HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

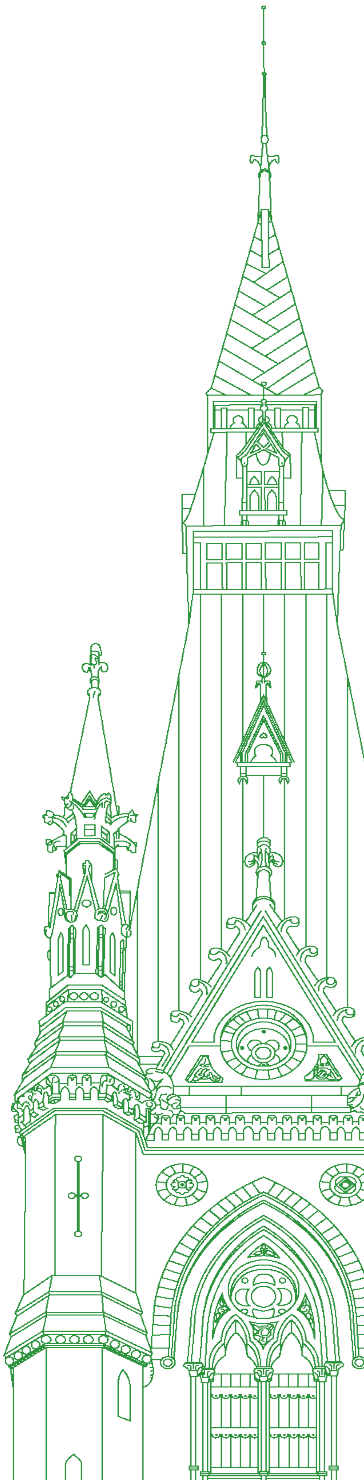
45th PARLIAMENT, 1st SESSION

Standing Committee on International Trade

EVIDENCE

NUMBER 040

Tuesday, June 2, 2026



Chair: Judy A. Sgro

Standing Committee on International Trade

Tuesday, June 2, 2026

● (1100)

[*English*]

The Vice-Chair (Adam Chambers (Simcoe North, CPC)): I call this meeting to order.

Thank you for being here today.

Before we get to our witnesses, we do have a matter of committee business to attend to. I'll ask the clerk to provide a brief statement, and then we will hold an election for the second vice-chair.

[*Translation*]

The Clerk of the Committee (Grant McLaughlin): Thank you.

We need to elect a second vice-chair. I'll begin the process.

Pursuant to Standing Order 106(2), the second vice-chair must be a member of an opposition party other than the official opposition.

I am now prepared to receive motions for the second vice-chair.

Mr. Fonseca, you have the floor.

[*English*]

Peter Fonseca (Mississauga East—Cooksville, Lib.): I'd like to nominate Gabriel Ste-Marie as second vice-chair.

(Motion agreed to)

The Vice-Chair (Adam Chambers): Thank you, colleagues. We are slowly reclaiming and bringing the finance team back together. We have a number of folks here today.

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 the forthcoming CUSMA review.

We have with us today, from the International Brotherhood of Boilermakers, Joseph Maloney, who is a representative of that organization. We have, from Nordic Paper Quebec Inc., Dany Larochelle, chief executive officer, joining us online today. Then, finally, from the North American Equipment Dealers Association, we have Nancy Malone, who is a vice-president of that organization. Welcome to you all.

We'll begin with opening remarks of five minutes each. I appreciate your sticking to our time constraints, and we'll have lots of time for committee members.

I would like to welcome Mr. Maloney to make his opening statement of five minutes.

Joseph Maloney (Representative, Canada, International Brotherhood of Boilermakers): Thank you very much for the opportunity.

The International Brotherhood of Boilermakers has been building and maintaining Canada's industrial facilities since the 1890s. Our trade is a major builder in shipyards, petrochemical plants, pulp mills, steel plants, steel fabrication shops, mines, cement plants and conventional and nuclear power plants.

The boilermakers union in Canada represents approximately 12,000 highly skilled men and women who fabricate, install, maintain and inspect boilers, pressure vessels and the associated equipment that keep Canada's industrial sector strong. We have a very vibrant, four-year on average apprenticeship system, producing approximately 250 to 300 apprentices annually who train to a Red Seal standard.

As a union, we are the labour supplier for over 200 boilermaker-specific contractors. Our work picture would normally consist of new projects under construction and seasonal shutdown and turnaround maintenance work, which are normally each spring and fall. We were managing this work schedule quite well until about 2011, when the oil patch in northern Alberta experienced a major boom due to increased oil prices. This resulted in manpower shortages, particularly in Alberta, so we developed a temporary foreign worker program in partnership with our employers.

The boilermaker TFW program is unique, as the boilermakers is the only construction union to have established its own program at no cost to its employers. In developing our temporary foreign worker program, we wanted to make sure that there would be absolutely no exploitation of a worker. That meant not using headhunters or labour brokers.

Any TFW coming into Canada working as a boilermaker would work under the same terms and conditions as a Canadian boilermaker under our collective agreement in that province. Our TFW program has been recognized by IRIS, the international recruitment integrity system, which was created by the International Organization for Migration, a division of the United Nations, as a best practice regarding temporary foreign workers.

We focused first on our sister locals in the U.S. and then expanded our search to Ireland for high-pressure welders. As you know, the TFW program is employer-driven, and the employer must file an LMIA, or labour market impact assessment. From 2011 through 2018, we brought in 262 Irish temporary foreign workers, all high-pressure welders, who worked a total of just over 202,000 hours collectively, and we brought in 470 U.S. boilermakers, who worked a total of about 300,000 hours collectively. We brought them in primarily on shutdown work, where we were experiencing short-term, high-density labour demands. These TFWs worked for approximately three to four weeks. When the job was completed, they were returned home.

In 2019, employers were becoming reluctant to utilize TFWs, as the LMIA fee increased several times to the current level of a non-refundable $1,000 per applicant, which proved problematic. The explanation given for these increases was to offset the administration costs to the government. This fee presents an unnecessary expense and burden to our contractors. We raised concerns with the ESDC at the time, but unfortunately, the LMIA fee is still being charged.

Our ask is simple. Amend chapter 16 of CUSMA to include a construction-specific designation to allow unions like the boilermakers, in partnership with our employers, to access qualified boilermakers for short-term, high-density work demands with no LMIA fee attached, in the U.S. and abroad.

Also, update the existing H-2B visa program in the United States to be construction industry-specific to allow trades like ours, via U.S. employers, to access qualified Canadian boilermakers in short-term, high-density shutdown cycles. Currently, the H-2B visa program in the U.S. is available each January, and all of the visas are usually gone within a few days because construction is involved in there. They're also lumped in with agriculture and service workers.

● (1105)

Those are our requests. We're asking for a construction industry-specific program inside CUSMA that doesn't have an LMIA fee attached, and some kind of expedited system whereby we can bring people in from the United States.

Sometimes we'll get a call for a shutdown that we need 400 boilermakers for, and we may only have 300 available across Canada. It's the same thing when we go to Ireland for our welders. We go there because there's no language barrier, and they're also trained to the same standards we have here under the ASME welding codes.

Thank you.

The Vice-Chair (Adam Chambers): Thank you, sir.

Mr. Larochelle, you have five minutes for an opening statement.

[*Translation*]

Dany Larochelle (Chief Executive Officer, Nordic Paper Quebec Inc.): First of all, let me thank you for giving me the opportunity to speak before you. It is a privilege, and I thank you on behalf of Nordic Paper Québec.

The purpose of my remarks is to inform you of Nordic Paper Québec's operational and strategic situation in the context of the Canada–United States–Mexico Agreement—or CUSMA, the strategic role the company plays in the local economy, the risks affecting the North American and European markets, as well as the strengthening of anti-dumping mechanisms aimed at supporting the industry and protecting quality jobs.

Nordic Paper Québec is a highly specialized pulp and paper mill operating in a niche market: food-grade paper, a high-value-added specialty paper. As the only mill in Quebec and Canada to produce this type of paper, we have been doing business since 1953.

As I mentioned, the mill manufactures food-grade paper for molds, liners and paper separators. You'll find our products in the bacon industry, among others, as well as the blotting paper industry. Our paper is grease-resistant. This means you'll also find us in the paper industry for muffins, bread and pizza—along with any baked goods where grease resistance is required.

As for our certifications, we are accredited by the Food and Drug Administration, the Safe Quality Food Institute and the Forest Stewardship Council's forest certification system. We are also kosher certified, and our market is international.

The company serves customers outside Canada—85% of our production goes to the United States, about 5% goes to Canada and the rest goes to other parts of the world. Nordic Paper's annual production stands at approximately 14,000 tons of paper per year, generating revenue of about $45 million, primarily from exports. This is a valuable asset, both for Quebec and for Canada. We have approximately 70 skilled employees who work in various departments and hold stable, well-paying jobs.

In terms of our economic impact, our payroll is approximately $7 million dollars. We therefore stimulate the local economy and generate significant tax benefits for our country.

As for the risks associated with unfair practices, the closure of our plant would certainly hurt employment, the industrial base and the specialized manufacturing expertise we have here in Canada. Maintaining the current CUSMA terms is important. Nordic Paper wishes to retain the current rules without changes to preserve trade stability. The absence of tariffs facilitates the free movement of goods between Canada, the United States and Mexico. Predictable rules allow for investment and operational planning, ensuring competitiveness in the international market.

The instability we experienced in 2025 with the arrival of the new United States administration put a $500 million investment project in Quebec City on hold—a project to build a new food-grade paper mill. The instability we experienced in the months following the election of the new U.S. President led us to set this major project aside.

CUSMA is a fundamental pillar of stability for Nordic Paper Québec and for the specialty paper sector in North America. However, we would like to warn you about the impact of the dumping that Europe has just experienced. Chinese producers captured over 20% of the European food-grade paper market within a single year. We are beginning to fear that this will also happen in Canada, as low-cost Chinese products entering the country threaten fair competition and the viability of local manufacturers. This is what we have observed since the U.S. tariffs took effect. China turned to Europe, and is now turning to Canada to break into our market.

Dumping places significant pressure on margins and threatens the survival of specialized North American mills, because we cannot compete with the prices the Chinese are able to offer. Without effective protection, successful companies like Nordic Paper Québec cannot compete on a level playing field.

In terms of rapid growth, Chinese producers have swiftly increased their share of the food-grade paper market. As I mentioned, they captured 20% of the European market within a year. Low selling prices—which are often below cost—are putting significant pressure on North American and European producers. Consequently, this situation is leading to shrinking margins, reduced investment and plant closures.

● (1110)

There is also cause for concern: We currently know that an alliance between China, Asia and Russia is forming, and we expect markets to be flooded once everything is settled, because these countries have state-of-the-art factories that are more cost-competitive than ours. Therefore, we ask you to be watchful of Chinese dumping.

We would also like to conclude free trade agreements with South American countries, such as Argentina and Brazil, to facilitate our entry into those markets.

Thank you.

[*English*]

The Vice-Chair (Adam Chambers): Thank you very much.

Ms. Malone.

Nancy Malone (Vice-President, Canada, North American Equipment Dealers Association): Thank you, Mr. Chair and members of the committee, for the invitation to appear here.

The North American Equipment Dealers Association, NAEDA, is an international trade association representing approximately 1,000 farm, industrial and outdoor power equipment dealers with 2,500 locations in the U.S. and Canada. Our Canadian division covers over 100 dealer groups with nearly 400 locations across the country. Our dealers are all sizes, from single-store locations to large multi-store organizations, selling dozens of brands of mainline and short-line equipment, and their collective sales total over $10 billion annually.

More importantly, agricultural equipment dealers in Canada employ more than 18,000 people who are located primarily in rural communities. The job opportunities they provide are professional in nature, highly trained and, in some cases, highly technical. More often than not, ag equipment dealerships offer some of the highest-paid job opportunities in rural communities.

Agricultural equipment dealers play a critical and often forgotten role in the overall ag value chain. At every phase of the farmer's or producer's activities, you'll find one of our dealer's tools or tractors, helping them get the job done faster, better and more safely than ever before, allowing even small farms to produce and compete at the highest market levels.

From our perspective, CUSMA has been an outstanding success. The economic integration and competitive benefits derived from tariff-free market access have brought stability and predictability to the regional equipment market supply chain, which have led to economic growth in each country. The ability for our dealers to hire, expand and invest depends on the certainty of this trade agreement moving forward. Therefore, we are happy to hear today's announcement, but we also strongly urge the Canadian government to make every effort to maintain the free and fair trade environment that CUSMA has provided to all signatory countries.

Our equipment has moved seamlessly back and forth across the border for decades. Farm equipment was exempted from both duties and tariffs even prior to the signing of NAFTA. The reality is that Canada is a net importer of large agricultural equipment, and for our dealers to diversify from their existing manufacturer partners would be extremely difficult. The ag equipment business is a highly competitive, multi-billion-dollar global industry with diversified manufacturers and supply chains, but it is also a mature market that has rationalized down to a handful of world-class manufacturers. New players or market disruptors are highly unusual in our industry.

The equipment purchased by Canadian dealers from primary mainline brands like John Deere and Case IH is 100% manufactured in the U.S. Other large international brands like New Holland, CLAAS and Kubota may have corporate roots outside of the U.S., but many of their machines are manufactured in the United States specifically for North American markets and then transported to Canada. It's not only the equipment, but most of our repair parts come through the global supply chain via the U.S. and end up on our dealers' shelves in support of Canadian customers.

Our tractors and tools can be found everywhere in the sector, and our dealers' ability to support their customers, who are agri-food producers and farmers, remains integral to Canada's food security. Therefore, we must ensure that this equipment continues to flow freely across the border.

Our dealers also serve as the main distribution network in Canada for domestic agricultural brands, and our own agricultural manufacturing sector is strong, but companies tend to produce short-line products or smaller tractors. In some cases, Canadian short-line products account for a significant share of dealers' whole goods revenues, making their long-term viability especially important to both Canada and the U.S., which receives 80% of Canada's ag equipment exports. Unfortunately, these manufacturers do not produce equipment that can substitute for the larger main lines, like John Deere. Consequently, many of our dealers have limited or no ability to source new mainline products domestically, either on a national or regional basis, or reasonably from non-U.S. sources.

We appreciate the measured and thoughtful approach the government has taken over the past year when it comes to the trade war. Particularly early on in the conflict, we were fearful that broad countertariffs would be imposed, and this would have been disastrous, as any countertariffs on farm machinery would have compounded prices for Canadian farmers, producers and, ultimately, consumers.

Unfortunately, today's global steel tariffs are having an impact on all the manufacturers, and therefore on dealers and customers. The larger global manufacturers have tried to absorb the bigger price shocks by spreading the tariff burden across their diverse product lines and global territories. If the global trade environment remains as complicated as it is today, it is likely that customers will be paying higher prices well into the future.

As the government considers its approach in the forthcoming trade negotiations with the U.S., members of NAEDA request that Canada fight to preserve the CUSMA language that allows farm equipment to freely cross our border. Our dealers play an integral role in supporting Canada's farmers and producers and we hope to continue that work for generations to come.

● (1115)

Thank you.

The Vice-Chair (Adam Chambers): Thank you very much. We'll now move to our rounds of questioning. The first rounds are six-minute rounds.

Mr. McKenzie, you have the floor.

● (1120)

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

First, Ms. Malone, you somewhat concluded your remarks touching on the integrated nature of manufacturing. Can you expand a bit on that? I'm concerned. If most of the product that your members import is manufactured in the U.S., what then is the role of some of the tariffs that have been imposed on Canadian aluminum and steel that might head to the U.S. as inputs?

Nancy Malone: The inputs come from all over the world. When you speak about mainline equipment—and when we say mainline, we mean large tractors—they source their inputs from all over the world. Once they are going into the U.S., all of these—it doesn't matter if they're coming from Canada, China or wherever—inputs are being tariffed. Therefore, in order for manufacturers to create and make their machines, the prices are going up, even if there are no tariffs once they're coming back and forth across the border. It compounds that issue if we were to impose something in a countertariff measure.

I don't know the value or the percentage of Canadian inputs into U.S. equipment, but it's a very competitive market, as we know, and there will be some issues if that remains in terms of keeping the prices of machinery at a somewhat acceptable level.

David McKenzie: Has your organization been involved in consultations with the Government of Canada in respect of CUSMA?

Nancy Malone: Yes.

David McKenzie: Can you explain or talk a bit about the nature of those consultations?

Nancy Malone: We've participated since the beginning when the original tariff structure was imposed by the U.S. There were discussions with industry in terms of whether there ought to be countertariffs, so we got good reception from the department of trade and the ag department, and others, in terms of pointing out how, if they were to take our equipment as a.... John Deere and those types of manufacturers are big targets, but we had to walk them through and say that this was going to have a significant impact, not only on farmers but also on that middle layer of support, which is what our dealers are. They're very large employers and very large supporters of farmers and producers, and that was the education we provided. They were very receptive to it and understanding of that.

David McKenzie: I think at an early point the Mark Carney government intended to inflict some reciprocal tariffs on the U.S. product coming into Canada, but ultimately that was abandoned by the Carney government.

Nancy Malone: Yes. That list of countertariffs was very large, very long and covered a lot of industries. Our industry would have been significantly impacted. At the end of the day, the only products that did get pulled in were some larger commercial mowers, and that has gone away now.

We do have one small piece of equipment that is still sort of hooked in on some of these countertariffs, but it's not significant in the grand scheme of things.

We need to be careful, because we cannot produce those products in Canada at this point.

David McKenzie: Would your members like to see the CUSMA negotiation opened, successfully concluded and closed?

Nancy Malone: Yes. I think today that Minister LeBlanc said that we should just continue on with 16 years of stability and address pain points individually as needed. We are looking for stability. We want predictability, as any business does. If we continue with our equipment moving under the protected status as it is right now, that will be extremely valuable for our dealers in terms of their ability to plan ahead with their manufacturers to make sure that there's equipment moving across the border in a seamless way.

David McKenzie: Thank you very much.

Mr. Maloney, I have a similar question for you. Has your organization been involved directly with the federal government in consultations respecting the renewal of CUSMA?

Joseph Maloney: We have not about the renewal of CUSMA, but we certainly do support that. We've been in discussions with them on the temporary foreign worker program and how it relates to the construction industry.

David McKenzie: What kind of reception have you received?

Joseph Maloney: It's always been very welcoming, but we just can't get to where we want to be.

David McKenzie: What do you think the principal barrier is to getting to where you'd like to be?

● (1125)

Joseph Maloney: The rules are right now that construction is lumped in with everybody else, and temporary foreign workers in construction are not segregated. When they established a $1,000 LMIA fee, we in the industry really understood that it was a penalty for the bad actors out there. Some of these actors were using temporary foreign workers as an everyday business cycle.

We bring in temporary foreign workers when we actually need them. To try to get a qualified boilermaker or high-pressure welder in Canada when there's none available...it's just not there. People say that they can weld, but they can't weld to our calibre. That's why we have to bring them in. Every day that a job goes on longer costs more to industry, which is more cost to the economy. When you get big shutdowns, like in the Fort McMurray area with Syncrude or something like that, every time those plants are shut down, it's millions of dollars a day.

If those things get extended out for two, three, four days or a week, it's a lot of money to the economy. They rely on us to do it, but when every boilermaker in the country is exhausted..., and we do go right across the country in a very exhaustive manner. That's why we like to have an expedited way to bring qualified people in.

Believe me, we meet them at the airport when they come here. We put them in housing. We set them all up, and then, when the job's finished, they're laid off. We take them back, and they're gone. There's absolutely no room for abuse. We monitor it.

David McKenzie: Thank you, sir.

The Vice-Chair (Adam Chambers): Monsieur Lavoie, please go ahead.

[*Translation*]

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

I would like to thank the witnesses for taking the time to join us today. This is very important.

I'll begin with some questions for Mr. Larochelle of Nordic Paper Québec. I met him a few weeks ago at a round table meeting with business owners from my riding, Beauport—Limoilou. It was extremely interesting. During the discussion, the recurring message centred on the difficulty of long-term planning. Long-term investments and trade uncertainty were topics that frequently arose. Businesses have to plan on a monthly basis.

Mr. Larochelle, what is your view on the update to the Canada–United States–Mexico Agreement, or CUSMA? Would updating and signing CUSMA help restore confidence among investors and bankers, for example?

Dany Larochelle: There's no doubt that having a new agreement—one that would be negotiated and upheld—would promote greater stability. When the new U.S. administration took office in early 2025, we certainly thought we had a contractual agreement, but I can tell you that it led to enormous instability. Even though we knew we had a contractual agreement, it cost us a project, which is currently on hold. Before resurrecting this project, we'll need the agreements we have to be more reliable and to be upheld. Above all, we must ensure they're upheld. I imagine that, as part of your process, you'll ensure that commitments are met by both parties and that the arrangements are reliable. That will help us.

I also think the government may need to put systems in place to provide us with more support. Given the instability of the whole situation, I can tell you that financial institutions are currently very cautious. They're asking for the shirt off our backs before they lend us any money. We need a little help to provide guarantees or be more reliable.

Steeve Lavoie: Yes, I know how bankers operate, Mr. Larochelle.

Before continuing on the topic of the CUSMA, I'd like to come back to one point. Earlier, you said something that raised a question for me. It related to Chinese dumping. In your opinion, are there currently any rules or barriers in place to prevent Chinese dumping? If not, should they be introduced? I'd appreciate a brief answer.

Dany Larochelle: I am not familiar with the current rules on this matter. Our company is owned by a Swedish corporation. We have factories in Sweden and Norway. Over the past year, I can tell you that Chinese dumping in Europe meant a 20% loss of market share—all within a single year. This phenomenon is starting to take hold in Canada.

A Montreal company receives paper from China that is of very high quality, but it comes without any accompanying certificates. For example, there is no way of knowing whether PFAS regulations are being followed—whereas we, in Canada, are subject to regulations. We must comply with all applicable regulations. Chinese products do not necessarily arrive with the proper documentation.

Now we're looking to the future. In recent years, we haven't really focused on the South American market, but given the global geopolitical situation, we're starting to look in that direction. There's a large population there. Brazil and Argentina are well-populated countries that we haven't focused on in the past. We're going to start looking into them. We know that, currently, China exports a lot of paper to these countries. We'd like to explore the possibility of reaching an agreement with Canada. That would allow us to engage in free trade, without paying duties. These countries have greater economic stability, which would enable us to trade with them and sell our paper there.

● (1130)

Steeve Lavoie: That's very interesting.

Indeed, it's intriguing when you say that paper from China has started arriving in Montreal, but without certification. That might be an issue worth further investigation to see how the mechanism came about.

We've seen other sectors hit by Chinese dumping. There's even a wood furniture factory that was forced to close. We shouldn't let the same thing happen in your industry.

During the round table, many companies discussed market diversification, and they didn't see how it could be profitable or realistic given the current situation.

I understand that we're discussing CUSMA today. You mentioned South American countries. Mercosur is a different agreement. However, in your case, you are still seeking to diversify your market.

Dany Larochelle: Yes, we're looking into it. These are markets we hadn't been focusing on, but we now find ourselves having to consider them.

There's another thing we're seeing right now that scares us. When we were planning to install new machinery here in Quebec City, the business models or factory layouts we were shown involved factories that were recently built either in China or in Russia. There was nothing from the United States or Europe. Everything came from those countries. Our fear is that after the war—if there is a rapprochement between Asia, China and Russia, and those countries enter our market—the situation could become very challenging. It must be said that their factories are far more modern than ours. They've invested in their factories. Right now, these factories are operating at reduced capacity, but we're afraid that at some point they'll enter the market—both in the United States and in South America, or even in Europe. That worries us. Our industry will have to plan for the postwar period.

Steeve Lavoie: I see that time is flying by. We have a few seconds left.

What would you like us to keep in mind when it comes to the CUSMA negotiations?

Dany Larochelle: I think that, for our sector, things are fine for now. We just need to keep making sure there are no tariffs and that no new ones are imposed by decree. That scared us at the beginning of the year. It hurt us last year, in 2025. In March and April 2025, it hit us hard.

Steeve Lavoie: Thank you, Mr. Larochelle.

[*English*]

The Vice-Chair (Adam Chambers): Thank you.

Monsieur Ste-Marie, welcome to the committee. Congratulations on your appointment. It's nice to have you here.

[*Translation*]

Gabriel Ste-Marie (Joliette—Manawan, BQ): Thank you, Mr. Chair.

Mr. Chambers, it's a pleasure to see you in the chair, which you are handling with great aplomb.

I'd like to take a few moments to greet all my colleagues. It will be a pleasure to work with you. I will be serving on this committee only on Tuesdays until the end of the parliamentary session. On Thursdays, I sit on the Standing Committee on Industry and Technology, which meets at the same time. Naturally, this committee is of the utmost interest to me. I hope to rise to the challenge of working with all of you.

Welcome to the three witnesses.

Thank you for joining us. Your remarks and responses were perfectly clear. I believe we have fully understood your comments on each of your requests related to the CUSMA renegotiation.

My first questions are for Mr. Larochelle.

It's a pleasure to meet you and hear your comments. I'll try to pick up where Mr. Lavoie did such a good job of launching the conversation.

You mentioned your $500 million modernization project, which was put on hold not because of tariffs, but due to the uncertain environment. The project isn't moving forward—again because of the uncertain environment. Is that correct?

Dany Larochelle: Yes. What happened was that at the end of 2024 and the beginning of 2025, our order book was full. It was completely filled. We spent two years preparing this project. It took two years to get the project off the ground. There was market engineering, engineering to assess the costs. We were ready. We received our report in January 2025. March rolled around, and we were given to understand that tariffs would be imposed on our paper, even in Canada.

Within a month and a half, our order book went from full to about 25%. We even had to shut down operations in June and July 2025 as a result of this period of instability. The tariffs were in effect for perhaps three or four days, which isn't very long. However, we lost many orders because of the uncertainty, even from U.S. customers who didn't know whether the tariffs applied or not. Orders were either cancelled or postponed, which caused instability.

At the same time, we acquired new owners. When they took over in that context, it wasn't the right time to invest. We went from a full order book to factory closures. The situation has remained the same.

For now, our European sister factories are bearing the brunt of the tariffs. For them, it's been a disaster for the past six months, I'd say. This is quite significant because, given that the United States has imposed tariffs, these plants are unable to sell paper to the United States, which is the major market in our industry. For now, the project remains on hold.

● (1135)

Gabriel Ste-Marie: Your group's mills in Europe are being hit by tariffs, unlike your mills, and they are not getting any orders because of those tariffs. Is that correct?

Dany Larochelle: That's correct.

Our Canadian customers, who are right in our backyard, are supplied by our mills in Sweden and Norway. For our part, we are focusing on the United States, since we don't have tariffs, or on Mexico. These mills fill the orders we would normally get for Canada; otherwise, they would have very few orders.

Gabriel Ste-Marie: From what we're hearing, this climate of instability and uncertainty is quite devastating for all sectors. Let's hope it ends as soon as possible.

You mentioned that when you didn't get any orders, there was inventory to clear out and customers were waiting to see what would happen. You also mentioned dumping. Are American customers turning to Chinese or Russian producers in large numbers?

Dany Larochelle: No, not yet. China has not yet entered the U.S. market. However, given the current situation, it has made a strong entry into the European market, and its prices are lower than production costs.

Gabriel Ste-Marie: I'm no expert, but to my knowledge, if there is Chinese dumping—for example, if a Montreal-based company receives goods without the necessary certifications—the manufacturers themselves must file a complaint alleging dumping and must demonstrate that it is causing them harm. It's a lengthy, complicated and costly process.

There is also another option. When market conditions are difficult, as is currently the case due to uncertainty related to the U.S. market, for example, the government can impose temporary tariffs, known as safeguard measures. I don't know if you have ever heard of this, but is it an option you might consider?

Dany Larochelle: I hadn't heard about that. If that happens, we'll definitely contact our representative and see what kind of assistance might be available.

Currently, what's happening in the European market is that the European Union has taken action against China regarding dumping. So there are legal proceedings under way, and the case will be heard by a trade tribunal.

Gabriel Ste-Marie: It's always a long and complicated process. Let's hope it works out.

You said that mills in China and Russia are more efficient than yours. Would the $500 million investment allow you to fully compete with China and Russia in terms of productivity?

Dany Larochelle: That's right. We had planned to build a state-of-the-art mill. We drew inspiration from the best practices used in the mills built in Russia and China, and we applied them here. This would have been the most efficient mill in North America.

Gabriel Ste-Marie: China often has a significant cost advantage because it exploits its workers—that is, its labour force—and adheres to lower standards. We need only think of the Uyghurs and certain cases involving children.

Do you feel that your competitors are engaging in these unfair and illegal practices under international law?

Dany Larochelle: I couldn't tell you that. The big advantage we had in Quebec and Canada was in terms of energy. Our production costs, thanks to energy, were very low compared to other places.

In terms of labour, I know that Chinese companies pay lower wages, but I don't know who they employ.

Gabriel Ste-Marie: My time is up.

Thank you.

[*English*]

The Vice-Chair (Adam Chambers): Go ahead, Mr. Lawrence.

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

My questions will start with you, Ms. Malone.

Through the earlier questions and the testimony, I think what I am asking has come out already, but perhaps we'll start with it again.

What would be the impact on your members, particularly those in Canada, if there were no longer tariff-free transport of equipment from the U.S. to Canada?

● (1140)

Nancy Malone: It would depend on the percentage of the tariff. For instance, if you were to take a machine like a combine coming in from the U.S., that machine costs approximately $1 million. When we are talking about 25% countertariffs, that cost would be a pretty big chunk—$1.25 million. Suddenly the dealer needs to finance that to have the equipment on their lot, and then the farmer needs to be purchasing that, which means taking out a bigger loan. It comes all the way through the value chain.

It becomes a problem for the farmers to fulfill their relationships with their manufacturers because dealers are under contract to carry a certain number of machines on their lot. The total value of their inventory becomes higher with the holding fees, the interest fees and those sorts of things. It then becomes more difficult for their customers, the farmers, to be able to purchase new equipment.

It also creates an imbalance in the used equipment market because the new equipment is inflated in value. Once those machines work their way through the system, the purchase value doesn't really hold true at the end of the day.

Philip Lawrence: The delay and the uncertainty have been over you for the last year because of potential tariffs, and even countertariffs. For dealers, of course, there are the large inventory expenses you talked about. Also, the sales and the actual dealerships themselves are not inexpensive. What would you estimate or, if you could, just give us at least an anecdotal flavour of the amount of investment that has not occurred because of the uncertainty created by the potential for tariffs and countertariffs?

Nancy Malone: We haven't studied that directly. There would just be things like investments in new stores. Perhaps a dealer would be planning on either renovating or building a new store, and they might have held off on that. That's the clearest example of holding off on investment.

Philip Lawrence: Among the mitigating narratives the government attempted to put forward is that the government would have the ability to diversify away from the potential impacts of losing tariff-free access to the U.S. market. However, for many industries—and I would presuppose yours as well—there's no miracle for Canadian manufacturers of equipment or for dealers to diversify away. You can't, obviously, have your dealers in North Bay selling vehicles in Vietnam. Is that not correct?

Nancy Malone: For our large mainline equipment, that is correct. The U.S. has become the manufacturing base for the types of machines that are most commonly used in North America. Our Canadian manufacturing is actually quite strong; it's just that they don't specialize in that larger equipment.

In order to make those types of investments—building a factory that could produce a Canadian-made combine—it would require a great deal of financial capital and time. We've had such an integrated relationship in farming equipment with the U.S. for so many years that we have become reliant on the U.S. for those larger pieces of equipment. As I said, even the brands that are based in Europe or Asia are building that equipment for North America in the U.S.

Philip Lawrence: For your members, a failure to renegotiate CUSMA on similar or the same terms that currently exist would be devastating.

Nancy Malone: It would be very difficult, yes. It would be very challenging indeed.

Philip Lawrence: That would translate into additional costs, not just for farmers, obviously, but for the end-users, for all the consumers. In Canada, we already lead the world in food inflation. This would yet be another cause of driving up the cost of food. Getting a deal for equipment manufacturers in CUSMA—or outside of CUSMA, for that matter—is absolutely critical, not just for your members but for all Canadians who are currently fighting the worst food inflation in the G7. Is that correct?

● (1145)

Nancy Malone: Our dealers would be victims of circumstances beyond their control because of those manufacturers having to play on the global market. If there were an inability to move equipment across seamlessly, there would be a huge impact, for sure, yes.

The Vice-Chair (Adam Chambers): Thank you very much.

Mr. Naqvi, go ahead.

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

I want to thank our three witnesses for being here today and for their very thoughtful guidance and advice to us.

I think I heard from all three of you that CUSMA works, is beneficial to the people you represent and has been good for not only the Canadian economy but for the U.S. economy as well. We also know that the circumstance we find ourselves in is not really the doing of Canada but is due to the unjustified tariffs that have been put on certain very important sectors, like steel, auto, lumber and aluminum. However, here we are, and we're in the process of a review.

I think, Ms. Malone, that you referred to the letter that Minister LeBlanc issued today, expressing Canada's desire or intention to have the agreement renewed for another 16 years because it is mutually beneficial to all three economies.

My question for all three of you. We'll start with you, Ms. Malone, then Mr. Maloney and then Mr. Larochelle. What is your advice to the Canadian government as it is in the process of engaging with United States and Mexico, but with the U.S. in particular, in renewing this agreement? From your members' perspectives, what is your advice for the approach Canada should be taking in order to preserve the agreement that will benefit our economy and your respective members?

Nancy Malone: I would say maintain the current approach, in terms of being thoughtful, thinking about the long term, not being reactive and always targeting zero tariffs and free and fair trade across the board, through all three countries. Although we are not currently engaged with the U.S.—although there are meetings today—I believe that the strategy is sound, for the moment. The target is always the same, which is to keep zero tariff barriers and free trade.

Joseph Maloney: I agree. I think we should try to roll over the agreement as it is, do some minor tweaking, here and there, and continue it on for another 16 years. It works.

[*Translation*]

Dany Larochelle: For us, that would mean maintaining the current agreement. We recommend renewing the agreement and maintaining the current terms, which are very beneficial for us and our customers, both in the United States and in Mexico.

It's also important to think about the future, to ensure that the terms cannot be changed. What hurt us was that they wanted to amend the agreement and impose tariffs on us that were also unjustified, in my opinion. The mere fact that this was mentioned for two or three days had significant repercussions.

So, our recommendation would be to maintain the Canada–United States–Mexico Agreement.

[*English*]

Yasir Naqvi: Thank you very much.

I agree with the responses from all three of you. You passed the exam, from my perspective. Obviously, we need to find a way to keep the advantage and maintain the agreements. There are always some irritants. There always are, in every relationship. We need a thoughtful way of dealing with them, and I think that's the approach we're taking.

Having said that, I think we also recognize, especially in the circumstances that we've seen over the last year or so, that it is important that we look at diversifying our trade portfolio as well, so to speak. We cannot be solely reliant on the United States. We need to look at other markets.

I would like to hear from all three of you, if possible, please. In that effort, what opportunities exist that you see?

I understand the U.S. is probably the biggest market for us and beneficial, but what would be the second or third place that you would like Canada to focus on in terms of creating more opportunities and opening up barrier-free, tariff-free, markets for your members, Canadian employers and Canadian workers?

Let's start with Ms. Malone.

● (1150)

Nancy Malone: I think our dealers have opened those markets. There are European equipment and Asian equipment brands that are available in Canada. Some are brought into Canada directly, but most are through the manufacturers' bases in the U.S.

I think that's our challenge. The companies are selling to their biggest markets. They are creating bases in the U.S., and we are importing from the U.S.

Yasir Naqvi: You're not seeing a shift, perhaps, so that they can avoid those tariffs by shipping directly to Canada.

Nancy Malone: It's only with European brands.

Like I said, the largest market share brands are U.S.-manufactured brands.

Brands like New Holland, Kubota and CLAAS are European and Asian brands. They do have the ability to ship direct to Canada, but that's only a certain number of dealers.

Our dealers have contracts with their manufacturers that are pretty ironclad, in terms of the brand of equipment that they can sell; therefore, they don't have the ability to expand their horizons, in terms of diversification. Like I said in my remarks, it's a very competitive market. There are not a lot of new players that come into the market. In order to compete with brands like John Deere and Case, the investment would be enormous. They are companies that have been around—in John Deere's case—for over 100 or 160 years. They're the market leader for a good reason. I think our dealers have sought out those who compete with them, for diversity.

The Vice-Chair (Adam Chambers): Thank you.

We're two minutes over. We're generous with the time today, but I appreciate the chair's indulgence when I'm in your seat, so I'm feeling in the giving mood today.

Mr. Ste-Marie, you have the floor.

[*Translation*]

Gabriel Ste-Marie: Thank you, Mr. Chair. I understand that I have four and a half minutes, given this extension; but no, I'm just kidding.

I will be asking Mr. Maloney some questions.

My question is not related to the main focus of your presentation, but rather to the impact of U.S. tariffs on certain sectors of the economy that could affect your members. So far, energy projects have not been directly affected by the tariffs. However, I would like to know if certain companies where your members operate are affected by the tariffs and if your members have seen a decline in the number of jobs or the number of hours worked due to U.S. tariffs.

[*English*]

Joseph Maloney: The tariffs do impact our industry, particularly, in the steel industry because we work with steel every day. Buildings go up with steel. Equipment is manufactured out of steel. As the tariffs go up with steel, things slow down a little bit and push back. They're not built as fast as they would be, or they're put on the shelf and just put on hold. It does impact our membership, but it's the way we look at that.

[*Translation*]

Gabriel Ste-Marie: Is your sister union in the United States aware of the impact these tariffs are having on jobs here? Is it showing solidarity with you by calling for the removal of these tariffs?

[*English*]

Joseph Maloney: Yes, absolutely.

We're an international union. Our parent is headquartered in Kansas City. We have, as I said, approximately 12,000 members here in Canada. There are about 30,000 in the United States. Those numbers may seem low in the bigger picture, but we are a highly skilled trade. It's a four-year apprenticeship program, as I explained, and we are comprised of boilermakers who put the mechanics together and the high-pressure welders who weld them together. We work very closely with our brothers and sisters in the United States. That's why, when we run short of people here—just like when they run short of people there—we'd like to be able to tap into each other's resources. We know that we're getting the same compatible skills that are required in each country because we train to the same apprenticeship standards.

● (1155)

[*Translation*]

Gabriel Ste-Marie: Thank you.

I believe the U.S. President's tariffs are illegal. They're hurting our economy, and I think they're hurting the U.S. economy as well. I think a good way to increase the pressure is to call on our counterparts in the United States to put pressure on the U.S. government—which, unfortunately, doesn't seem to be listening much to the government here—to eliminate these tariffs.

Let's hope that workers continue to stand together.

[*English*]

The Vice-Chair (Adam Chambers): Ms. Borrelli, you'll have four minutes, as will Mr. Ehsassi, to round out this panel.

Kathy Borrelli (Windsor—Tecumseh—Lakeshore, CPC): Thank you, Chair.

Welcome to all of our witnesses today.

A trade deal with the United States is critical to my community of Windsor—Tecumseh—Lakeshore. With the government's inaction to have a meaningful trade negotiation for over six months now, my community and the industries around it are facing uncertainty and are being forced to make decisions about their future in Canada.

How important, Ms. Malone, is a trade deal with the United States, and what risk does it pose to your dealers if a deal is not reached immediately?

Nancy Malone: It's very important to work with our closest trading partner. If there is no agreement reached, or if CUSMA is.... My understanding is that it continues. It takes a little while for it to unwind. It would be very difficult in terms of just re-establishing how to move equipment back and forth across the border.

Unfortunately, the likelihood is that some dealers would be downsizing a bit. They wouldn't have as many locations, which would impact service for customers, and that sort of thing. However, equipment is necessary for our agricultural community. It will come. It just would be potentially more expensive. As I say, the downstream impacts of service might take a little longer, and that sort of thing. It would not stop on a dime, but it would certainly become more challenging in terms of delivering the services that we deliver today.

Kathy Borrelli: I imagine that, for your dealers, it would be very difficult to give them quotes on equipment that they may be ordering with the uncertainty that exists right now.

Nancy Malone: Right now, it's okay because there are no countertariffs. In terms of pricing of equipment, that's in the manufacturers' hands, and that is a global question in terms of where they are purchasing their steel and their aluminum; however, they have remained fairly consistent in terms of their pricing strategies.

Unfortunately, that doesn't mean they're going down, but they are they are staying consistent with how they approach that. Quoting machines is still straightforward right now. A year ago, when there really was that uncertainty of if we were going to have to charge an extra 25%, that was problematic, for sure.

Kathy Borrelli: Okay, thank you.

Recently, the 232 tariffs were changed on steel and aluminum products. Because your manufacturer is in the United States, they are probably depending on some moulds from our Canadian suppliers. I'm wondering how that may have impacted the production or the pricing of this machinery.

Nancy Malone: In terms of the Canadian steel and aluminum content, I'm afraid I'm not sure what the percentages would be. It certainly impacted our Canadian manufacturing sector for ag equipment in that they're exporting the equipment across the border, and those 232 tariffs were a big hit. This morning, I believe the president brought that down a little bit.

● (1200)

Kathy Borrelli: Oh, I didn't hear that.

Nancy Malone: Yes, I just learned it as I walked in. That will be a little bit of breathing room. For my dealers specifically, the 232 tariffs were also impacting when we would sell used equipment into the United States, and that created a bit of a barrier in terms of that market of moving used equipment.

If a piece of machinery is being manufactured in the U.S., they are sourcing their raw materials from around the world and there are tariffs on those raw materials, 232 or otherwise, the end product ends up being more expensive.

The Vice-Chair (Adam Chambers): Thank you very much.

We're going to go to our final questioner, Mr. Ehsassi.

Hon. Ali Ehsassi (Willowdale, Lib.): Thank you very much, Mr. Chair.

Thank you also to the witnesses. It's great to see you and great to hear from you.

Madam Malone, we've had the opportunity to speak. As you know, our government really values your perspective and your expertise. I was wondering if I could pick up on Mr. McKenzie's question and Madam Borrelli's.

As you've indicated, most of the manufactured goods we import are from the U.S.; that's where they're manufactured. You also said that these manufacturers obviously do have inputs that come from around the world, but steel and aluminum are, I would assume, big components in that.

Am I correct that you said that so far what you have seen is that prices have remained stable for imports that are coming to Canada?

Nancy Malone: The larger manufacturers have a very wide variety of machines and equipment families, and the prices are all a little different. What they have tried to do is, rather than put all of the tariff or the price increases onto one machine, smooth that out across the families of machines across the world.

They've been able to do that successfully so far. I believe they're coming to the end of that path and they're not going to be able to do that as successfully. With the tariffs and the costs of manufacturing, they're going to have to start recouping some of those expenses. It might land entirely on agricultural equipment, but there's also construction equipment, forestry and road-building equipment. Again, it depends on the manufacturer and what their product family is.

Hon. Ali Ehsassi: What are your estimates going forward?

Nancy Malone: In normal times or usual times, a price increase of 2% or 3% per year is acceptable. We don't know whether it would go beyond that at this point.

Hon. Ali Ehsassi: But you suspect that it will.

Nancy Malone: It could. As I said, if they can't sort out the current complexities of the U.S. trade negotiations around the world, then it becomes very difficult for manufacturers to plan and diversify their own suppliers, so it wouldn't be surprising to see higher price increases. For the moment, I believe that they've been able to hold the line in terms of not doing anything too excessive.

Hon. Ali Ehsassi: As you can imagine, your sector is integral to our food security. You did touch on it in your opening remarks, but would you like to elaborate on that just so every member here fully appreciates the significance of your sector?

Nancy Malone: Sure. Early on, last year when the tariffs began and the countertariff conversations were happening, our message to officials was that there was a lot of focus on farmers and producers, and food moving back and forth, that sort of thing. We had to remind everybody. Guess what? Our dealers are the ones in there helping the farmers plant their crops, take care of them, harvest them, move them into market, that sort of thing. We feel we are fairly integral in that sense—we are the tools that the farmers use to feed the world. We are a very large employer as well, a very large supporter of rural communities—names on hockey rinks, supporting teams in the community, that sort of thing. That's why we say we're often forgotten in the grand scheme of things. We appreciate the ability to deliver that message and educate a little bit about the types of machinery and technology, and the jobs that are out there that our dealers are providing.

The Vice-Chair (Adam Chambers): Thank you very much.

We appreciate the testimony today from our witnesses. Thank you for your appearance. If there are any follow-up questions, then members can feel free to contact you directly, or you can send your comments to the clerk or the chair, and we can distribute them to committee members.

We will have a brief suspension while we get our second panel ready.

● (1205)

(Pause)

● (1210)

The Vice-Chair (Adam Chambers): I call this meeting back to order.

Thank you to our witnesses for appearing.

We have with us three witnesses today. From the Canadian Chamber of Commerce, we have Matthew Holmes and Catherine Fortin Lefaivre. From the Global Automakers of Canada, we have Lucas Malinowski, president and CEO. From Restwell Sleep Products, we have Troy Zanatta and Tom Witowich.

Welcome to our witnesses. Each group will have five minutes for opening statements.

We will have opening statements from the three organizations. We will start with Mr. Holmes and Ms. Fortin Lefaivre.

You have the floor for five minutes.

[*Translation*]

Matthew Holmes (Executive Vice-President, International and Chief of Public Policy, Canadian Chamber of Commerce): Thank you, Mr. Chair and members of the committee.

Good afternoon.

[*English*]

Thank you very much for the opportunity to appear.

It's a great pleasure for the Canadian Chamber of Commerce to return to the Standing Committee on International Trade to provide further comments on the 2026 CUSMA joint review.

Today, I will split my time with my colleague Catherine Fortin-LeFaivre, the senior vice-president of international policy and global partnerships at the Canadian Chamber.

When the Canadian Chamber appeared last fall, we shared insights from our extensive member consultations on the CUSMA review, reflecting businesses of all sizes and sectors from across the country, plus numerous North American partner organizations with which we work. This important member and partner feedback formed the basis for our official submission on the CUSMA review to Global Affairs Canada, the United States Trade Representative and Mexico's Secretaría de Economía.

After a year of new tariffs and repeated trade disruptions, most firms are still adapting cautiously. While exports to non-U.S. markets are up by 17%, this is driven by existing exporters selling more, not by new firms entering global markets, which have only grown by 6%.

Most businesses are not fundamentally changing course. The most common response to market pressures remains raising prices or delaying decisions, rather than diversifying markets or supply chains, which takes time and investment.

In fact, CUSMA utilization is at a 20-year high, underscoring its importance. From the Canadian business community's perspective, the priority remains extending and enhancing North American competitiveness.

Therefore, our recommendations regarding the CUSMA joint review remain the same today and can be summarized in three key points: prioritize the continuity of the agreement and its existing key provisions; implement targeted measures to strengthen the agreement and enhance North American economic security; and strengthen North American economic integration by reducing or eliminating recently imposed tariffs within North America, such as the 232 tariffs.

The Canadian Chamber continues to reassert that, given the uniquely integrated nature of North American economic and commercial ties, our close proximity and extensive trade flows, Canada, the U.S. and Mexico share a common interest in CUSMA that strengthens North American economic growth, prosperity and competitiveness. Our counterparts in Mexico and the U.S. share this view.

[*Translation*]

Catherine Fortin LeFaivre (Senior Vice-President, International Policy and Global Partnerships, Canadian Chamber of Commerce): Good afternoon.

[*English*]

As we get closer to the official review date of July 1, 2026, Canada must be careful to differentiate signal from noise, because the noise will only get louder and the pressure to get a deal will only increase. Public positioning and efforts to build negotiating leverage are to be expected by each of the three parties.

[*Translation*]

During this time, we will need to trust Team Canada and our expert negotiators to do their jobs behind closed doors. It will be appropriate for some information to be shared in public, but not all, and that's okay.

[*English*]

Moreover, it's important to remember these key facts. Canada still has the best deal in the world with the United States, whereby approximately 85% of its goods are being traded tariff-free. Contrary to frequent misconceptions, CUSMA does not expire or sunset on July 1, 2026, if no agreement is reached between the three parties. While our economies understandably seek certainty as quickly as possible, the runway to renewing this important agreement is in reality longer than a few weeks.

Based on Ambassador Greer's public remarks, we expect the United States will opt to start an annual review, which could last up to 10 years. While this scenario isn't as desirable as a quick rubber-stamping, it does mean the agreement continues to be in force until at least 2036.

What's urgent in the immediate term is for Canadian firms impacted by section 232 tariffs, those in the aluminum, steel, copper, softwood lumber and auto parts sectors, to see relief. We urge the Canadian government to prioritize their removal or reduction. We note that the recent changes to 232 derivatives are especially problematic for not only the originally impacted sectors but now also the downstream firms.

While 232s are not officially part of the CUSMA review, there's ample reason to believe that such actions are intertwined. However, Canada cannot wait for the CUSMA review to play out to resolve this issue.

● (1215)

[*Translation*]

Moreover, the Canadian Chamber of Commerce maintains that, during its pursuit of a renewed CUSMA, Canada must in parallel continue to implement a variety of strategic measures to diversify our nation's trade globally.

[*English*]

We do not believe that the two are mutually exclusive.

The Canadian Chamber is undertaking a number of initiatives to support this national priority of trade diversification, including leading missions to target markets such as Mexico, the EU and Japan, advocating for increased export support for SMEs and tangibly enhancing its collaborations with Canadian chambers and other local business partners abroad.

We look forward to continuing to engage with this committee on CUSMA and other trade matters.

Thank you.

The Vice-Chair (Adam Chambers): Thank you very much.

Mr. Malinowski, you have the floor.

Lucas Malinowski (President and Chief Executive Officer, Global Automakers of Canada): My thanks to the chair and the members of the committee for the opportunity to appear before you as part of this important study on Canada and the forthcoming CUSMA review on behalf of the Global Automakers of Canada.

Our association represents 15 of the world's leading automakers in the Canadian market, accounting for over 60% of new vehicle sales. Collectively, they employ over 110,000 people from coast to coast to coast in vehicle assembly plants, dealerships, national and regional offices, as well as captive finance companies and transportation and logistics facilities. The activities of Global Automakers' members directly support over 100,000 additional jobs across the country and contribute nearly $25 billion annually to Canada's GDP.

As you know, Canada's automotive industry is currently undergoing a period of significant upheaval and change, not only from trade disruptions but also from constant changes in vehicle environmental policy during the generational transition to electrified vehicles. As I'm sure the committee is also well aware, the industry is currently facing significant challenges resulting from automotive tariffs on both sides of the Canada-U.S. border.

American tariffs have resulted in nearly $110 billion in increased costs for automakers across North America over the past year. On the Canadian side, the Department of Finance has collected nearly $400 million in surtax revenue since Canadian countertariffs have come into force. This has resulted in increased costs for Canadian drivers and, in some cases, reduced choice. To that point, automakers also need clarity on the government's proposed changes to the automotive remissions framework as soon as possible.

Most importantly, we need the immediate removal of automotive tariffs on both sides of the border.

Heading into the CUSMA review, we have also heard concerns from American contacts on the Government of Canada's decision to accept a limited number of Chinese-built electrified vehicles into the Canadian market. While our members welcome fair competition on a level playing field, the government has not provided much clarity on how it will ensure that everyone is playing by the same rules. I will also point out that the import quota does not apply to Chinese-made internal combustion vehicles.

It will be important for the government to make clear to the U.S. what the intended goals of this policy change are and to be cleareyed about how it may impact our negotiations going forward. While we may not be able to control the implementation of American section 232 tariffs on cars, there are choices we can make here in Canada to reduce the burden on automakers.

First, as the government is working to develop new greenhouse gas regulations for vehicles and repeal the federal EV mandate, we have to ensure that those regulations are achievable and give automakers sufficient time to adapt to them.

Second, British Columbia's and Quebec's EV sales mandates continue to be a frustrating regulatory and cost irritant for automakers. They are significant interprovincial trade barriers that should be stood down to allow the federal government to regulate vehicle emissions nationally. It makes no sense that a vehicle that can be legally sold in New Brunswick or Alberta could carry a significant penalty for an automaker selling that same vehicle in a neighbouring province.

Finally, as Canada seeks to diversify its trading relationships and reduce its dependency on the U.S., we need to ensure that we are treating those other global partners fairly. The government recently removed the luxury tax on boats and planes, but it has remained on vehicles. The tax disproportionately impacts imports from our European allies and is a trade irritant with the European Union. At the very least, the government should exempt EVs from the tax to support our electrification goals and adjust the original $100,000 threshold for inflation.

Thank you again for the opportunity to appear before the committee. I do look forward to all your questions.

● (1220)

The Vice-Chair (Adam Chambers): Thank you very much.

Mr. Zanatta and Mr. Witowich, you have five minutes to split between you however you like.

Troy Zanatta (President, Restwell Sleep Products): Thank you, Mr. Chair and members of the committee, for this opportunity to speak to you.

Tom and I represent the mattress industry here in Canada. It's a $2.75-billion industry at retail here in Canada.

Thirty years ago, the majority of the mattresses manufactured were produced here in Canada. Today, close to 50% of all mattresses sold in Canada come into the country from outside; they're not manufactured here in Canada. We believe that this is an industry that should be looked at and that should be protected. AI is something that is not going to take over manufacturing mattresses. Mattresses are a handcrafted, handmade product, and it will be decades before AI will be able to take over. We believe that it's an industry that should be looked at and reviewed when it comes to product being dumped into Canada.

Tom, do you have something you want to add?

Tom Witowich (Controller, Restwell Sleep Products): No, Troy, I think you hit all of our points. Roughly 50% to 60% of mattresses in Canada are being imported from other countries.

Restwell has been part of an anti-dumping case in the past where there was injury to the domestic industry. We believe that is still the case today.

The Vice-Chair (Adam Chambers): Thank you very much. I appreciate the opening statements.

This is now time for members' questions. The first round, if you'll recall, is six minutes for each party.

Ms. Borrelli, I'll pass it over to you.

Kathy Borrelli: Thank you, Chair.

I sit on the industry committee. Recently, we did an emergency study in regard to the 232 tariffs that changed on April 6. During that study, I had the opportunity to question the CEO of the Windsor Essex Chamber of Commerce, Ryan Donally. He stated that a good tariff deal was needed immediately, and that it was of supreme importance in regard to our businesses continuing the way they have been.

May I ask you your opinion on that?

Matthew Holmes: Certainly. Thank you for the question.

The sooner we can get a trade deal, the better, clearly. Certainty is what business is looking for. Our Canadian Chamber of Commerce's business data lab issued a new report just last week that looked at the cities in the country by CMA, census metropolitan area.

Those that have had the most negative response in light of the last year of tariffs are certainly the areas of Windsor, Kitchener, Waterloo and London. Those concentrations have a strong alignment with the auto sector and are the most embedded and the most integrated economies with the United States. They are feeling the pressures most acutely, and that is harming them at the community level in terms of jobs. It's quite real.

Kathy Borrelli: Would you say, then, that a good trade deal soon would be imperative for their survival and for their operations?

● (1225)

Matthew Holmes: I would say that a good trade deal soon is the ideal that we should be working towards, but it's questionable whether a good trade deal can be reached immediately.

Kathy Borrelli: In addition to the problems with the 232 tariffs, the aluminum industries across Canada and particularly the aluminum extruders are having extreme problems right now because of government inaction on helping them out with the dumping that's occurring.

I'm sure you have members who are aluminum extrusion companies. They want to know why aluminum isn't being treated the same as steel in regard to dumping regulations. Do you have any comment on that?

Matthew Holmes: I think the global aluminum industry right now is facing a cascade of shocks. There's a price shock and a supply shock, and the Strait of Hormuz has certainly not helped.

Globally speaking, it is an industry that is really encountering quite a problematic environment. For our Canadian sector, we're certainly hearing an increasing need for safeguard investigations under the International Trade Tribunal. We need to make sure that we are not becoming a diversion market, and that is something that the government does need to take seriously—absolutely.

Kathy Borrelli: Thank you so much.

I also have questions for Mr. Malinowski.

In places like Windsor, Ontario, people don't experience industrial policy through announcements. They experience it through shifts being cancelled, through plants closing, through companies moving production across the border and the uncertainty that the government continues to perpetuate because of their lack of action on negotiating tariffs.

If Chinese EVs continue to flood the Canadian market, what will this signal for the workers whose livelihoods depend on a North American supply chain and Canadian manufacturing? What will it signal to them?

Lucas Malinowski: Thank you for the question, MP Borrelli.

Windsor holds a special place in my heart. It's the community I first lived in when my family immigrated to Canada from Poland. I'll always have a fond place for Windsor in my heart.

You're absolutely right. For the workers in those factories, in those suppliers and in those supply chains, having certainty that the shift will be there for you tomorrow and you'll be able to keep building world-class vehicles in your community is critically important.

The challenge for the industry with the government's current approach on Chinese EVs is the significant question mark it puts on the Canadian market until we have a clearer understanding of the guidelines. We saw just yesterday that the first vehicles to be permitted into Canada under that quota were reported by Global Affairs. I think it was just under 3,000 Teslas, mostly, manufactured in Shanghai and coming to the Canadian market.

What does that market look like in the future? Do you invest strongly in the Canadian market as either a manufacturer or an importer in the future if you're not going to be sure that you can compete on a level playing field with a significant influx of new market entrants who may not have the same labour costs, input costs and all those other things that go into building a car?

Kathy Borrelli: What do you imagine could be the long-term consequences for your members?

Lucas Malinowski: It's difficult to speculate on how one single policy item will impact the future of the industry, because all these things are so interrelated. Between new market entrants, ongoing tariffs with the U.S. and rapidly changing vehicle emissions policies, all those things impact in their own unique way, but I think that in the future, if we continue to have increased costs and increased uncertainty, the Canadian automotive market is likely to shrink overall and certainly for the OEMs that are in the market right now.

Kathy Borrelli: Thank you—

The Vice-Chair (Adam Chambers): Thank you very much. That's the time on our round.

Madame Lapointe is next.

[*Translation*]

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

I would like to thank the witnesses for their very interesting testimony.

I will first address Ms. Fortin LeFaivre and Mr. Holmes from the Canadian Chamber of Commerce.

Earlier, you said we should have strategic diversification measures. You mentioned the European Union and Japan, among others. I would like to hear from you which other countries we should consider in order to reduce our vulnerability to the United States.

● (1230)

Catherine Fortin LeFaivre: There are many interesting places we should explore. The Canadian Chamber of Commerce has looked into certain regions. Obviously, it can't be everywhere, so it's working with the government to explore Mexico further, for example. We see this as low-hanging fruit, so to speak, for the future—an area where we haven't invested as much as we should have.

There are many good reasons why Mexico is a good partner. First, it's a party to the agreement. We're on the same continent, so travel times are shorter. It's also less expensive for some businesses to travel to Mexico and explore its opportunities, compared to travelling overseas or to Asia, for example. This is an important point, especially for small and medium-sized businesses. For small businesses just starting to explore export opportunities, being able to travel somewhere without it costing $20,000 is a significant advantage. There are also many complementary markets, whether in agriculture, technology or aerospace. If we look at Mexico's plan, called *Plan México*, and its priorities, we see there are many opportunities compatible with what we can offer. That's just one example.

Of course, we encourage companies to work with countries that are aligned with us, that view democracy the same way we do, and that also have many complementary markets. There are many examples within the G7, including Germany, for instance. At the Canadian Chamber of Commerce, we really prioritize G7 countries in Europe, Mexico and certain countries in the Indo-Pacific region. We hope that, as we see growing interest among our members in exporting, we will be able to expand our international team to help them achieve their goals.

Linda Lapointe: Thank you very much.

Mr. Malinowski, earlier you mentioned electric vehicles. There is an issue that arises when people from British Columbia or Quebec decide to buy a vehicle elsewhere, for example in New Brunswick. I would like you to provide us with more details on this. As you know, in Quebec and British Columbia, we believe that the electrification of transportation is important.

[*English*]

Lucas Malinowski: Thank you for the question. I apologize for my response in English.

Electrifying the fleet is absolutely important. Automakers are committed to making the transition to more electric vehicles. We have record numbers of EV models on the market. We've had significant investments from automakers around the world in EV technology and in bringing more EVs to the market.

The challenge, specifically with the provincial mandates in Quebec and British Columbia, is that they can carry significant penalties for failing to meet the targets. They are sales-based; they're not technology-based. A certain proportion of your sales need to be of electric vehicles. If you don't meet that, you can face significant penalties, which obviously increases the cost of doing business in those jurisdictions.

Alternatively, you could purchase credits from other companies, ones that primarily sell EVs. If we have a situation now where we also have new market entrants coming into Canada with EV products, they can also generate additional revenues by selling credits to existing automakers for selling EVs in, say, the British Columbia or Quebec markets. In effect, it's a double subsidy for those vehicles. That's part of the challenge we have.

There's also nothing to stop a driver from Quebec from going across the border to New Brunswick, purchasing a vehicle with an internal combustion engine and bringing it back into Quebec. The dealer in Quebec doesn't capture that value. It gets captured in a neighbouring province. The same goes for British Columbia and Alberta.

[*Translation*]

Linda Lapointe: Thank you.

I would like to ask Mr. Zanatta or Mr. Witowich a question.

You said that, in the past, 80% of mattresses were made in Canada. Now, 56% of mattresses come from outside the country.

Where are they coming from? Why is the market flooded with mattresses from abroad?

• (1235)

[*English*]

Troy Zanatta: The mattresses are coming from countries such as China, Vietnam and Turkey. They're being dumped. We were actually part of an anti-dumping suit that went on about five years ago. It focused mostly on China.

There were some tariffs put on mattresses that were coming in from China. Since then, the mattresses coming into the country have shifted to other countries. The buyers of these mattresses have found other countries to produce these mattresses and bring them into the country.

[*Translation*]

Linda Lapointe: Are we talking about mattresses shipped in a box, since they aren't spring mattresses or ones with a wooden frame?

[*English*]

Troy Zanatta: The mattresses that are coming in are both spring-filled mattresses and foam mattresses. They are able to compress the mattresses, put them into boxes and ship them to Canada. Yes, that's correct.

Having said that, most large Canadian mattress manufacturers, including us, also have the capability of compressing mattresses and putting them into boxes.

[*Translation*]

Linda Lapointe: It's important that people listening to us understand this. If they want to support the Canadian economy, they need to be careful where they buy their mattress. That's my message to those listening to us.

The Vice-Chair (Adam Chambers): Thank you very much.

Mr. Ste-Marie.

[*English*]

Troy Zanatta: We're not looking for unfair trade practices or favourable purchasing from us. We're more concerned about the fact that the product is being built and dumped into Canada at prices, in many cases, lower than the actual cost of producing the mattress. We're not competing in a fair market because these products are being dumped into the country.

The Vice-Chair (Adam Chambers): Thank you very much, sir.

Mr. Ste-Marie.

[*Translation*]

Gabriel Ste-Marie: Thank you, Mr. Chair.

Good day to our witnesses and I want to thank them for joining us.

My first questions will be directed to the representatives of the Canadian Chamber of Commerce.

Thank you for reminding us in your presentation that we'll hear a lot of noise in the coming weeks, as is already the case, and that, even if it hasn't been renegotiated by July 1, CUSMA will continue to apply. Rather, it is a review of the various parts.

CUSMA is a good agreement. The problem is that the U.S. President has failed to respect it by imposing tariffs that are, in my view, illegal in several sectors, including the automotive industry, steel and aluminum.

During his first term, he imposed illegal tariffs on steel and aluminum. If I recall correctly, your sister organization, the U.S. Chamber of Commerce, had sought to challenge these tariffs in court. It dropped the lawsuit upon the ratification of CUSMA, which replaced the North American Free Trade Agreement, because the president was no longer imposing those tariffs. In his second term, he reactivated this clause.

Are you still on good terms and do you still have a good relationship with your sister organization, the U.S. Chamber of Commerce? Have you heard whether it intends to reactivate this lawsuit challenging the illegal tariffs?

[*English*]

Matthew Holmes: Thank you for the question and your recollection of the first time we went through this.

The U.S. Chamber of Commerce is a close sister organization we maintain regular contact with. I will say they have been one of the earliest and most unequivocal voices in the United States business community against the current tariff regime, whether that's the IEEPA broad-based tariffs or the section 232 tariffs. They've spoken convincingly of the impact directly on small businesses, in particular, and on the entire integrated supply chain and economy, and how beneficial that is for the United States' consumers and businesses.

On the question of possible litigation against the administration, I don't have any particular knowledge of that at this time. It's not something we've discussed recently. They have a very robust litigation practice and, in their history, have repeatedly and successfully brought their government to the right side of the law. We may have a faint hope there, but I believe the pressure right now is on getting to a closed-door negotiation where some of the section 232 issues can be addressed. I would say that the last time NAFTA was being renegotiated and became what is now CUSMA, it was that process that led to the section 232 tariffs being removed.

We've seen that work once before and my hope would be that at the negotiation table, we can reach a long-standing clear agreement.

• (1240)

[*Translation*]

Gabriel Ste-Marie: Thank you very much for your very clear response.

I completely agree with you, and I believe there is unanimous agreement here, as in most organizations in the United States.

However, I have one concern: Can we really renegotiate a new agreement with the U.S. President, who isn't even honouring the current agreement and is exploiting all the loopholes we have identified so far?

In my opinion, what he's doing is clearly illegal. One approach I favour would be for entities in the United States—whether individuals, companies or groups—to tell the president that what he's doing isn't legal and to try to overturn it. That's what we saw with the broad tariffs that were applied more to the rest of the world. That's what the U.S. Chamber of Commerce did during the Trump administration's first term.

I'll come back to ask you questions about the executive order from early April on how to calculate tariffs on steel and aluminum. Before that, I'd like to ask Mr. Malinowski some questions.

You and your sister organization in the United States obviously work together. So, can you confirm that the U.S. organization is putting pressure on the U.S. government? Has it considered taking legal action against the government regarding tariffs in the automotive industry?

[*English*]

Lucas Malinowski: We are absolutely in regular contact with our sister associations both in the U.S. and Mexico as we go through this CUSMA review process.

All automotive associations in the United States, across all automakers, have recently written directly to the U.S. Trade Representative's office to make clear the importance of maintaining a trilateral agreement among Canada, the U.S. and Mexico, and how critical that is to the integrated North American auto market. Multiple companies have made deputations to the USTR hearings going into the CUSMA review, stressing the importance of the agreement and getting back to tariff-free trade.

In terms of any litigation, I can't speak to that. It's not something I'm privy to, unfortunately.

[*Translation*]

Gabriel Ste-Marie: Thank you very much.

I will address the representatives of the Canadian Chamber of Commerce again.

How are your members affected by the order issued in early April, even though a new order was issued yesterday stating that, for certain sectors, the rate could be 15% rather than 25%? Do they have a full understanding of this now?

[*English*]

Matthew Holmes: We like to approach these things day by day, and, thankfully, the administration gives us that opportunity.

Voices: Oh, oh!

Matthew Holmes: In April, the executive order came into effect. In May, the Canadian government provided some relief measures for businesses that were, we understand, welcome and had some positive effects for certain businesses. To be perfectly honest, we are still reviewing yesterday's adjustment to the executive order. We're hearing from some members who see it as a net positive for their current position, but other members will be negatively affected.

It has so many conditions, to be perfectly honest, and so much conditionality that it says to me, standing back, that it's less about whether it is good or bad for Canadian business. It says to me that there is a clear pressure building within the U.S. business community—in agriculture, construction and some manufacturing sectors. They are clearly saying to the administration, “This is getting bad, prices are going up and we need you to address this for us.” Part of the way to address it is reducing tariffs.

If that message is starting to get through from the business community—to your earlier line of questioning—the most effective voice for us will be the U.S. business community saying in the U.S., “No, this doesn't work for us.”

[*Translation*]

Gabriel Ste-Marie: Thank you.

[*English*]

The Vice-Chair (Adam Chambers): Go ahead, Mr. Lawrence.

Philip Lawrence: Thank you.

I'll start with you, Mr. Malinowski.

When I talk to some of your members—who are some of the largest auto manufacturers in Canada, whether they be Japanese or North American—I nearly always get the same response when I ask, how are things? They say it's okay for now. That's very scary terminology because it means it's okay for now, but in the near future, or at any point in the future, it could mean the loss—as we've already started to see—of thousands of Canadian jobs.

Is it not time to start raising the red flag that this is a huge issue and the government actually needs to start taking it seriously?

● (1245)

Lucas Malinowski: “Okay for now”, I think, is our motto at the moment internally. I would say that the government is taking it rather seriously. As some of the conversation previously has indicated, at the end of the day, the decision is with the White House.

You're absolutely right: We need to get to a deal. We need to get back to tariff-free trade as soon as possible. The costs are mounting and, frankly, astronomical, on both sides of the border. They're not sustainable for automakers in the medium or long term and, potentially, even more so in the short term. I think everyone in the industry is taking that seriously.

We speak to the government and, obviously, opposition members on a regular basis, and we will keep you updated on how things stand with the continued urgent need for a resolution.

Philip Lawrence: Thank you.

Another threat to your industry, in addition to tariffs, is also the access given to Chinese EVs. The challenge here is something that I'm not sure everyone is fully aware of how it works.

There's no such thing as fair trade with a Chinese business because they are all state-owned enterprises. This means that any EV company in China has access to nation-state resources, a nation-state with over a billion people and trillions of dollars. To somehow suggest that it is fair or there's going to be fair competition with Chinese auto manufacturers, or any other type of manufacturer, is simply not true.

Would you support my assertion on this, or tell me how I'm wrong?

Lucas Malinowski: Our members are happy and willing to compete with any automaker anywhere in the world on a level playing field. As you say, there are certainly significant questions about whether some of the new market entrants looking to come into Canada can commit to a level playing field, and what kind of policy suite the Government of Canada can put in place to ensure a level playing field and to ensure those automakers are held to the same standards as everyone else in the market right now—whether that be via various MOUs to support consumers, ensuring that they are operating through a dealer network or requiring that they provide parts for after-sales support and service for a significant amount of time.

These are all important questions that we need answered. We don't have a lot of clarity on them right now, and it's important that we get it.

That said, I think your point is absolutely fair and valid. There are significant questions about the level of state subsidy for Chinese OEMs, the nature of their supply chain and whether established and other existing automakers in the Canadian market could compete with them.

Philip Lawrence: Thank you.

Mr. Malinowski, not to be too negative, but I think it's important that we face reality. Some pundits out there, some commentators, have said that, without relief, without the elimination of these tariffs, without protection from unfair competition from China or elsewhere, our auto industry could be gone within a decade. Is that possible?

Lucas Malinowski: I will say that automakers are deeply committed to the Canadian market, and they have been here for decades. They are resilient. They are responsive to shifting tides and challenges. They will continue to be committed to the Canadian market for as long as they possibly can, but at the end of the day, they are businesses and they need to make money. Certainly, there can be a breaking point on that at some point down the road, and I hope we all avoid that.

Philip Lawrence: Thank you.

I'll put the last question to the Chamber of Commerce.

Mr. Holmes, you stated that we may not have a change in CUSMA until 2036. Quite frankly, that is not what I'm hearing from your members. They're concerned. I find that this laissez-faire attitude would be challenging, and if I were a member, I'd be pretty upset. Don't you think that we should be worried about the potential renegotiation of CUSMA, given the challenges that we face from the U.S. administration?

Matthew Holmes: To clarify, we said that what happens on July 1 is the automatic move into a 10-year phase to 2036. We hope that it's more like a 12-month period or shorter in which to get a good deal.

The question I would ask the room here is at what cost a deal is going to be struck sooner than that. That is the challenge that our negotiation team faces right now on behalf of Canada. If we get a bad deal and lock that in for 16 years, it could be far worse than taking the next few months to make sure that we have a good and well-thought-out deal.

● (1250)

The Vice-Chair (Adam Chambers): Thank you very much.

Go ahead, Mr. Fonseca.

Peter Fonseca: Thank you to our witnesses, and thank you for your testimony. The testimony that you provide here today—and that of the many witnesses who have come before us—reinforces in a positive way the approach that we have been taking towards NAFTA, CUSMA and this review. That gives us a team Canada approach. It gives us the leverage that we need at the table when we are in Washington.

Actually, in breaking news today, Minister LeBlanc wrote to his counterparts, Ambassador Greer and Secretary Ebrard, signalling our review. Why? He says that it's because NAFTA has served us well for 32 years, all three partners, in terms of what it's done for our economies, for our people and for our quality of life. Now, we are looking forward to the next 16 years.

My question first will go to Mr. Holmes and Ms. Fortin LeFaivre.

What would define a successful review, from the business community's perspective, on CUSMA?

Catherine Fortin LeFaivre: The timing is important. As my colleague Mr. Holmes said, we want to make sure we go through it as quickly as possible but not sign up for a bad deal.

There are a few chapters in particular that could be strengthened. A good example is the digital chapter. When it was first adopted in 2016, technology was in a very different place. If you look at it right now, it's a very short chapter. It doesn't mention very many new technologies like quantum or AI. There's an opportunity there for our three countries, for instance, to do a lot more.

Cybersecurity is a really great example. Between 2016 and now, cybersecurity has only become a bigger problem. We're all facing it. There was a mention in that chapter, for example, that there would be a committee struck that could coordinate the work of all three countries. That never happened. There's a great example of where we could actually do more to make sure that our economies are protected from bad actors from other countries or elsewhere.

There are a lot of examples like that. Critical minerals is another one. There isn't a chapter on critical minerals. Should there be? That's up for debate, but certainly there are more opportunities for collaboration there. There's no shortage of different avenues, including energy, where we could further enhance our collaboration. That needs to be looked at.

Peter Fonseca: Thank you.

Now I'll go to Mr. Malinowski. Congratulations on your new position as president and CEO.

Your organization previously stated that CUSMA provides tangible benefits to the U.S. auto sector. I'm going to ask you about some of the strongest examples. However, I also want to ask.... You brought up the $110 billion in costs for automakers and how that has negatively impacted the U.S. auto market—it's not just Canada.

How have they been negatively impacted by this?

Lucas Malinowski: Thank you.

The CUSMA agreement has served American auto production well. I'll point out as well that automakers from all over the world produce cars in the United States, both for the U.S. market and the Canadian market. Fifty-five per cent of our auto imports actually came from U.S. manufacturing in 2024. Every year since CUSMA has been in force, the U.S. has enjoyed on average a $2.7-billion trade surplus in auto with Canada. That agreement has served auto manufacturing well in the U.S., as it has served us well in Canada.

Last year, however, U.S. exports of vehicles to Canada were down by about 29%, given the current situation. That is obviously not good for those automakers building in the U.S., of which my members are those OEMs as well. It increases costs for U.S. consumers and car businesses around the world, really. It creates an increasingly difficult environment for U.S. auto production to find new markets beyond its own domestic market.

● (1255)

Peter Fonseca: Thank you. I was in your former hometown, Windsor, speaking with the Unifor members, and they were saying that we need to stand strong. We need to be united. We need to be team Canada, because any tariff—be it 5%, 10% or 20%—on autos would really be a hollowing out of our auto sector here. That is what has come from labour. That is, I understand, what is coming from business—that these unjustified, illegal tariffs need to be eliminated.

Is that how you think we should approach the table and be at the table, in Washington?

Lucas Malinowski: I think our absolute first priority should be to get back to tariff-free trade on both sides of the border, absolutely.

Peter Fonseca: Thank you, Chair.

The Vice-Chair (Adam Chambers): Monsieur Ste-Marie.

[*Translation*]

Gabriel Ste-Marie: Thank you, Mr. Chair.

Ms. Fortin LeFaivre, in response to a question asked earlier, you said that Mexico has potential when it comes to increasing Canadian exports. Does your organization have a specific type of product in mind? Would it be more in the manufacturing sector, or does the resource sector have potential as well? What else could Mexico buy from us?

Catherine Fortin LeFaivre: We want to create opportunities for our members to evaluate this for themselves. Certainly, some of our members are already very active in Mexico. Good examples would be TC Energy or Scotiabank. However, we're also focusing on our smaller members who may not have had the chance to evaluate their options yet.

For example, within our local chambers of commerce network, the president and CEO of the Abbotsford Chamber of Commerce joined us on our mission to Mexico in February. She really appreciated being able to connect what her community has to offer with what Mexicans are looking for—whether in aerospace or agriculture, for example.

There are many sectors. So it's up to companies to explore the possibilities. I've mentioned a few of these sectors, but I'm thinking of energy, critical minerals and technology. It's a fairly long list. It seems that, as Canadians, we haven't really examined this issue.

Gabriel Ste-Marie: Thank you very much.

My next question is for Mr. Malinowski. I'd ask him to answer in under than a minute, since time is running out.

Let's keep talking about Mexico. You said earlier that there must be a trilateral renegotiation of the free trade agreement between Canada, the United States and Mexico for it to work. What is the advantage of having a trilateral agreement rather than separate bilateral agreements?

[*English*]

Lucas Malinowski: For the auto industry, it's critical. We're an integrated North American supply chain and value chain, where vehicles are manufactured in all three countries for varying reasons and it supports all three markets. It's critically important that we keep that continually intact and keep North America a competitive manufacturing region for auto.

[*Translation*]

Gabriel Ste-Marie: Thank you very much.

Thank you, Mr. Chair.

[*English*]

The Vice-Chair (Adam Chambers): You're right on time. Thank you very much.

Mr. McKenzie, you have four minutes, followed by Mr. Beech for four minutes.

David McKenzie: Thank you, Mr. Chair.

Mr. Holmes, you've stated that in effect—and please correct me if I don't summarize well—it takes time to get a good deal. Ms. Fortin LeFaivre mentioned that critical minerals and energy are items that need to be looked at.

What I'm curious about is why we haven't been using the time that's passed in the last six months or more. It's been generally discussed that our government has been slow-rolling the discussions with the United States.

That's my opinion, but I wonder if you have any views on what we have missed by way of time and opportunity to have those discussions and get a good deal.

Matthew Holmes: Certainly we've seen in the public media the U.S. perception that the Canadian government is taking it slowly. Whether that is by design is hard for me to confirm for you.

I think that at the end of the day, when the United States decides it's ready to negotiate, the Canadian team is ready to go, and I think that's a signal that they've tried to send to the U.S. administration repeatedly. Of course, there were—

● (1300)

David McKenzie: I'm going to interrupt you there. I'm sorry, but it seems to me that the U.S. Trade Representative has said exactly the opposite—that they're ready for negotiations and that they simply haven't heard from the Canadians. That was a couple of weeks ago, but I don't think a great deal has happened, short of Minister LeBlanc's letter today.

Matthew Holmes: When you look at Ambassador Greer's testimony in December at Congress, for example, you see that the list he had of items he'd like to discuss with Canada was pretty clear. Most of those were subnational in nature. They weren't a nation-to-nation conversation.

The list with Mexico is much longer. It's considerable, and it's very different in nature. The conversation with Mexico has been under way, clearly. The United States initiated that conversation with Mexico. I don't have the sense...particularly since last fall, when the U.S. administration clearly said they were putting a pause on negotiations. From that point forward, I believe the Prime Minister said that as soon as they're ready to restart, we're ready.

David McKenzie: Yes, I can understand your perspective.

It seems to me that Prime Minister Carney identified some 30-odd trade irritants. I think that was the number put to it.

Isn't it in our best interest to initiate those discussions? Trade irritants are trade irritants. They might have easy solutions or they might have very difficult ones, but we have to be talking about them in order to get to a good deal.

Matthew Holmes: Certainly I would argue that all contact and all relations between Canada and the U.S. are positive and important for this trade deal to move forward. I think we have an incredible team in D.C. As well, our chief negotiator, who is relatively newly appointed, brings incredible experience and technical expertise to this—she and her team.

I believe there's no question that we should always do more, but at the end of the day, the nature of the relationship is that it will be the United States that decides when negotiations with Canada really get under way. We have to respond when provided that opportunity, and I hope we will.

David McKenzie: I'm sure you'll respect that I disagree with that. In our own interests, Canada has to push forward and have the conversations and continue to seek the opportunities to do that. Failing to do so is indeed detrimental to our interests.

I hope you can provide a very short response to this: Your members must certainly be concerned with the lack of a negotiated resolution to CUSMA, or a continuation, whatever it may be. They're suffering day by day, are they not?

Matthew Holmes: There are parts of certain sectors that are certainly acutely suffering, and that is terrible to see.

At the end of the day, all trade is relative. Canada, as my colleague pointed out, continues to have the best agreement in the world relative to what is happening in global trade at this time. The chaos that is under way in global trade and global supply chains is profound and is likely a paradigm shift that we are living through. Canada is still on the good side of that ledger, although certain sectors, of course, are hurting. We really care for that and care for the government to intervene and support those sectors.

In the meantime, it's important that we maintain the positives of our relationship with the United States. There is so much that happens that we are not talking about that is beneficial and continental in nature and is strong, so we need to build from that.

The trade negotiations themselves are best taken behind closed doors. Again, to my colleagues' reference—

The Vice-Chair (Adam Chambers): I'm going to have to stop you right there, if that's okay, just to keep us on time. We're a little over. Thank you very much.

Mr. Beech is next.

Hon. Terry Beech (Burnaby North—Seymour, Lib.): Thank you, Mr. Chair.

Thanks to all the committee members. I'm a guest here. It's my first time at the trade committee, but I did do some briefings on all the work you've been doing on this subject in particular. I appreciate all the work that you guys have been up to. It's also nice to see how many familiar faces are around the table, quite by coincidence.

Thanks to the witnesses.

On your B.C.-based and family-based business, Mr. Zanatta, I really enjoyed reading up about the company.

I hope committee members will forgive me for taking a more B.C.-specific track. Specifically, I'd like to talk to the chamber.

This was raised briefly. British Columbia is the home of the digital supercluster for a reason. We're a hub not just for artificial intelligence, but for software, cloud compute—you mentioned quantum—cybersecurity, fintech, gaming, entertainment and digital services. If we think about the industries that have advanced the most since the last time we were taking on CUSMA, I would say that these industries, and particularly artificial intelligence, are probably the lead candidates.

You mentioned the committee on cybersecurity as a potential opportunity. Could you take us through the opportunities for Canadian companies in this ecosystem and the potential threats, and what we should be taking into account that we might not have been thinking about 12 months ago, never mind five years ago or 10 years ago?

● (1305)

Catherine Fortin LeFaivre: Is that in terms of how it would figure in CUSMA or just generally?

Hon. Terry Beech: Strengths, threats or opportunities....

Catherine Fortin LeFaivre: The Canadian Chamber has an AI council made up of 30 different organizations of different sizes that are building AI or adopting it at a high pace. Their opinion is always important.

I think there are a variety of views on this from that group. I know that they are very much looking forward to the AI strategy that will be coming out this week so that they can continue their plans in terms of how they grow further in Canada. I think that's an opportunity: where Canada decides to go with its strategy in terms of enabling adoption but also in making sure it has the proper guardrails. I think that's an important opportunity that's coming around the bend.

Hon. Terry Beech: If I could guide you just a bit, it's not just thinking about AI and the technologies that enable that. There are specific attributes to digital goods and services in terms of market access and how those goods are delivered that allow for a certain scale and a certain level of competition. Is there anything that is specific to that industry with regard to that, where we might think differently than we would shipping a car across borders, etc.?

Is there anything that we should be thinking about at this committee?

Catherine Fortin LeFaivre: Digital trade is very different from goods. We want to make sure there's a free-flowing nature to digital trade, and that's what we've advocated for in the past. I think that because that industry is so complex and changing so quickly, it's also important to work closely with industry, with those who really understand the technology, when we're thinking of new regulations or laws moving forward, so that we can make sure Canada stays competitive in those sectors but also that there is some level of oversight.

Hon. Terry Beech: I'm the last person to ask questions and the chair is giving me the signal. I have seven seconds, but if I had another three minutes, I'd be asking you about biotech as well. Maybe that's for the next meeting.

Thank you.

The Vice-Chair (Adam Chambers): You can ask a quick question.

Hon. Terry Beech: Well, it's not quick. I would be getting into the details of the biotech ecosystem, and I don't think we could do it in less than a minute.

Catherine Fortin LeFaivre: We're happy to take that back to them.

The Vice-Chair (Adam Chambers): Thank you, Mr. Beech. British Columbia was proudly represented here today by the member from that province.

Thank you to our witnesses.

I do have one question. This is the chair's prerogative.

Mr. Malinowski, it has been suggested that some global automakers might move production to Canada to start building cars here. If there is no access to the U.S. market or it's uncertain, in your understanding, will any automakers create or build auto plants here if it's unclear whether they can sell those cars into the United States?

Lucas Malinowski: Thank you for the question, Chair, and for exercising your prerogative.

I don't see a business case for a new OEM to come here and bring manufacturing into Canada without any certainty on access to the U.S. market.

The Vice-Chair (Adam Chambers): Thank you very much. We appreciate all of the witnesses' time.

Thank you, members, for your patience today, and thank you to our interpreters and our wonderful analysts and clerk, and everyone else who supports us every day.

Philip Lawrence: Thank you for the excellent work of the chair.

The Vice-Chair (Adam Chambers): The meeting is adjourned.