exists. Thank you.

Quickly, I have two final questions.

I understand that the government announced a new kind of trade credit system a few months ago. You're still waiting for that to be released or to become operational. Is that correct?

• (1250)

Brendan Sweeney: That's correct.

Adam Chambers: Okay. I made a mistake yesterday. I think I conflated a couple of things yesterday at the industry committee.

The government made an announcement and the industry has been asking for it, but you're still waiting for it to be implemented.

Brendan Sweeney: That's correct.

Adam Chambers: It would be helpful to your industry to have that implemented sooner rather than later.

Brendan Sweeney: The concept that was advanced is, in my opinion, a very good idea. We've made a submission to a consultation based on that with our opinions on it and some technical elements. It would be great to hear more about it soon.

Adam Chambers: I have one final question in my last seconds. I want to make sure that I'm mindful of the time.

The government wants a strong electric vehicle market in Canada, as I understand it. Is it helpful to allow about a third of that market to be served by Chinese imports? Should we not be trying to restrict that production to Canadian manufacturers?

Brendan Sweeney: Our members welcome competition, and we do well when we compete with other automakers on a level playing field. If any automakers, no matter where they're from, want to come to Canada, invest billions and billions of dollars over

decades, hire people, pay them well, bring suppliers in, engage Canadian suppliers and compete on that basis, we welcome that competition—as long as it's on a level playing field. Our members compete with other automakers in North America on a level playing field, and it's worked out well.

Adam Chambers: Thank you for your valuable contributions to the economy.

The Chair: Thank you, Mr. Sweeney.

Mr. Lavoie.

[*Translation*]

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

Thank you to the witnesses for being here.

We're going to stay on the same topic. I hesitated before asking you my question, Mr. Sweeney, but I really liked what my colleague brought up, so I'd like to continue the discussion on that. You will probably help me think this through.

Last March, I had the opportunity to go to Norway. You know that, over the past year, all the new vehicles sold in Norway have been electric vehicles.

Chinese electric cars, for example, account for about 10% of sales in Norway. There are no restrictions. It is largely the consumers who decide. Consumers just prefer other cars, probably cars like the ones you produce. I can't quite figure that out.

You also said that the Norwegians had to invest here. I agree with you. Your contribution is essential to Canada. However, I can't tell whether the Norwegian model, which lets consumers choose, could be replicated here.

Could you shed some light on that for me?

[*English*]

Brendan Sweeney: The Norwegian market for vehicles is smaller than and different from Canada's. I'll put that out first.

Consumer choice is good when the companies from which those consumers are purchasing vehicles compete on a level playing field. That's the type of competition we favour.

[*Translation*]

Steeve Lavoie: Thank you for that.

Mr. Lee, representatives of the Canadian Bankers Association will be in Ottawa tomorrow.

I know that the government has introduced measures to help first-time homebuyers, particularly when it comes to the goods and services tax.

Have the banks adapted over the past two or three years, both for builders and for individuals?

Do you feel that they're adapting and helping you overcome all of this?

[English]

Kevin Lee: There haven't really been changes in, let's say, construction financing from financial institutions, other than it's getting more difficult. It's been getting harder and harder to get construction financing with the volatile markets and increased risks. We find it's been more difficult. It is one of the things we're asking for.

We believe there's actually a role for the federal government to support construction financing, and that's doubly true. We were speaking earlier about factory-built and, in particular, modular construction. It's very difficult to get financing from banks for 3-D modular homes because they're not on site, and the banks perceive that as more risk. We are looking for more financing to support construction.

• (1255)

[Translation]

Steeve Lavoie: I'll give the rest of my time to my colleague.

Linda Lapointe: Thank you very much to the witnesses for being here today. What we have discussed is very interesting.

Mr. Lee, you said that the three levels of government had to work together when it came to construction. You mentioned municipalities.

Could you tell us more about that?

[English]

Kevin Lee: There's no question that municipalities have a huge role in helping or hindering more housing.

The biggest challenge we have faced over the past years has been development charges, development taxes, which have gone up 700% and are worse in our largest cities. We see taxes to the level of over 30% now, for example, in cities in Ontario, which is unsustainable. We definitely need to find alternative means to finance the infrastructure and other amenities that have crept into these development taxes. That's a big issue.

We also need to be able to approve things faster. It's become very slow in the places where we need the most houses.

We do a municipal benchmarking study every couple of years. It's not surprising that the places that have the best affordability are able to approve and permit things much faster. Where is it the worst? It's in the GTA and the Lower Mainland in B.C. That's where we need the most houses, but it takes the longest to get anything approved and permitted.

[Translation]

Linda Lapointe: Don't forget Montreal.

[English]

Kevin Lee: There is Montreal.

I will say that in la belle province of Quebec, they actually do development taxes much better. I will say that. It's a model that the

rest of Canada could benefit from. Things are distributed better across the tax base, and we're not using new homebuyers to pay the freight on everything.

[Translation]

Linda Lapointe: Thank you very much.

I'd like to ask an open-ended question to both witnesses.

How can Canada reduce its economic vulnerability while maintaining strong integration into the North American market?

[English]

The Chair: Give a brief answer.

Kevin Lee: That's a tricky one, because the vulnerability right now is obviously coming from our integrated market. I think we all recognize that it would be better if we could have an integrated market without risk.

I think re-establishing CUSMA moving forward is going to be critical. I think that more trade agreements with the rest of the world will also be really important. Also, we need to be smart about where we can do better with Canadian companies to have more value added and help protect ourselves. It has to be all three that we move forward with to lower risk as much as possible.

The Chair: Thank you very much. That's the time. I'm sorry to both of you.

Thank you to our witnesses. It was very valuable. Who knows? We may have you come back and provide some additional information.

I need some comments back from the committee. On our calendar, we were planning to do an interim report on what we've heard so far on CUSMA but continue to have witnesses. I need to hear some direction. Does the committee want to do an interim report on CUSMA, or do you want to continue?

Go ahead, Mr. Chambers.

Adam Chambers: Instead of an interim report, I'd rather have another meeting with witnesses we can invite to come rather than draft an interim report, which will eventually be overtaken by a final report anyway. I think we could use that time in a more valuable way.

The Chair: Mr. Naqvi, go ahead with your comment.

Yasir Naqvi: Yes, we concur. I don't think there's a need for an interim report. Perhaps you can get a couple more witnesses.

The Chair: Okay. To our analysts, thank you for pulling it together, but I think the committee wants to go in that direction. We'll continue to have witnesses. We'll have our report when we have a final report.

Thank you all very much.

Thank you, gentlemen.

The meeting is adjourned.

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