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• (1125)

[English]

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

Welcome to meeting number 42 of the Standing Committee on International Trade.

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

Before I start with the witnesses, I have two motions. One is by Mr. Chambers, and one is by Ms. Acan. I believe there has been discussion amongst the members on both of these motions.

In particular, on Mr. Chambers' motion—you're all aware of it—are there any suggested amendments or anything?

Mr. Naqvi, go ahead, please.

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

Mr. Chambers and I have been in discussions. I have a slight modification that I'm suggesting to his motion. It's that the very last sentence will now read, "That this committee report its findings to the House, and that, pursuant to Standing Order 109, the committee request that the government table a comprehensive response to the report."

That's the only change. I believe Mr. Chambers is in agreement with that.

Adam Chambers (Simcoe North, CPC): There's another line you're striking.

The Chair: I guess he's not.

Yasir Naqvi: Well, we struck the line suggesting that this study take precedence over other studies.

Thank you, Mr. Chambers.

The Chair: Okay.

Adam Chambers: I accept that as a friendly amendment.

The Chair: All right.

Yasir Naqvi: It's been sent to the clerk. The edited version should be in the clerk's inbox.

The Chair: Is everybody okay with this friendly amendment to Mr. Chambers' motion?

Some hon. members: Agreed.

The Chair: Ms. Lapointe.

Linda Lapointe (Rivière-des-Mille-Îles, Lib.): Can we receive the amendment? You're speaking in English, and I'm not sure about the last sentence in French.

A voice: [Inaudible—Editor]

Linda Lapointe: Okay. Thank you.

Adam Chambers: It has not been translated.

Linda Lapointe: Okay, but if it's possible.... I'm not sure about the amendment, so that's why....

The Chair: Yes, the amendment is just so it is in keeping with the proper language that we normally have with these motions.

(Motion as amended agreed to)

The Chair: On Ms. Acan's motion, is there any comment?

I realize that you haven't had a week to look at these. We've all received them.

Given Madame Lapointe's concern, I'm going to hold this until 12 o'clock. At 12 o'clock, when we finish with this panel of witnesses, who already have been waiting a long time, I will ask if everybody is in agreement, and we will adopt it at that time.

Linda Lapointe: I appreciate it. Thank you.

The Chair: We make sure that we keep everybody happy here.

We have with us today friends who have been here before: Mr. Kingston, president and chief executive officer, Canadian Vehicle Manufacturers' Association; and Cathy Jo Noble, vice-president, National Cattle Feeders' Association.

Welcome to you both. I apologize for the tardiness, but it's that time of the year.

You know the rules for interpretation, so I'm going to go right to Mr. Kingston.

I invite you to speak to us for up to five minutes, please.

Brian Kingston (President and Chief Executive Officer, Canadian Vehicle Manufacturers' Association): Thank you.

Madam Chair and committee members, thank you for the invitation to be here today as part of your study of the CUSMA review.

The Canadian Vehicle Manufacturers' Association, CVMA, is the association that represents Canada's leading manufacturers of light and heavy-duty motor vehicles. Our membership includes Ford, General Motors and Stellantis.

CVMA members have been operating in Canada for over 100 years. In fact, we just celebrated our 100-year anniversary in 2026. They are responsible for most of the auto production in this country, having built over 100 million vehicles since 1945. Today, they are the largest employers, investors and innovators in the auto manufacturing sector.

With over 90% of Canadian production destined for the U.S., U.S. market access and North American integration are the foundation of the auto industry. Diversification is not an option for automotive, as markets in Europe and Asia are better served by assembly plants in those regions. Canada's market alone is too small to justify large-scale manufacturing.

Simply put, there is no Canadian auto industry without the U.S. The future of the industry, and the hundreds of thousands of jobs that it supports, requires securing our trade relationship.

U.S. section 232 tariffs on the automotive industry and Canada's retaliatory measures are doing enormous damage to the integrated North American auto supply chain. The total tariff bill is projected to reach \$188 billion U.S. on auto manufacturers by the end of next year. As it stands today, it is more cost-effective to build a vehicle in Japan or Germany and export it to the U.S. than it is to build a vehicle in North America for the U.S. market.

Given our integration with the United States, the situation facing Canada is particularly acute. Tariffs levied on Canadian vehicles reached \$5 billion in 2025. This is eroding the competitiveness of our domestic production and making it an increasingly difficult environment for investment.

As we prepare for the CUSMA review, we're recommending the following actions, which we think will position Canada for success.

Number one is to eliminate the Canada-China strategic partnership. This agreement negotiated with China allows 49,000 EVs into Canada. That's 30% of the number of EVs sold last year. That is not an insignificant amount. That undermines our sector right now. It puts the North American auto supply chain at risk. China does not adhere to the rules-based trade and investment principles that have been really fundamental to the success of the auto industry and the Canadian economy more broadly.

Importantly, there are no guardrails in this agreement to ensure a level playing field for manufacturers that have invested in Canada or to protect Canadians from cyber risks. In addition to having a surtax on Chinese EVs, we've been urging the federal government to proceed with the proposed ban on certain Chinese-connected vehicle software that's aligned to the U.S. This will protect Canadian drivers from foreign actors manipulating these technologies to access sensitive or personal information. It will also position us for success in our discussions with the Americans.

Number two is to reduce regulatory complexity. In the face of trade disruptions and U.S. tariffs, we have to do everything possible right now to strengthen the conditions for automotive investment by focusing on what we can control. This means getting rid of, reducing, the regulatory burden facing companies by lowering the cost of investing in plants, machinery, and R and D here in Canada.

I have a couple of examples for you.

The federal EV sales mandate does remain in place to this day, four months after it was announced that it would be repealed. We've been recommending that it be repealed immediately, because it puts costs on manufacturers.

While urgency is required in removing the EV mandate, the opposite holds true for developing Canada's sovereign GHG regulations—also known as tailpipe regulations. The federal government is currently rushing forward with the development of Canada-unique regulations. We are totally integrated with the U.S. Taking a Canada-unique approach here can be extremely risky for our automotive industry. We're asking the government to take the time and do this properly.

I will close on a note of optimism. I believe there is a deal to be had. We have to get to the table. The Americans are focused on deficits. If that is the lens that they're using, Canada's the only country in the world that is well positioned in that discussion. The Americans have run an average \$2.7 billion U.S. auto trade surplus with Canada since the USMCA was put into force. We're the only country in the world the Americans run a surplus with.

There is a deal to be had here. We are not part of the problem. In fact, we are part of the solution for the Americans. We have to get to the table. We can get a deal done, but this has to happen immediately.

• (1130)

Thank you.

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

Ms. Noble, go ahead, please. You have up to five minutes.

Cathy Jo Noble (Vice-President, National Cattle Feeders' Association): Great. Thank you.

Thank you for inviting the National Cattle Feeders' Association to appear before your committee today. Thank you as well for the number of agriculture witnesses you've already called before you, because CUSMA is a priority for our sector.

NCFA is the voice of cattle feeders—beef farmers who bring calves onto their feedlots and modify their diets from grass to a high-energy feed to propel weight gain and create the high-quality marbled beef products that we enjoy in Canada and around the world. Feedlots can vary in size, but they're still family operations that often involve multiple family members and generations. They are the fabric of rural Canada and the linchpin in the Canadian beef sector.

Our industry is export-dependent. Each year Canada exports approximately 50% of our live cattle and beef. Of that, 75% goes to the U.S. and 5% goes to Mexico. The Canada and U.S. beef industries are deeply integrated markets, with a live animal crossing the border often more than once—for example, born in the U.S., brought up to a Canadian feedlot to be fed, and then sent back down to the U.S. to be processed. That integration also includes imports and veterinary drugs. The integration of the market has been greatly facilitated by CUSMA and the trade agreements that preceded it.

We support market diversification for beef, but my members are operating with live animals, animals that have limits to the lengths they can be transported, thus amplifying the Canada-U.S. integrated market. Despite our frustrations with our relationship with the U.S. at this time, our most important trading partner is the U.S., and a highly functioning and unobstructed border is an absolute must for the success of the Canadian beef industry.

We acknowledge the work of the government on the CUSMA renewal, and the sector has also been doing its homework. We have been in close communication with our own government, and last week the NCFA signed a letter, along with 160 other associations from Mexico, the U.S. and Canada, to Minister LeBlanc and his U.S. and Mexico counterparts, calling for the renewal of CUSMA. In addition, last week I spent the week in Washington with the Canadian Agri-Food Trade Alliance, meeting with U.S. decision-makers, delivering our message and garnering insight on where their mindset is. We delivered a message on the economic benefit of CUSMA for the agriculture sector on both sides, but also on the benefit for consumers and food affordability on both sides, as well as food security and availability throughout the year.

I will close my comments by noting that securing a positive CUSMA renewal is complicated when parallel deals with other regions are being made. In particular, Mercosur is a deal that will send a wrong message to the U.S. and the CUSMA process, because when prices become depressed in Canada, it impacts the entire North American market.

Thank you.

• (1135)

The Chair: Thank you very much.

We'll open the floor for questions.

Mr. Mantle, you have six minutes, please.

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

Thank you to our witnesses for appearing and for providing valuable testimony to the committee.

Mr. Kingston, my questions will be directed primarily to you. Thank you for your opening statement. Your view, as I understand it, is that without access to the U.S. market, there is no auto industry in Canada. Is that correct?

Brian Kingston: That's correct: 90% of what is built here is destined for the U.S. market. There is no replacement for that market.

Jacob Mantle: Thank you.

You made a comment in your opening statement that diversity is not an option. We have heard repeatedly from the government that Canadian auto manufacturers will build vehicles in Canada and export them to other markets around the world—other markets than the United States. Is that a reasonable possibility?

Brian Kingston: No. There is no business case to build cars in Canada and export them to markets around the world. The U.S. is the most important market. It is the closest market. It's the only market that makes sense for large-scale auto manufacturing.

To give you a really tangible example, one manufacturer that tried to diversify a product it was building in Canada was able to get about two weeks of production, at maximum, to markets around the world. The rest was dedicated to the United States. That was with great effort.

There is no world in which we diversify and export vehicles from Canada to the world.

Jacob Mantle: If there's no access, there's no industry.

Brian Kingston: That's correct.

Jacob Mantle: I want to ask you about the tailpipe emissions standard that the government revised recently.

Previously, the government had mandated sales of EVs, of zero-emissions vehicles. Now, there's no mandate, but the emissions standards have been tightened. Am I understanding the state of play correctly?

Brian Kingston: The mandate is still technically in force. The intention is to do away with it and then tighten the stringencies of the tailpipe standards. That has not happened yet. We are still waiting for the government to table its proposed regulation.

Jacob Mantle: Okay. You're in a bit of purgatory right now.

Brian Kingston: That's correct.

Jacob Mantle: If the government proceeds, my understanding is from comments the Prime Minister made when he said that the government will be "tightening by twofold" the emissions standard. Is that roughly your understanding of that new approach?

• (1140)

Brian Kingston: Yes. The target that was announced by the Prime Minister was to get to 75% EV sales by 2035. Depending on how you translate it to the tailpipe standards, that could be a doubling or more in terms of stringency.

Jacob Mantle: Yes, and I believe 90% by 2040 was the second target.

What are the options for manufacturers to meet the new standards? There's no mandate to sell EVs, but we have a new standard. What's a manufacturer to do?

Brian Kingston: A manufacturer can continue to innovate and find ways to lightweight vehicles and make gas engines more efficient, but there is a limit. There is an engineering and a technical limit to what can be done. Once you've reached the maximum of those efficiencies, then you're left with really only two options, which is exactly what happened under the EV mandate.

You either have to start restricting the sale of gas-powered vehicles here in Canada, or you have to buy compliance credits from manufacturers who have a surplus. Those are the two options, and they are both very damaging economically to the companies that build here and employ Canadians.

Jacob Mantle: It seems to me that the emissions standard is going to result in the same issue that existed with the sales mandate. Is that accurate?

Brian Kingston: That is a very real risk if this is not done correctly.

Jacob Mantle: Is the emissions standard then not simply a back-door sales mandate?

Brian Kingston: If they design it without real input from auto manufacturers, if they do not look at the data on what's achievable and they make this stringent to levels that no manufacturer can achieve, then, yes, the tailpipe regulations will simply be an EV mandate by another name.

Jacob Mantle: That's right. That was my impression. I mean, if you tighten the emissions standards so much, the only vehicles that will qualify at that point functionally are going to be your plug-in or your battery electric zero-emission vehicles.

Brian Kingston: That's correct.

Jacob Mantle: I'm trying to understand what they really did here, but it seems that maybe it's just the same thing: a new wolf in different clothing.

Brian Kingston: Yes, that is a very possible outcome. We've been urging the government to work with industry to not repeat the mistakes of the past.

We can provide technical data on what is achievable and what is feasible, but that data during the last round, when the EVAS was developed, was frankly ignored. Hence, we ended up with a regulation that was clearly unachievable from the day that the ink dried.

I would like to avoid that again. That was damaging and costly, and I'm concerned that we're going down the same path.

Jacob Mantle: Thank you for that.

I have one last question. There was a recent review by RBC on the number of public dollars that have been pumped into EV supply chains. According to the Parliamentary Budget Officer, \$46 billion was pledged between 2020 and 2024, and then RBC says it's \$53 billion in government funding.

I'm trying to understand. The government says that this will be a return on investment, but my math says that's less than one dollar of private investment for every dollar of government investment. Am I understanding the state of play?

Brian Kingston: This is why we need markets and the consumer to be at the centre of government policy here. You can encourage

manufacturers to invest in this technology, but we have to make sure there's a market for it.

Unfortunately, we went down a road where the mandated technologies were being forced on Canadian consumers. The demand wasn't there, and this is the result. I mean, every manufacturer has written off tens of billions of dollars in investment into electrification, because the market simply wasn't where people thought it would be.

Jacob Mantle: Thank you.

The Chair: Thank you very much.

We'll go to Mr. Naqvi, please.

Yasir Naqvi: Thank you.

Mr. Kingston, I'm going to ask you the question. I totally understand the warning that you're hearing. You've been quite consistent on that in all of your public engagements. I think you also understand the effort that the Canadian government is putting in to ensure that CUSMA remains in place, because it is advantageous to all three parties. The stated goal of the government is to ensure that we sign on to a deal that is in the best interests of Canada.

What is your advice? What are you recommending to the Canadian government as we engage in this review? With the view of July 1, which is not a cliff—we still have room beyond July 1—I really want to understand your perspective in terms of the approach the Canadian government is taking, on things you are comfortable with and things you want us to go further with in a particular direction.

• (1145)

Brian Kingston: First and foremost, we have to get to the table. The U.S.'s desire, of course, is to negotiate bilaterally, and there's only so much control we have over that, but the sooner we open up those bilateral discussions, the better positioned we will be.

Second, we need to make sure that, as part of these discussions, the removal of section 232s is front and centre. Any agreement that doesn't result in tariff relief for these key sectors will not be very valuable. It provides some certainty for investment, but if we don't get the tariff costs removed, we'll be in a very difficult situation.

Third—and I know that Minister LeBlanc tabled this last week—make sure that this agreement is renewed for a longer period of time. We can't end up in a scenario where we're going through this every year for the next 10 years. That will be very damaging to the investment climate. A long-term renewal—16 years, if we can negotiate that—would be very welcome.

Yasir Naqvi: I don't think there's any light between what you are suggesting and what Minister LeBlanc and the Canadian government are attempting to do. It's precisely that. It's to engage in a meaningful conversation.

Of course, the section 232 tariffs are of integral importance in terms of the impact on Canadian industry, especially on those targeted sectors, like autos. Seeking the predictability and certainty that we need.... I appreciate your thoughts on that.

Ms. Noble, I want to hear, from your sector's perspective, what your thoughts are. What is your advice to the Canadian government as we are engaging in the process towards a review of CUSMA and hopefully a renewal on a longer term?

Cathy Jo Noble: I echo what Brian said. In the lifespan of cattle, you need some predictability about where that end market is and what that looks like. Something that is not just a year-by-year renewal is going to be important.

So far, food, specifically beef, has not been impacted by the tariffs that are in place—I think for two days it was—and that has been beneficial not only for us but also for consumers, because that integrated market also provides the lowest-cost product to the consumer.

Our message is fairly simple. We would like CUSMA renewed in a timely manner and in its current state. There are always going to be regulatory challenges that we can work through, as we proceed, to get more regulatory alignment at the border and so forth. Really, for us, it's about bringing it forward in its current state.

Yasir Naqvi: When it comes to your sector, the cattle sector, there is an advantage within CUSMA, and that has been maintained.

Cathy Jo Noble: Yes, absolutely. I think that integration and the economic benefit have been because of CUSMA.

Yasir Naqvi: Excellent. Obviously, the aim is to maintain that integration and that advantage. Similarly within the auto sector, it's worked so well in terms of the integrated supply chain. I always try to remind people that there's not an American car; it's a North American car, and maybe that's the cause of concern for the President. We need to maintain that, because it keeps North American manufacturing, auto manufacturing, at a competitive level.

In the absence of a renewal—and I don't like to think that way—what is the impact you see, Mr. Kingston, on North American auto manufacturing as it relates to global competition?

Brian Kingston: We're already seeing the impacts of U.S. tariffs on the sector. Last year, North American production declined by 2%. Production in China was up 10%. This is protectionism in action. When you put costs on your manufacturers, you weaken the business case to build in North America.

In the event that we get to a place where there is no relief for Canada or Mexico in a permanently tariffed North American environment, we'll simply have a smaller industry—perhaps significantly smaller. We built 1.3 million vehicles last year, and 1.1 million of those went to the United States. You can't replace that market, so the production levels will inevitably come down dramatically and, with that, jobs and investment. I don't want to contemplate that, because I think there is a deal to be had, but that's where this takes us.

● (1150)

Yasir Naqvi: I totally agree with you. I don't want to contemplate that either, because I believe there is a deal to be had.

I see the chair.

Thank you.

The Chair: Thank you very much.

The bells are ringing. It's a 30-minute bell. Are we okay to continue until the time to vote? If we can vote here, we can keep going with our meeting. Is everybody okay with that?

Some hon. members: Agreed.

The Chair: Madame Lapointe, are you okay with the motion of Ms. Acan?

[*Translation*]

Linda Lapointe: Yes, thank you.

[*English*]

(Motion agreed to)

The Chair: Thank you very much. From the committee's perspective, that's taken care of.

Mr. Gabriel Ste-Marie, go ahead for six minutes, please.

[*Translation*]

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

Good morning to all my colleagues. I'm sorry I have to join you virtually today because of family obligations.

I'd like to thank both witnesses for being here. Once again, their testimony has been very interesting and informative.

My first questions are for you, Mr. Kingston. I'm happy to see you again. We had the opportunity to speak a few weeks ago at the Standing Committee on Industry and Technology.

In your remarks, you said that Canada buys more American vehicles than the United States buys Canadian-made vehicles. Is that correct?

[*English*]

Brian Kingston: Canada is the number one export market for U.S.-manufactured vehicles by far, so we are their biggest market. We send more vehicles to the U.S. than we import from the U.S. When you include automotive parts, that's where the U.S. runs a significant automotive trade surplus.

[*Translation*]

Gabriel Ste-Marie: So that's a strong argument in favour of restoring free trade.

With the North American Free Trade Agreement, or NAFTA, and later with the Canada–United States–Mexico Agreement, or CUSMA, a highly integrated auto manufacturing system was established between Canada, the United States and Mexico, but pressure from the Trump administration, along with the sanctions and tariffs it is imposing, is undermining this system.

Do I have that right?

[English]

Brian Kingston: That is correct. It's significantly weakened. You can see it in virtually every data point—the total tariff costs incurred by manufacturers and the fact that production is declining. U.S. exports of vehicles to Canada declined by 26%, one of the biggest drops we've seen in years. That's because, of course, Canada retaliated on U.S. vehicles. You're seeing major disruptions to the supply chain. That's why I made that point at the outset: In many instances, companies are better off building in Japan or Europe and exporting to the U.S. than building in North America right now.

[Translation]

Gabriel Ste-Marie: That approach is unacceptable.

Your association emphasizes how important it is to have a free trade agreement that includes all three countries: Canada, the United States and Mexico. Mr. Trump, or the U.S. government, seems to be in favour of bilateral agreements. This is likely a strategy to strengthen his bargaining position.

Why is it important to have a trilateral agreement that includes all three economies?

[English]

Brian Kingston: A trilateral agreement is critical, because we don't build cars independently in North America. Mr. Naqvi said it well. There is no such thing as a Canadian car, a Mexican car or an American car. It's a North American car. That's because we see parts and components moving across the border numerous times before the vehicle reaches final assembly.

For any agreement, given the way the supply chain is designed, it's important that we have common rules of origin so we can be more efficient as a North American bloc. If we go down the road of separate bilaterals, anything is possible, of course, but that just means higher costs for manufacturers, which ultimately translate to higher vehicle costs for consumers. That's not good for anybody.

[Translation]

Gabriel Ste-Marie: Thank you.

Here, all political parties, as well as the government, are calling for the restoration of free trade with the United States and Mexico, as it was under NAFTA and CUSMA.

Your counterpart organization, the U.S. vehicle manufacturers' association, also wants to see a sound free-trade agreement reinstated and enforced. Is that correct?

[English]

Brian Kingston: Yes, that's correct.

Our counterpart association was actually just in Ottawa last week. It's been making the case to the administration that we need the USMCA renewed and need tariff relief, because it sees the benefit that Canada and Mexico provide to the U.S. manufacturing base.

There's pretty much perfect alignment in the industry around U.S. tariffs and the importance of the USMCA.

• (1155)

[Translation]

Gabriel Ste-Marie: Yes.

You're telling us that your counterpart organization in the United States is pressuring the U.S. government to reach a free trade agreement and lift all its tariffs. What feedback are you getting from them? Are they optimistic?

Will the U.S. government be willing to negotiate a new agreement this summer and remove its tariffs, or is that less likely?

Is the U.S. association currently considering taking legal action against the U.S. government for breaching the agreement by imposing tariffs on your industry?

[English]

Brian Kingston: There is definitely a sense of optimism, probably more with respect to the Canada-U.S. relationship than the U.S.-Mexico one. That's really for the reason I pointed out at the outset. If you accept the U.S. administration's world view that trade deficits are bad and that everything must be done to avoid trade deficits, Canada, then, is part of the solution, not the problem, because we are the only jurisdiction that they have an automotive trade surplus with. That is encouraging.

With respect to a legal challenge, it's highly unlikely with section 232 tariffs. Those are tariffs that are put in place after an investigation has taken place to indicate that this sector is of national importance to the U.S. I think it's unlikely that you'll see legal challenges on section 232 tariffs, but I would defer to a lawyer, who would have better advice on that.

The Chair: Thank you very much.

[Translation]

Gabriel Ste-Marie: Thank you very much.

[English]

The Chair: We'll move on to Mr. Groleau for five minutes, please.

[Translation]

Jason Groleau (Beauce, CPC): Good morning, Madam Chair. It's nice to see you today.

Ms. Noble, predictability is a priority for businesses, as one of my committee colleagues often says. On this we agree.

You mentioned that it's very important to renew the agreement on a long-term basis, for a period of 16 years. How would that be beneficial?

If it were renewed annually instead, how would that be detrimental?

[English]

Brian Kingston: If you end up in a scenario where it's being reviewed every year, what you ultimately end up with is a situation where your negotiating partner—in this case, it would be the Americans—could have a new list of demands on an annual basis that it would like to see Canada address. Now, Canada could do the same, but there's a power balance issue here that we have.

If we have to go through that every single year, it makes it really difficult for any business that's deploying...in the instance of autos, we're talking about tens of billions of dollars in capital. If you don't have certainty around what the rules are going to be next year, it's very hard to make those investment decisions.

[Translation]

Jason Groleau: Ms. Noble, what do you think?

[English]

Cathy Jo Noble: Yes, it comes down to predictability, being able to purchase cattle for that feedlot while knowing that you have a market at the end, and not constantly questioning your investment in your business because you're not sure what will be at the other end with regard to a market.

These are large feedlots. In Alberta, where 70% of the feedlots exist, we're speaking about 40,000 animals on one feedlot. It's a very significant investment they're making—a multi-million-dollar investment—and they can't do it if they don't have the predictability of a market at the end.

[Translation]

Jason Groleau: Ms. Noble, in your opening remarks, you mentioned the negotiation of other agreements, particularly with Mercosur. In your view, an agreement with Mercosur would be extremely detrimental to the market and to renegotiating CUSMA with the Americans.

Could you please elaborate on that?

[English]

Cathy Jo Noble: Sure. Certainly, when we speak to our U.S. counterparts, we understand that they are watching what we're doing in markets—whether that is with China or Mercosur.

Mercosur does not have the same standards with regard to labour, animal care and phytosanitary regulations. When you don't have the same standards, you can produce beef more cheaply. You're going to bring in a low-quality, low-cost beef, and that displaces the Canadian market. However, because we're so integrated, that displaces the U.S. market as well. If you're depressing beef and cattle prices in Canada, then we're going to sell it for less in the U.S. market, and then they're not getting the same benefit as well.

Also, when it comes to disease, Mexico, the U.S. and Canada are very integrated. We're seeing that now with the current challenges

with screw worm. When you're bringing in product from a country that doesn't have the same standards for disease or the same reporting standards, that's going to be watched by the U.S. It's just a black mark that's not going to help the CUSMA negotiations.

• (1200)

[Translation]

Jason Groleau: If you had a message for the government, what would your top three priorities be? What are some easily achievable outcomes the government could secure in the next agreement?

[English]

Cathy Jo Noble: Our top priorities are to renew it, to get predictability in place again and to move forward.

There are regulatory challenges and misalignments at the border, or in the transportation of the animals. Those are not, for us, a reason to open up CUSMA or delay CUSMA. We want to see it renewed as quickly as possible for as long as possible. We'll continue to work through initiatives like the Regulatory Cooperation Council to address those challenges.

[Translation]

Jason Groleau: Thank you.

I have one last question for you, Mr. Kingston. You said you're very concerned about the agreement to allow 49,000 Chinese electric cars to enter the Canadian market.

In your opinion, is this just the tip of the iceberg? Could this threaten our national security?

Do you think the government should cancel this agreement?

[English]

Brian Kingston: Absolutely. I believe the government should cancel the agreement. It is a threat to national security. There is no world in which this is contained at 49,000 vehicles. It's set to grow by 6.5% every year. Just look at the way China engages in trade relations with other countries. We have opened the door. It will now leverage that at every opportunity to gain more access.

The agreement on canola, for example, is time-limited. What do you think China is going to ask for when Canada says that it would like to extend this? It's going to want more access to our automotive market. Just look at what's happened in Europe. Europe was naive, I would say, about what China meant to its automotive market. It opened the door, and the European automotive industry is under pressure like we've never seen before, losing tens of thousands of jobs as Chinese manufacturers take more and more market share.

This is extremely dangerous and obviously has security risks.

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

We'll go on to Mr. Ehsassi.

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

Thank you to our two witnesses, Mr. Kingston and Ms. Noble. Your testimony has been very helpful.

I will start off with Mr. Kingston.

You often talk about how integrated the North American auto industry is. Would it be fair to say that this integration has enhanced the competitiveness of North America-manufactured cars vis-à-vis those from Europe and China?

Brian Kingston: For sure, the fact that manufacturers can build in Canada, the U.S. or Mexico, use parts and components from those other markets and then sell into the largest auto trade bloc in the world has made them far more competitive. If you pull that apart, you'll see the predictable result, which is less production.

Hon. Ali Ehsassi: Absolutely.

Would you mind spending a minute on the competitive advantage Canada has and how it makes the North American industry more competitive?

Brian Kingston: Our main advantage has been access to the U.S. market. If you look at why other manufacturers came to Canada, it was because they could build here, service Canada—a “two million vehicles a year” market—and send most of their production to the U.S., which purchases about 16 million.

Hon. Ali Ehsassi: I meant among the three jurisdictions in North America.

Brian Kingston: That is number one. U.S. access is the main reason we are competitive.

We have advantages in other areas, though. We talk about the Canadian labour force being highly educated, highly skilled and highly punctual. There are many benefits to having a Canada-based manufacturing facility. Compare that to Mexico. They have a labour-cost advantage, but it's not the same workforce quality we have here in Canada.

The one other area of advantage—which we haven't realized, but I believe there's potential for it if EV adoption finally increases—is that we happen to have all the critical minerals necessary for batteries. Right now, the world is totally dependent on China. That can't continue. Companies and countries are trying to reduce dependence on China, and Canada is where a lot of that activity should be taking place.

Hon. Ali Ehsassi: Thank you.

The next issue is section 232 tariffs.

First of all, why don't you tell us how much has been collected in tariffs from the big three?

• (1205)

Brian Kingston: I have the total amount for the five in Canada.

It's over \$5 billion Canadian through 2025. It's not broken down by company, because it's based on U.S. CBP data.

Hon. Ali Ehsassi: You don't have data for the States as well.

Brian Kingston: The U.S. has collected about \$34 billion U.S. on all manufacturers. That's based on quarterly reports from the companies themselves.

Hon. Ali Ehsassi: Would it be fair to say, because I have heard some experts say this, that prior to 232 tariffs, North America was the second most competitive area to manufacture cars after, I presume, China, and now, out of the three, which are China, Europe and North America, it's the least competitive of the three because of these tariffs?

Brian Kingston: Absolutely, yes. The cost of manufacturing in North America has gone up significantly. I talk a lot about the 232s on auto, but the Americans have also put tariffs on aluminum and steel. Aluminum happens to be, in particular, a very key input into the automotive supply chain, so North America is now significantly less competitive.

Hon. Ali Ehsassi: Okay. You provided some numbers. Chinese production is up 10%. North America is down 2%. What is Europe down in the last year?

Brian Kingston: I don't have that data. I can get it for you, but off the top of my head I'm not sure.

Hon. Ali Ehsassi: In terms of data, could you tell us how much more expensive these tariffs have made the average car produced in North America?

Brian Kingston: The estimates vary from about \$5,000 U.S. to a maximum \$12,000 U.S. for a vehicle. It's significant.

Hon. Ali Ehsassi: It's very significant. Understood.

As you know, there's a lot of discussion about rules of origin and changing those. These are reports that we see in different publications.

What would you say about that? First of all, do you think, insofar as the auto sector is concerned, that these rules of origin changes would be best discussed between the three North American partners?

Brian Kingston: Absolutely. The current rules of origin are trilateral, so any changes need to be trilateral, as well, but I do caution against any changes to the rules of origin. This is a new agreement. CUSMA is only six years old, and it has some of the most advanced rules of origin that we've ever negotiated. Auto manufacturers took years to change their supply chain to come into compliance with the 75% North American content rule. To do this now and to require even more North American content or U.S.-specific content is just more cost and ultimately means that we're less competitive as a jurisdiction, so I caution against it but realize we may have no choice.

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

Mr. Ste-Marie, you have two and a half minutes, please.

[*Translation*]

Gabriel Ste-Marie: Thank you, Madam Chair.

Mr. Kingston, you pointed out that electric vehicles contain many aluminum components. Because of tariffs, Quebec's aluminum exports are currently heading to Europe rather than to the United States. If I'm not mistaken, most of the United States' aluminum imports currently come from the Middle East, and several barges are reportedly being held up in the Strait of Hormuz, which could ultimately lead to an aluminum shortage in the United States.

Have you heard anything about this?

Are problems with manufacturing aluminum parts for automotive components currently having an impact on the United States?

Could there be a shortage in a few months if the conflict in Iran isn't resolved and the Strait of Hormuz remains closed, or is this not an issue for you at the moment?

[*English*]

Brian Kingston: There already have been shortages, and there's a risk of further shortages. There was also a fire at an aluminum facility in the United States, which did have an impact on the automotive supply chain. I think there is a recognition of the challenges here. Frankly, the Americans can't build more smelting capacity. The reason we have such a competitive sector here in Canada is that in Quebec you have hydroelectricity, which has created this phenomenal aluminum production ecosystem. There's no world in which the Americans build capacity. Most of their electricity is going to data centres right now, not aluminum smelters. They need Canada, and I think there's a recognition of that.

[*Translation*]

Gabriel Ste-Marie: Thank you.

You also talked about how critical, rare and strategic minerals give us a strategic advantage.

For the North American auto industry, is that advantage largely in connection with electric vehicles, or also with conventional vehicles?

• (1210)

[*English*]

Brian Kingston: It's largely for electric vehicles, simply because the critical minerals are mostly being used in the development of next-generation EV batteries. We do happen to have every single mineral that goes into the battery chemistries that are being used right now. The majority of that currently is being supplied, one way or another, by China. If it's not produced in China, it's processed in China. This strikes me as a significant opportunity for Canada if we can rapidly approve mining and build some processing capacity.

The Chair: Thank you very much.

We have nine minutes until we vote, and we have two speakers, Mr. Chambers and Ms. Acan, remaining for this round.

Adam Chambers: I'll keep under time for her.

The Chair: Okay.

Adam Chambers: Do you want to split it between the two of us?

The Chair: Yes. We'll do three minutes for you and three minutes for Ms. Acan, and then we will suspend for the vote.

Adam Chambers: Sure. Thank you.

Ms. Noble, very quickly, I noticed that the last times CFIA completed inspections for Argentina and Brazil were 2013 and 2017, respectively.

In your estimation, if there is a deal with Mercosur, do you have an expectation that those inspections would be updated?

Cathy Jo Noble: We would hope so. One of our main concerns is the disease reporting and the delay in it that comes out of some of the Mercosur countries, as well as the phytosanitary standards that are being met or not met, so the answer is yes.

Adam Chambers: Thank you very much.

Mr. Kingston, in your opening statement, you suggested that the U.S. has a trade surplus in automobiles with Canada. Is that correct?

Brian Kingston: Yes, that's correct.

Adam Chambers: You also mentioned that CUSMA is a new agreement, but from the U.S.'s perspective, if they have a trade surplus in automobiles, is there not an argument to be made that their arrangement is working for them?

Brian Kingston: Absolutely. Since this was implemented, they've run, on average, a \$2.7-billion surplus with Canada; it is the only country in the world that the Americans run an auto surplus with, so this agreement is working for Canada and for America.

Adam Chambers: We're told that the President personally focuses on the trade surplus and deficits, almost to the exclusion of any other fact.

Brian Kingston: That's correct.

Adam Chambers: It seems bizarre to me that automobiles, as an irritant or a trade issue, have not been talked about with the Americans at any formal table. Does that concern you as someone in the industry?

Brian Kingston: Absolutely. We are part of the solution to what the U.S. is trying to achieve through these tariffs and the renewal of USMCA. We are not the problem, so this should be discussed, and there is a clear agreement to be negotiated.

Adam Chambers: Finally, there was sobering testimony about the Trojan horse of China. I'll use that term, "Trojan horse", regarding the long-term implications. Also, there is no real business case for sending vehicles from Canada efficiently throughout the rest of the world. Does that sound right to you?

Brian Kingston: There's no business case whatsoever. Just look at some of the trade barriers that manufacturers in North America face in Japan, Europe, Korea and China. We do not have free access to those markets for automotive. Why would we give it up for nothing here in Canada?

Adam Chambers: Thank you very much.

The Chair: Thank you very much.

Ms. Acan, go ahead for three minutes, please.

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

Mr. Kingston, thanks for joining us today.

The Alliance for Automotive Innovation is the leading trade association representing vehicle manufacturers in the United States, including Ford, General Motors and Stellantis, and those three companies are your clients too.

How closely is your organization coordinating with AAI heading into the CUSMA review, and where do the Canadian and American industries' interests converge?

Brian Kingston: I'm happy to say that we collaborate very closely. There are weekly calls between the North American automotive industry associations on priorities with respect to the trade environment, and where we all see eye to eye is on the fact that the tariffs are costly and damaging, and that USMCA is fundamental to the success of the auto industry.

Sima Acan: You are pretty much saying that they feel the same way about the issues as we are feeling. Do you see their interests aligning with ours completely?

• (1215)

Brian Kingston: Yes, I see very close alignment between what the American associations are asking for and what we are saying.

Sima Acan: Thank you so much.

The government has been advancing a domestic automotive strategy alongside the CUSMA file, and you and I were at the announcement back in February. Your official statement that day welcomed the government's automotive strategy, which was announced that day.

What elements of that strategy are most meaningful to your members in terms of long-term competitiveness?

Brian Kingston: First and foremost is repealing EVAS. The EV mandate had been a long-standing irritant, so the fact that the strategy confirmed that it would be repealed was very important, as was reintroducing consumer-facing supports for electrification. The previous EV incentive had been dropped almost overnight in 2024, and that resulted in a significant decline. If we want higher EV adoption, we have to incentivize it, and we're already seeing that in the data.

Sima Acan: Thank you so much.

This is my last question.

At a CUSMA round table held in my riding, Ford raised its nickel processing investment in Indonesia, where the Indonesian government conditioned access to its resources on processing remain-

ing in the country. Canada has world-class nickel reserves and an abundance of resources, including cobalt and lithium, but has not applied the same type of approach to the industrial policy lever.

Do you think Canada could pursue a similar approach, and what would that unlock for automotive investments here at home?

The Chair: I have to ask for a brief answer.

Brian Kingston: First and foremost, we just have to approve mining projects. We have the ability to be a powerhouse in terms of global mineral production, but we need to approve projects and build the infrastructure to get them to market, and then I think we'll be well positioned.

The Chair: Thank you very much.

Thank you to our witnesses for your patience with us today and for your valuable information. I'll suspend until the vote is finished.

• (1215)

(Pause)

• (1235)

The Chair: Welcome back.

We have three witnesses with us today to continue the study of Canada's trade with Japan.

From the Business Council of Canada, we have Trevor Kennedy, vice-president, Asia-Pacific, by video conference.

We're glad you were able to make it to the committee this time, Mr. Kennedy.

From the Canadian Canola Growers Association, we have Rick White, president and chief executive officer.

From the Pacific Manufacturing Association of Canada, we welcome Brendan Sweeney, president and chief executive officer, also by video conference.

I need to remind witnesses that committee members may ask questions in either French or English. If you need interpretation, please take a moment to familiarize yourself with the earpiece and select the listening channel in order to take full advantage of your allotted time.

I have suggested to the committee that we will go until 1:15 p.m., given the interruption of the votes. If that's all right with everybody, we will proceed.

Mr. Kennedy, I give you the floor for up to five minutes, please.

• (1240)

Trevor Kennedy (Vice President, Asia-Pacific, Business Council of Canada): Madam Chair and committee members, thank you for the invitation to take part in your meeting on Canada's trade with Japan.

The Business Council of Canada is composed of 175 chief executives and entrepreneurs of Canada's leading enterprises.

The Chair: Mr. Kennedy, give us one second, please.

I need to confirm that we have unanimous consent from the committee to start.

Some hon. members: Agreed.

The Chair: We do. Thank you very much.

I apologize, Mr. Kennedy. Please continue.

Trevor Kennedy: No problem. Thank you.

While it would have been an honour to speak to the committee in person today, it's also fitting to participate from the Business Council of Canada's first regional office for the Asia-Pacific region, based in Tokyo. Canada and Japan share a long and prosperous economic relationship, with significant two-way trade volumes and with Japan serving as one of the largest investors in Canada. While the economic relationship has been strong for decades, in recent years Canada and Japan have become strategic partners, and with this change we have seen several new areas of opportunity emerge for the business community.

Japan is a major market for Canadian wood and lumber, canola, fertilizers, minerals, pork, seafood and other products. These continue to be lucrative for Canadian exporters, but there are new opportunities to grow as well. Following decades of stable energy demand, under the 2025 strategic energy plan the Japanese government revised demand forecasts upward due to growing needs from data centres and due to re-industrialization.

Japan is prioritizing diverse and stable suppliers, and Canada is well positioned to benefit. Canada has already demonstrated it can be a major exporter in the form of liquefied petroleum gas, or LPG. AltaGas is now responsible for 25% of Japan's total LPG imports. Following the completion of LNG Canada last year, Canada started exporting gas to Japan, one of the largest buyers in the world, and Japan is also rapidly reintroducing nuclear power to its mix. The resumption of activity in this sector could provide Canada with opportunities for uranium exports, engineering and the adoption of new technologies.

Service providers are an important part of the relationship as well. There were over 688,000 arrivals from Canada last year, a significant flow of travellers enabled by the growing number of flight options provided by Air Canada and WestJet. Other leading service providers with a large presence in the market include Manulife and OpenText, and many large Canadian banks have a presence or are expanding in Tokyo.

While this meeting is focused on trade, it's important to acknowledge the significant role that investment plays in the relationship. Japan is a leading investor in Canada, with a long history of creating well-paying jobs in the manufacturing, energy and mining and technology sectors. This should continue as corporate Japan prioritizes overseas investment and strengthening regional supply chains.

At the same time, Japan has become a more attractive and lucrative destination for Canadian institutional investors. There's been a noticeable uptick in activity on the ground among pension funds and other investors.

The clear priority for the Japanese government and the business community is economic security. In recent years, Japan has become vulnerable to supply chain shocks caused by natural disasters, pandemics and geopolitics. Japan sees Canada as a potential solution to many of its problems. However, in repeated cases, while there was an interest, the risk and uncertainty presented by Canada have forced Japan to look to other global opportunities.

For instance, following Russia's illegal invasion of Ukraine in 2022, Japan asked Canada to help reduce its reliance on Russian oil and gas, and it's true that since that time, Canada has completed the Trans Mountain pipeline expansion and LNG Canada, but these projects were already under construction, and no meaningful measures were taken at the time to expedite developments that would have led to additional exports.

Moving to the present, disruptions caused by the conflict in the Middle East could be an even greater challenge for Japan. It's determined to solve this problem and has so far focused efforts on working more closely with the United States, Brazil and Mexico, among others. Canada should be part of the solution as well. Similarly, Japan hopes to develop a secure supply chain for critical minerals, with Canada being an ideal partner if we can move at the pace that's needed.

Japan's working to diversify its defence partnerships and reduce its reliance on a handful of equipment providers. It's also increasing its defence spending and opening this sector to export and partnership. Japan could be a partner for Canada as it works to strengthen its defence industrial base, and Canada has solutions it could provide to enhance Japanese security, including in cybersecurity.

It may seem unusual to discuss CUSMA in a session focused on trade with Japan. However, Japanese businesses with a presence in Canada are present in part because of its proximity and connectivity to the North American economy. As Japan's Ambassador Yamanouchi recently explained to Canadians, uncertainty around the future of our agreement is a growing concern for Japanese businesses. It's critical that Canada secures this framework and that it continues to provide Canada with competitive access to the United States and Mexico.

While there's room for improvement, it's clear that our relationship has never been stronger, and this extends to the business community as well. After decades of collaboration, the Business Council of Canada and Keidanren, Japan's leading business association, formed a strategic partnership late last year. We look forward to building on this partnership later this month during the upcoming team Canada trade mission.

Thank you for this opportunity. I look forward to answering your questions.

- (1245)

The Chair: Thank you very much.

Mr. White, go ahead for up to five minutes, please.

Rick White (President and Chief Executive Officer, Canadian Canola Growers Association): Thank you very much for the invitation to appear before this committee.

My name is Rick White, and I'm the president and CEO of the Canadian Canola Growers Association, based in Winnipeg. CCGA is a national association for Canada's 40,000 canola farmers, representing them on issues, policies and programs that impact their farms' success.

Developed in Canada, canola is a staple of Canadian agriculture and our commitment to science and innovation. Canola is a strong economic contributor to family farms and to our rural communities. In 2025, canola continued to be the number one source of crop revenue for farmers, earning \$12.1 billion and accounting for 24% of the total crop receipts.

Canadian canola exports were valued at \$12.6 billion in 2025, with over 80% of the crop being exported as seed, oil and meal. Annually, the canola sector contributes \$43.7 billion to the Canadian economy through direct, indirect and induced economic activity, and it provides for 200,000 jobs in Canada.

Japan is consistently a top-five importer of canola seed and a market that was valued at \$1.3 billion in 2025—an increase from \$720 million in 2024. While it is primarily a seed market, small volumes of canola oil also go to Japan. Canadian canola products trade tariff-free with Japan through the Comprehensive and Progressive Trans-Pacific Partnership, or CPTPP, representing 10% of canola export value in 2025.

I've had the privilege of witnessing, first-hand, the tremendous value of the 50-year partnership with the Japanese canola processing industry that Canadian farmers, seed exporters and our respective governments have created. Since 1976, Canada and Japan have come together twice annually for what we call the Canada-Japan canola consultations and preconsultations to share information on the canola crop, supply and demand, canola quality, sustainability, transportation and other topics. Areas of concern can be tabled and discussed on both sides, so issues can find resolution instead of creating tension. This dynamic of open communication is a special one and unique among canola trading partners, making it our longest-running ongoing bilateral canola trading relationship.

To underscore just how important the Japan market is to our farmers, I also serve as the Canadian co-chair to the Japan-Canada Chambers Council, or JCCC. It's a business forum that strengthens

trade and economic ties between Canada and Japan. In this role, I help to advance discussions on trade, supply chains and food security while representing the interests of Canadian agriculture.

Our farmers' ability to continue to increase yield over this long history has made it possible to expand our markets for the crop while continuing to supply Japan with its needs. In this current market dynamic, where trading relationships and free trade agreements can be swiftly put in jeopardy, it's very apparent to me that Canadian farmers see the value in the relationship that's been built and in the importance of consistent, reliable trading partners.

The Japan market is a relatively stable and consistent market for Canadian canola, and it's one that farmers do not take for granted. Canadian canola has experienced unprecedented trade disruptions in the past two years. The importance of a strong trade agreement through the CPTPP and an annual dialogue with Japan have helped to shape the strong trading relationship we see with them today.

I'd like to thank this committee for taking the time to discuss and hear about this important trading relationship. We look forward to a prosperous trading future for canola between Japan and Canada.

Thank you.

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

We will go on to Mr. Sweeney, please, for five minutes.

Brendan Sweeney (President and Chief Executive Officer, Pacific Manufacturing Association of Canada): Good afternoon. Thank you for inviting me to contribute to this important meeting on Canada-Japan trade.

My name is Brendan Sweeney, and I'm the president and CEO of the Pacific Manufacturing Association of Canada, or PMAC. PMAC's members include Honda and Toyota, two Japan-based companies that have assembled vehicles in Canada for four decades.

Honda and Toyota have made significant investments in Canada over those four decades and, as a result, make significant contributions to Canada's economy and its manufacturing sector. In 2025, Honda and Toyota assembled 77% of all vehicles made in Canada across five manufacturing facilities. They employed 60% of all active vehicle assembly plant workers. Neither company has laid off assembly plant employees in more than four decades.

PMAC members operate alongside a Canadian network of more than 40 tier one automotive parts manufacturers owned by Japan-based companies. These suppliers employ more than 20,000 people in Canada, or about 30% of Canada's active automotive parts manufacturing workforce.

A large majority of the vehicles made by PMAC members are exported to the United States. That number ranges from 75% to 85%, depending on the vehicle model. Virtually all of the remainder are sold in Canada. At the moment, there are no realistically viable export markets outside the United States for the vehicles made at PMAC members' Canadian assembly plants.

When it comes to the matter of exporting vehicles made in Canada by PMAC members, eliminating section 232 tariffs and the renewal of CUSMA, with reasonable regional value content requirements, are and should be the federal government's first priority. The vehicles that PMAC members make in Canada are composed primarily of parts and components manufactured in Canada and in the United States and, to a lesser degree, in Mexico. These vehicles are CUSMA-compliant, which means that 75% of their content originates in North America.

The vehicles manufactured by PMAC members in Canada also include certain components sourced from Japan. These are primarily electrical and electronic components that are not manufactured in North America. The ability to source those components from Japan reliably and efficiently is facilitated by the CPTPP. The total value of those components sourced from Japan—again, these are components that are not readily available in North America—is considerably less when compared to the total value of components sourced from Canada or the United States, but they're important. We can't get these parts in North America at the moment.

Free trade agreements such as CUSMA and the CPTPP support the competitiveness of PMAC members in Canada. This has led to a situation in which PMAC members assemble nearly three times as many vehicles in Canada as they sell in Canada. That is a substantial three-to-one production-to-sales ratio that has not been matched at any other time, even during the industry peak in the late 1990s. Free trade with Japan, free trade with the United States and free trade with Mexico are all vital to the competitiveness of PMAC members in Canada. Maintaining free trade and good relationships with Japan is not complicated. It's status quo.

If we want to improve those relations and maintain or even improve the competitiveness of the automotive industry in Canada, we should focus on maintaining them but also eliminating section 232 tariffs, renewing CUSMA for the long term and better aligning Canada's environmental policy with its manufacturing strategy.

Thank you.

• (1250)

The Chair: Thank you very much.

I'm going to reduce it down to five minutes so that we can try to give everybody—or at least some members—a chance.

Mr. Davidson, go ahead please, for five minutes.

Scot Davidson (New Tecumseth—Gwillimbury, CPC): Thank you, Madam Chair.

Thank you, Mr. Sweeney. I'm going to try to get in as many questions as I can.

The Liberal government announced the deal allowing 49,000 Chinese EVs into Canada while domestic manufacturers were left out of key consumer incentive programs, and I'm wondering when and how, to your knowledge, Honda Canada learned of this...arrangement, let's say, in the auto strategy.

• (1255)

Brendan Sweeney: I joined PMAC in late March of this year. That had been announced two months prior, so I'm not quite sure of the exact details of when Honda learned about that. I think it probably could have been communicated better, as far as I understand it.

Scot Davidson: It could have been communicated better. That's what I was wondering, and that's what I've heard. That's why I'm trying to nail down whether they learned about this, unfortunately, in the news, and weren't given a heads-up from this government, or if they learned about it in some other fashion.

This deal represents more than half of the EV market. What will the impact be on Canada's supply chains?

Brendan Sweeney: It's a bit early to say. We don't have the exact details on whether this is going to be 49,000 EVs from one company or if it is going to be spread out between a number of different companies. Are these EVs going to be coming from China-based companies like BYD, or from Volvo cars?

Scot Davidson: We do know the incentives are going to be for 49,000 Chinese EVs.

Why I say that.... I'm proud to have Honda in my riding. It's their 40th anniversary this year. Plants like Honda in Alliston produce world-class hybrid vehicles and employ thousands of Canadians, yet this Liberal auto strategy explicitly excludes hybrids from the consumer purchase incentives.

Why is this government actively undermining our Canadian auto workers and vehicles that are built here in Canada? Why would they be doing that?

Brendan Sweeney: The majority of vehicles that PMAC members manufacture today in Canada are hybrid electric, which have about a 25% to 30% reduction in greenhouse gas emissions. If there was a way for that to factor into the environmental policy, that would align it well with the industrial strategy, and—

Scot Davidson: I'm sorry, but I have limited time. As I understand it, Honda's had over 80 meetings with this current Liberal government. It has gotten nowhere in waiting for the GHG tailpipe emissions. These are all self-inflicted. The EV strategy was self-inflicted by this Liberal government. We're still dealing with these problems. They haven't repealed the EV mandates. This has created uncertainty in the marketplace. I'm just looking for you to expand on that.

We know that Quebec and B.C. have different emissions standards now from the rest of Canada. This government was elected on a promise to move at speeds Canadians have never seen before. That's how they were elected. This Prime Minister promised to deal with CUSMA a year ago. The classic words now around Ottawa are "still waiting".

I wonder if you could comment on that.

Brendan Sweeney: We would certainly appreciate some more clarity on where we're going with section 232, CUSMA and GHG emissions in the very near future. I think we expect to get some of it sooner rather than later, because that would really help our members that continue to manufacture vehicles, operate assembly plants at or near full capacity today, and have not laid anyone off.

Scot Davidson: Finally, how important is it for this government to secure a CUSMA deal in a timely fashion?

Brendan Sweeney: It's very important.

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

[Translation]

Linda Lapointe: Thank you very much, Madam Chair.

Mr. Kennedy, earlier you said that, with everything going on between Russia and Ukraine, the liquefied natural gas market in Japan is booming. Can you elaborate on that?

• (1300)

[English]

Trevor Kennedy: Thank you for the question.

It's honestly one of the greatest success stories that Canada has in this part of the world, and overall for exports. A leading Canadian company, AltaGas, has really successfully expanded into the region. I mentioned the exports to Japan, but it's also a market leader in Korea, and it's exploring other markets.

I had the pleasure of attending an event just last month. A new ship was launched here in Japan that will be used to ship Canadian LPG from the west coast of Canada to markets in Asia. We talk a lot about LNG, oil and other energy opportunities, but the LPG story is a fantastic opportunity. We've heard markets like India and others express an interest in Canadian LPG, so it's certainly something worth looking into. Canadians really should celebrate the success we've had in this part of the energy sector.

[Translation]

Linda Lapointe: Thank you.

Speaking of tourism, you said that 580,000 Canadians went to Japan, but fewer Japanese visitors come to Canada.

In your view, why are more Canadians visiting Japan now than before?

[English]

Trevor Kennedy: That's a great question. With my almost 20 years in the market, it's remarkable to see how many Canadians are travelling to this part of the world. I think it really underscores the appreciation Canadians have, and I think particularly younger Canadians have, for the Japanese market. By my count, there are something like 10 daily flights now between Canada and Japan, which is remarkable. A decade ago, there may have been two or three. It's a great success story.

There is a challenge right now with Japanese consumers. The yen is weaker than it has been historically. One Canadian dollar is equal to about 115 yen. It was the opposite 20 years ago. It's difficult to say what the currency will look like over time. Wages are increasing here for the first time after many decades. Whether that leads to Japanese consumers being able to travel around the world, I'm not sure, but I know there's certainly a great appreciation for Canada and a real interest. I do hope to see many more Japanese people visit Canada and reciprocate on this incredible people-to-people exchange that we've seen with tourism.

[Translation]

Linda Lapointe: Do you have any idea what percentage of Japan's gross domestic product comes from tourism?

[English]

Trevor Kennedy: Even though 688,000 is a really big number by most standards, Japan is now welcoming about 40 million tourists per year. We're not even in the top 10, to my knowledge, but we are one of the largest draws. North American tourism has become very important for Japan.

I would need to verify this data point, but I believe the tourism industry here is now more valuable than the value of auto exports to the world as a percentage of GDP. That's not to say that one is more valuable than the other. It's to illustrate the size of the tourism sector here. We are definitely an important market. Air Canada operates a lot of its regional operations from here, I think based on a lot of the success they've had from this market.

[Translation]

Linda Lapointe: Thank you.

Mr. White, we keep hearing about phytosanitary measures. Do you know if these measures are a problem for Canada-Japan relations?

[English]

Rick White: There are none at the present moment. I think there were some discussions from time to time during our preconsultations, but we got those things sorted out ahead of time and we let science prevail. There haven't been any, to my recollection, for quite some time.

[Translation]

Linda Lapointe: Thank you very much.

When we signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership a few years ago, in 2017 or 2018, did exports to Japan start going up?

Do you think we can increase our canola exports to Japan?

[English]

Rick White: It's a great question. Really, what CPTPP did was level the playing field between us and Australia, our main competitor, so that it didn't really have an impact. It allowed us to hold our own during that period of time.

Lately, however, over the last number of years, our Japanese market share has gone down, because we've had a weak crop or two in the last five years or so. In terms of expanding that market further, we have Australia competing with us. On the other hand, we also have the Japanese population declining and getting older. That's a long-term signal to us. I don't know if there's much opportunity to expand, because they just don't have the people to consume it.

• (1305)

The Chair: Thank you very much.

We'll move on to Mr. Ste-Marie for five minutes, please.

[Translation]

Gabriel Ste-Marie: Thank you, Madam Chair.

To the witnesses, I'm so grateful for your very informative presentations. Thank you for being here.

Mr. Sweeney, during the first hour of the meeting, we heard from Mr. Kingston of the Canadian Vehicle Manufacturers' Association. If I understood correctly, he told us that, because of the Trump administration's tariffs, it now costs more to build a vehicle in North America than to build and assemble it in Europe or Asia.

Is that happening in Japan as well?

[English]

Brendan Sweeney: Yes, the costs associated with building vehicles in North America and specifically in Canada have increased because of the tariffs, and it is not helpful for competitiveness.

[Translation]

Gabriel Ste-Marie: To what extent are the companies you represent integrated into assembly plants in Canada, the United States and Mexico?

[English]

Brendan Sweeney: I'm sorry, but could you repeat the question?

They are integrated, and particularly with the United States—

[Translation]

Gabriel Ste-Marie: What role does Mexico's integration play in your vehicle assembly and manufacturing operations?

[English]

Brendan Sweeney: It plays a major role. When I think about our members, substantial componentry, particularly propulsion systems, whether they are engines, transmissions or batteries, come from the United States. PMAC members are major customers of automotive parts produced in the United States. That's how they've organized supply chains. They did it in a way that we can be so competitive in Canada. At least, we were before the tariffs and hopefully will be after the tariffs. Without those levels of integration, we don't know if we will achieve those levels of efficiency, productivity and competitiveness.

[Translation]

Gabriel Ste-Marie: Thank you very much.

So, getting a new trade agreement is important. Furthermore, the U.S. government needs to obey the law and stop imposing tariffs in defiance of the current trade agreement, which says there shouldn't be any.

Can you elaborate on this and on the importance of having an agreement that includes not only Canada and the United States, but also Mexico?

[English]

Brendan Sweeney: Removing section 232 tariffs is vital to the competitiveness of this industry and, frankly, to the automotive industry in the United States, too. It would make sense to do that to improve everybody's competitiveness, especially as we have more engagement globally by companies that are non-market actors that are heavily state-subsidized. The best way to do that is to do it as an integrated North American industry.

For PMAC members, that's primarily integration with Canadian parts and components and U.S. parts and components to a lesser degree. For PMAC members in Canada, concerning Mexican parts and components, there is still some important parts componentry coming into Canada from Mexico, just less than there is coming from Canada or coming from the United States. That has a lot to do with proximity.

[Translation]

Gabriel Ste-Marie: Thank you, that's very clear.

I have just under a minute.

Canada has critical, rare and strategic minerals. How can that be a major advantage for the companies you represent, for transportation electrification and for North American factories?

[English]

Brendan Sweeney: I'm not as familiar with mining as I am with vehicle assembly, but there is a lot of opportunity there. They're not our members, but it's very public that there are a couple of large Japanese companies that are exploring partnerships with some very exciting and reputable Canadian companies to source critical minerals.

My sense is that might be a bit of a medium-term or longer-term play, considering how long it takes to bring mines online. It would be opportunities that we would welcome exploring down the road as we continue to manufacture vehicles in Canada and as a majority of those vehicles are electrified and require a larger battery, such as a hybrid vehicle does.

• (1310)

[Translation]

Gabriel Ste-Marie: Thank you very much.

[English]

The Chair: Thank you very much.

It's 1:12. We could do two minutes for Mr. McKenzie and two minutes for Mr. Fonseca, if the committee is okay with that.

Some hon. members: Agreed.

The Chair: All right.

You have two minutes, Mr. McKenzie.

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

Mr. Kennedy, I'm wondering if you believe that Japan would be a marketplace for additional exports of Canadian crude oil from our west coast.

Trevor Kennedy: At the moment, unfortunately, no. To my understanding, the refineries in the country are not equipped to use Canadian oil, the heavy oil that we produce, but that doesn't mean the door is closed. I do think there's certainly an interest. This conflict in the Middle East and the disruption it's causing in Japan's oil supply chain—about 90% of its crude oil comes from the Middle East—is forcing the government and the private sector to look at new options. Whether that leads to changes to the refineries and the capacity to bring on...I certainly think the interest is there, and it would help to have further capacity to supply the market and other markets in Asia.

David McKenzie: One option may be for further refining to take place in Canada before a product is exported to Japan that would be capable of going directly into its existing refinery network. An alternative would be to add front-end coking or cracking in Japan. Either of those could allow a supply to Japan from western Canada.

Trevor Kennedy: It's certainly worth a conversation with the government and the private sector.

David McKenzie: You noted AltaGas and indicated something that I echo as well: that it's an outstanding Canadian company that is very quietly, perhaps in the Canadian way, perhaps in the Japanese way, just getting things done. I know there's a new facility to come online, shipping out of Prince Rupert, if I'm correct.

Trevor Kennedy: That's my understanding. It will hopefully lead to further exports to Japan and other markets. It's a great opportunity for Canada.

David McKenzie: That liquefied petroleum gas is butane and propane.

Trevor Kennedy: That's my understanding.

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

Mr. Fonseca.

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

Thank you to our three witnesses for their advocacy for our business relations between Canada and Japan. It gives me the opportunity to highlight the great city of Mississauga. I represent a riding in Mississauga. Of the 250 largest Japanese companies here in Canada, over 100 are located in Mississauga. Why is that? It's because of the trust that was built between the city and Japan. We have a sister city, Kariya, Japan.

In listening to the witnesses, Madam Chair, what I heard about was trust, partnership and the ability to rely on a trusted partner. With the CPTPP as a foundation, Prime Minister Carney and Prime Minister Takaichi recently launched the Canada-Japan comprehensive strategic partnership. Within that partnership, now building on the CPTPP, where do you see the opportunities? Where do they lie in terms of our economic growth and also in terms of foreign direct investment like we've seen in the auto sector and other sectors by Japan?

I'll go to Mr. Kennedy, please, to shed some light on that.

Trevor Kennedy: Frankly, there are many areas of opportunity, but two really stand out in terms of mutual interest. One is the energy sector. Really, this covers all varieties of energy. There's a tremendous opportunity to collaborate. Some of that work is already taking place. Second, the brand new opportunity for Canada is in the defence space, and I know there'll be some focus on this on the upcoming team Canada mission. I think there's a real alignment between Canada and Japan around what we're trying to do domestically to build capacities and look for new partnerships. There's a tremendous opportunity to form those relationships and to see how we're working with others in aerospace, shipbuilding, cybersecurity, and so on and so forth. It's a really exciting area for growth, and it's hopefully an area where we can find ways to build new economic partnerships.

Peter Fonseca: Thank you.

I'll say thank you to Mr. Sweeney for the manufacturing. We do recognize just how important the Japanese manufacturers are, espe-

cially here in Ontario. It was the Ontario Liberal government that actually brought in Toyota and Honda and developed those industries in partnership with Japan, so that now 77% of vehicles that are manufactured in the province of Ontario are actually Japanese vehicles. They do a magnificent job. Why has that growth been there? It's because of the efficiency of those plants, the productivity and the workers who are there.

Thank you very much for never having laid off a worker in all of these decades of manufacturing in Ontario. We thank you for that. We'll be at the table advocating to have a stronger auto sector here in Canada, of course, with our partners, the United States and Mexico, through CUSMA. Thank you for that.

Mr. White, with regard to canola, where do you see the value added? Where is there still an opportunity? I understand that the population may be going down in Japan, but where are there value-added opportunities with regard to canola within Japan?

• (1315)

Rick White: They're stable. They're there. That's very, very important. However, we need to augment our port infrastructure, our railways and our labour. Service is a top priority, and that's one of our important customers. We need to keep them happy. They notice when we don't deliver on time. We need to be a reliable supplier.

The Chair: Thank you very much.

Thank you to our witnesses, and I apologize for the delay.

The meeting is adjourned.

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